galp energia

Energy on the move

Annual Report and Accounts 2014

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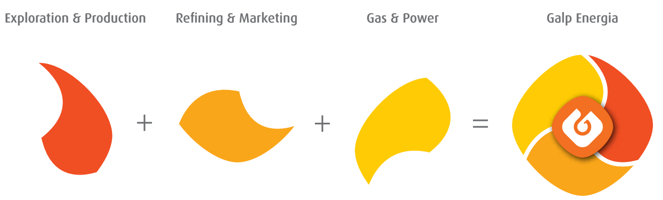
www.galpenergia.com

ENERGY ON THE MOVE

To evolve is to become adapted to the challenges of our surroundings, it is to adjust to new realities and to find ways to overcome our goals.

It is for this reason that we can today think of Galp Energia as a living organism, where concepts such as resilience, adaptation, adjustment, involvement and joint construction allow for continuous evolution.



Annual Report and Accounts 2014

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Galp Energia: energy on the move

Who we are

An integrated energy player focused on exploration and production, with a portfolio of assets that will lead to a unique growth within the industry.

Exploration and production activities anchored in three core countries: Brazil, Angola and Mozambique.

Significant presence in the downstream oil and gas businesses in the Iberian Peninsula and in Africa.

Iberian presence in the distribution and marketing of natural gas and electricity, with a growing LNG structured trading activity.

OUR VISION AND PURPOSE

- To be an integrated energy player recognised for its exploration and production activities, creating sustainable value for its shareholders.

OUR STRATEGY

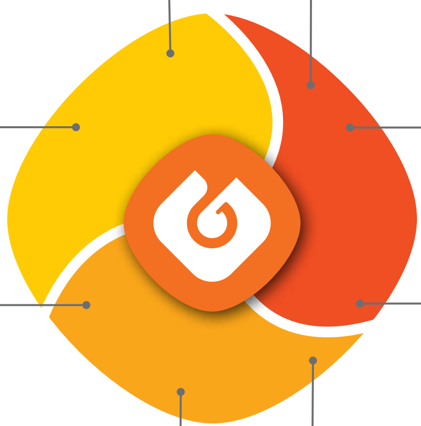
- To strengthen our exploration and production activities, complemented by an efficient and competitive downstream and gas business and supported by a solid financial capacity and sustainable practices.

OUR STRATEGIC DRIVERS

- Efficient business development.
- Financial discipline and value creation.
- Organisational efficiency.
- Differentiated human capital development.
- Commitment to sustainability.

OUR COMPETITIVE ADVANTAGES

- Successful and enduring partnerships with leading companies in the industry.
- Integrated skills and know-how of the business.
- Financial capacity and flexible organisation.
- Participation in some of the most promising projects worldwide.



14 countries where Galp Energia operates

6,855 employees

€373 m net profit RCA

7.5 bcm sales of natural gas

638 mmboe 2P reserves

1,672 mmboe 2C contingent resources

330 kbopd refining capacity

1,449 service stations

All figures throughout the report are for 2014 or end of 2014, as the case may be, and except otherwise indicated.
To learn more, visit http://www.galpenergia.com

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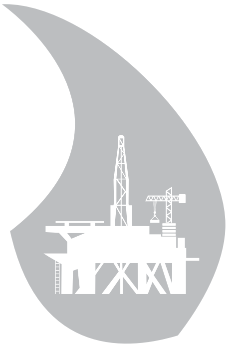
01 Galp Energia



c.50
portfolio
projects

EXPLORATION & PRODUCTION

Galp Energia is currently focused on the development of its exploration and production projects, particularly following the world-class discoveries in the pre-salt 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, anchors its activities on both of these countries as well as on Angola, although its diversified portfolio extends across eight countries with around 50 projects. Galp Energia is expected to deliver production growth which is unparalleled in the industry, based on discoveries already made.

9.3 mton
sales
to direct clients

REFINING & MARKETING

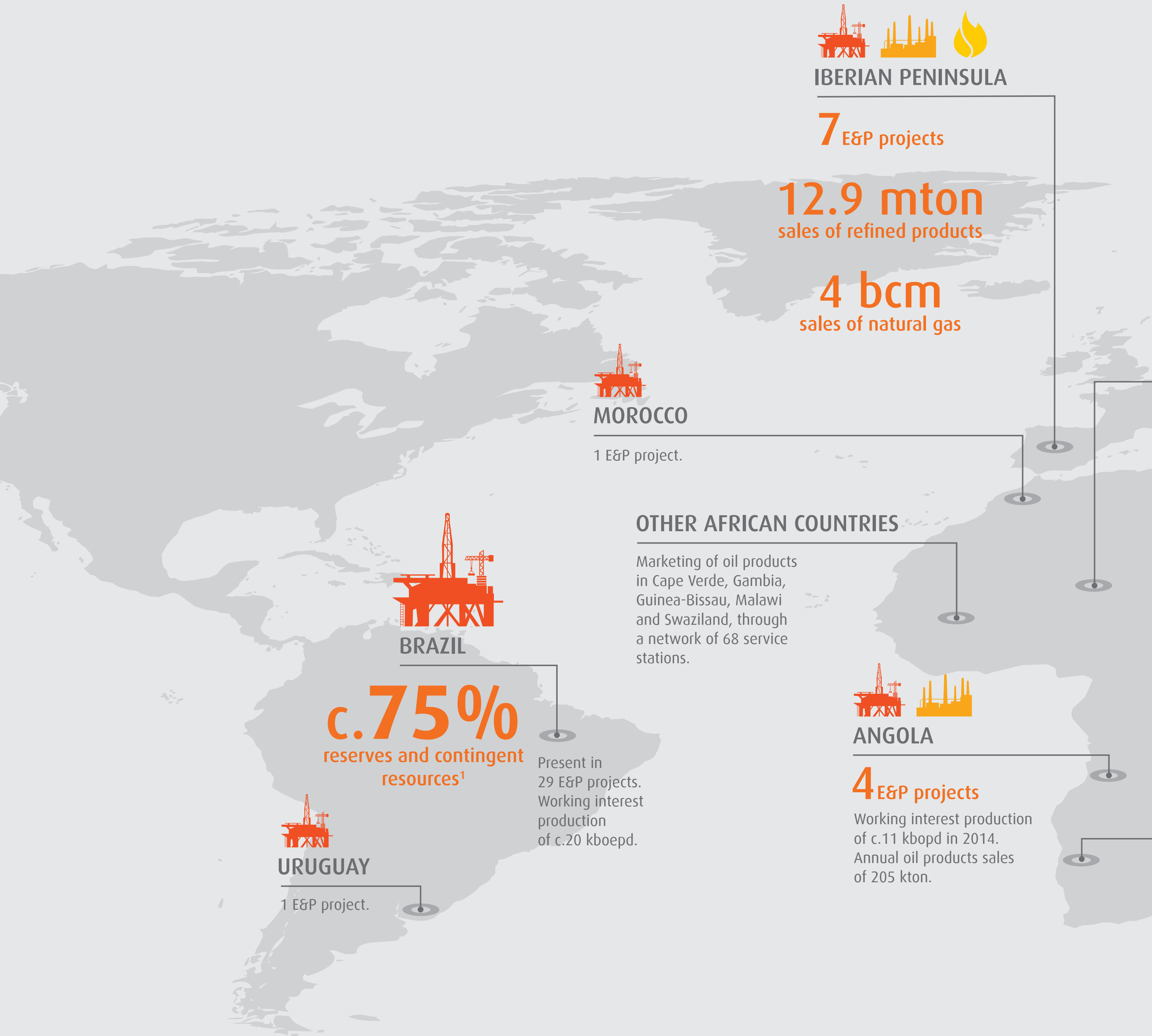
Galp Energia is an operator of reference in the Iberian Peninsula, integrating its refining, distribution and marketing of oil products activity in this region. The Company has an integrated refining system comprising two refineries in Portugal, with a processing capacity totalling 330 thousand barrels of oil per day (kbopd), together with a vast oil product distribution network in the Iberian Peninsula, including approximately 1,300 service stations. Although the Refining & Marketing (R&M) business is centred on the Iberian Peninsula, the Company continues to expand its sales of oil products in selected markets in Africa.

7.5 bcm
sales
of natural gas

GAS & POWER

Through its Gas & Power (G&P) business, Galp Energia distributes and supplies natural gas in the Iberian Peninsula as well as in the international market, where it has been consolidating its trading of liquefied natural gas (LNG). In the Iberian Peninsula, where it is the second-largest supplier of natural gas, the Company has also been consolidating its power business as an integrated operator. In fact, Galp Energia is now the only operator with a triple offer on the market, combining the supply of oil products, natural gas and electricity.

1.1 Galp Energia in the world

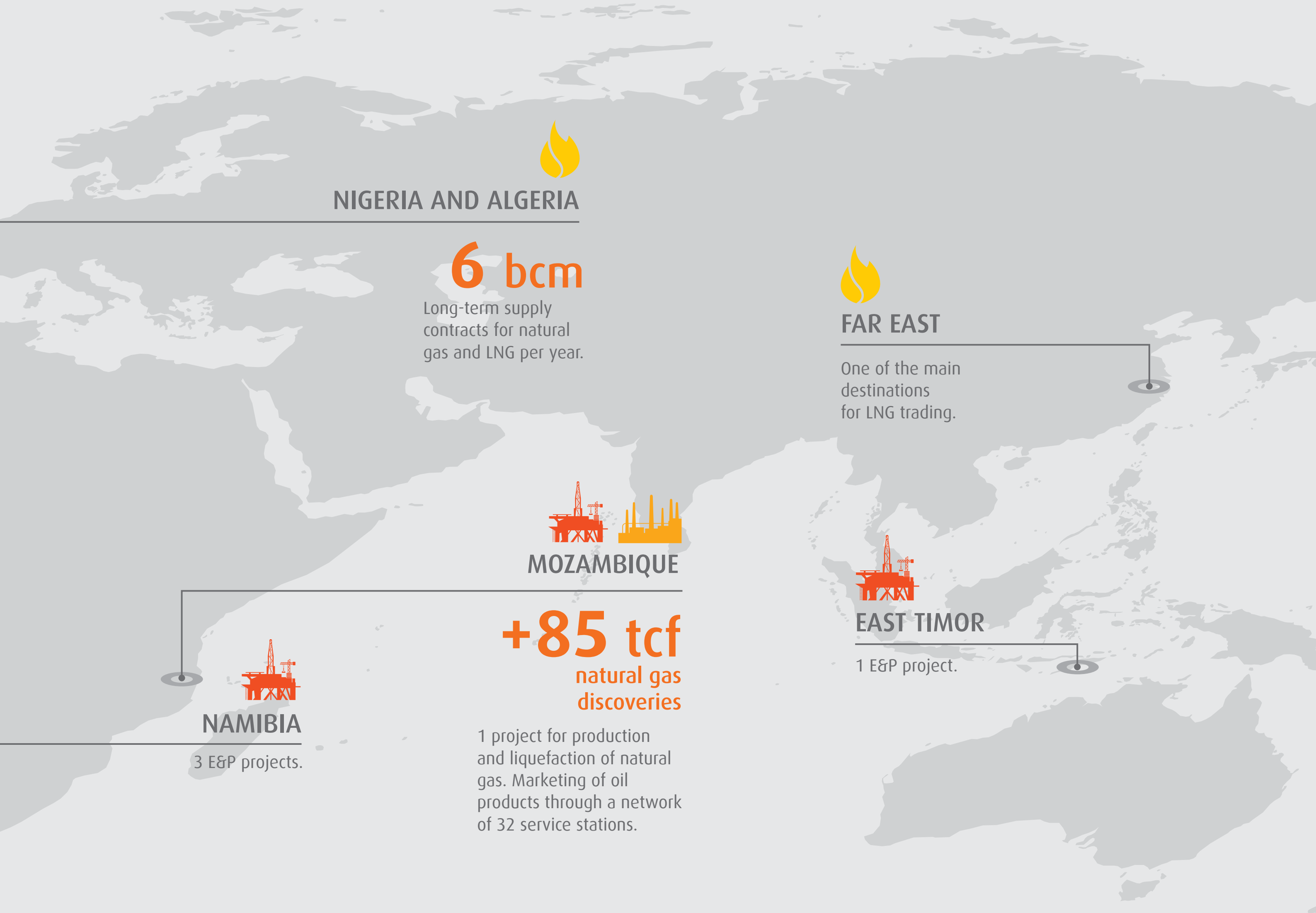


[1] Considers 2P reserves and 2C contingent resources.

Energy on the move

Galp Energia has been expanding its Exploration & Production portfolio, which currently includes around 50 projects. The Company is focused on the execution of its E&P development projects and is positioned to achieve unparalleled growth in the sector.

This growth will be supported by the contribution of the Refining & Marketing and Gas & Power businesses, whose activities are centred on the Iberian Peninsula, where the Company is a leading player.



Exploration & Production

Refining & Marketing

Gas & Power

1.2 Statement of the Board of Directors

STATEMENT BY THE CHAIRMAN

Américo Amorim
Chairman of Galp Energia

Dear shareholders,

2014, as well as the beginning of 2015, has been marked by significant changes in the oil and gas industry. If, on the one hand, the global demand for oil and natural gas has continued to increase, the price environment, on the other, was marked by extreme volatility, leading companies in the sector to increase their focus on the efficiency of operations, to better suit the new market dynamics. Greater efficiency should lead to an increase in the return on the capital invested.

It is under this new paradigm that Galp Energia will continue to execute its growth strategy.

The Company is committed to the efficient development of its business portfolio, and is particularly focused on the execution of its Exploration & Production development projects, namely in the Brazilian pre-salt and in the Rovuma basin in Mozambique. In fact, we believe that these projects will be Galp Energia's main drivers for growth over the next decade.

The Company also remains focused on maximising the profitability of its downstream and gas businesses, whose cash flow generation supports the outlined investment plan, and which is focused on the development of the Exploration & Production portfolio.

I would like to mention that we have achieved higher results in 2014 than in the previous year in the downstream and gas businesses, mainly supported by the recovery of European refining margins and by the increased business efficiency, as well as by the increase in LNG volumes traded in the international market. Nevertheless, the downstream business continues to present a lower return on capital employed than what the industry demands.

In order to execute its strategy, it is essential for Galp Energia to pursue a strict financial discipline policy, in order to maintain a solid capital structure.

In view of the challenges faced by the Company, and in order to ensure sustainable value creation in the long term, we are committed to the implementation of responsible policies, namely addressing the principles of ethics and of respect for human rights, and we are focused in the pursuit of adequate safety practices.

Galp Energia will continue to invest in its human capital, developing the skills of its employees for a successful execution of its strategy.

The Board of Directors will propose at the general shareholders meeting the payment of a dividend of €0.3456 per share related to the 2014 fiscal year. This reflects the dividend policy in place since 2012 and which envisages an annual increase of 20% on average, aiming to align shareholder remuneration with the growth of the Company's results.

Finally, I would like to thank all of those who believe in Galp Energia's value proposition and who contribute to its success. I would like to thank our shareholders, employees, customers and suppliers, partners and creditors, in particular, for their important contribution throughout 2014.

Américo Amorim
Chairman of Galp Energia's Board of Directors

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

Manuel Ferreira De Oliveira
CEO of Galp Energia

Dear stakeholders,

Our turnover in 2014 reached €17,904 m, corresponding to an Ebitda of €1,314 million (m), an increase of 15% compared to the previous year. Our three business segments that contributed to this Ebitda in similar proportions were: E&P with €444 m; R&M with €412 m; and G&P with €438 m, that is, 12%, 32% and 5% higher than 2013, respectively. Replacement cost adjusted (RCA) net profit reached €373 m, or 20% above 2013.

The results summarised above were achieved under an adverse economic environment, along with the abrupt drop in crude oil prices in the second half of the year and the refining margins reaching unsustainable values in the first half of the year. Merit should be given to the results presented which clearly demonstrate Galp Energia's progress towards a vertically integrated company, which has now been clearly demonstrated with this set of results.

Galp Energia has a unique portfolio of upstream assets and is present in some of the largest oil and natural gas discoveries of recent decades, particularly in the Brazilian pre-salt and in the Rovuma basin in Mozambique. Based on discoveries already made, we are therefore able to offer a unique growth profile to our shareholders in the coming years. In 2014, the Company's oil and natural gas production increased by 24%, reaching 30.5 kboepd on a working interest basis.

Our portfolio of reserves and resources has developed positively during the year. The maturation of different development projects has led to an increase of 18% of 3P reserves, to 833 mmboe. The 2P and 1P reserves portfolio was also reinforced, having reached 638 mmboe and 232 mmboe, respectively. At the end of the year, contingent resources were estimated at 3,496 mmboe on a 3C basis, or 1,672 mmboe on a 2C basis.

With regard to development and production activities, important milestones were reached in 2014 with the Lula/Iracema project in Brazil, the main driver for production growth in the coming years. FPSO Cidade de Paraty reached plateau production 15 months after starting operations, and the FPSO Cidade de Mangaratiba started production in October, in the Iracema South area, having now reached an average gross production of 65 kbopd with only two producer wells. This was the third permanent FPSO unit to enter into operation in the Lula/Iracema field, and only four years after the start of the production phase of the field. The fourth FPSO unit, intended for the Iracema North area, is due to start production in the fourth quarter of 2015, and conversion works for the fifth and sixth units continue to progress according to plan, in shipyards in China, so as to ensure they are delivered during the first half of 2016.

We have also proceeded with appraisal activities, particularly focusing on projects in the Brazilian pre-salt.

In block BM-S-11, namely in the Iara area, we have concluded the appraisal and pre-development works, which culminated in the submission of the Declaration of Commerciality of Iara. Together with our partners, we are currently working on the definition of the development plan.

In block BM-S-24, we advanced with the drilling of an appraisal well, and the first formation test of the block was carried out in the Bracuhy area to assess the potential productivity of this area of the reservoir, and which proved a heavy oil flow. In block BM-S-8 in the Brazilian pre-salt, we continued with the appraisal plan of the discovery, and concluded the first drilling phase of the Carcará Extension well. During 2015, intensive appraisal activities are expected in for these areas, with the drilling of appraisal wells and execution of formation tests, and which are crucial for the definition of the development plan of these discoveries.

In Mozambique, where we participate in one of the largest natural gas liquefaction projects, in Area 4 of the Rovuma basin, the exploration and appraisal campaign was concluded, and we continued to make significant efforts for the development of the project. Front-End Engineering Design (FEED) works are being developed for both the offshore Coral project and the onshore Mamba project. The Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) contracts are expected to be assigned during 2015 for the Coral offshore project, and until the end of 2015 or during 2016 in the case of the Mamba onshore project. With the award of these contracts, and once the LNG supply contracts are signed, the consortium will be able to go ahead with the final investment decision. It should be noted that during 2014 we have seen important efforts by the Mozambican government to accelerate the development of LNG projects in the region, particularly with the definition of the necessary legal framework for their progress.

With regard to the de-risking of the Company portfolio, albeit less intensively than in previous years, important activities were carried out, with particularly emphasis on the Potiguar basin, in Brazil, and on the Tarfaya Offshore area in Morocco. In Potiguar, we concluded the Pitú well, with results from the subsequent DST confirming good oil conditions in the reservoir. In Morocco, Galp Energia drilled the first offshore well as the operator, representing an important milestone in the Company's strategic execution. Although the TAO-1 well did not result in a commercial discovery, the operation took place with no material health, safety and environment issues. The Company has proved its operating capacity, and will continue to adapt its structure and to reinforce its skills in order to strengthen its position as an upstream operator in the long term.

As for the downstream and gas businesses that generate relevant cash flow for the execution of the investment plan, in 2014 efforts were focused on the consolidation and optimisation of activities in order to increase return on the capital invested.

In 2014, the R&M business presented a remarkable recovery compared to 2013. Despite the European excess refining capacity, refining margins, which recorded five-year lows during the first half of the year, reached record levels during the second half, having benefitted from the decrease in oil prices. The high flexibility and availability of Galp Energia's refining system has enabled the Company to capture the recovery of refining margins in the international market.

With regard to the marketing of oil products, we have implemented a new Iberian commercial structure, adapting the Company to the demands of a highly competitive market, and ensuring the position as a leading player in the Iberian Peninsula. In Africa, we continued with the consolidation effort and growth, aiming to take advantage of the expected growth in the region.

The performance of the G&P business was also extremely positive with a total of 7.5 bcm of natural gas and LNG sold. Contributing to this was the increase in volumes sourced in the spot market and which supported the strong increase in LNG volumes traded. Once again, we have proved Galp Energia's ability to identify and exploit opportunities at an international level, namely in Asia and in Latin America.

In 2014, I would like to highlight the launch of the tri-fuel offer, the Energia³ plan, a pioneer project in Europe, whereby Galp Energia offers the supply of fuel, natural gas and electricity, with a view to consolidate the Company's position in Iberian market, and in the retail segment in particular.

I must highlight that in order to guarantee the delivery of sustainable value to our stakeholders, our commitment to a solid capital structure is fundamental. Not only does Galp Energia have the funding to ensure the execution of the proposed strategic plan, it also has enough flexibility to ensure its sustainability under less favourable macro-economic environments. This year, we proceeded with the second issuance of debt in the capital market, under competitive conditions, confirming the Company's visibility on the international debt market. On the equity side, we have seen our free float increase to around 47%. The dispersion of our shareholders and the liquidity of our share both indicate a vote of confidence from the market with regard to the work carried out so far and, above all, with regard to what we are trying to achieve in the future.

For the success of its strategy, it is essential that the Company is equipped with the right skills to meet the challenges that it faces. For this purpose, Galp Energia has been optimising its structure and enhancing its range of skills.

Among the changes made, the redrawing of the organisational model of the Corporate Centre is worth highlighting. This model, following international best practices of the sector, now consists of three clusters of skills (Galp Corporate, Galp Solutions and Galp Tec), providing greater focus, efficiency and agility to corporate functions.

From the initiatives aiming to develop our human capital, I would highlight the launch by the ISPG of the Master's degree in Petroleum Engineering, in partnership with Heriot-Watt University, and the growth of Galp Energia Academy and its several training programmes. The Academy promotes the development of internal know-how and further proximity toward science and technology, thus enhancing the professional growth of our employees and improving their performance.

In 2014, I would also note the continuous effort in the development of sustainability policies, which was once again recognised, with the inclusion in the FTSE4Good Index, at the same time that the Company ensured its' maintenance in other benchmark indices, such as the Dow Jones Sustainability Index and the Carbon Disclosure Project, as well as our inclusion on the "Global 100 Most Sustainable Companies" list published by the Canadian NGO Corporate Knights.

With eyes set on the future, Galp Energia today is a moving company full of challenges and opportunities in the transformational projects we aim to develop. To achieve these goals will require the energy, commitment, talent and determination of the People who are part of Galp Energia.

Lastly, I would like to thank all of our employees, partners, suppliers and clients for their important contribution to the growth of our Organisation. I thank the contribution of the members of the Company's governing bodies in particular as well as to our investors and shareholders for the trust they have placed in us.

Manuel Ferreira De Oliveira
CEO of Galp Energia

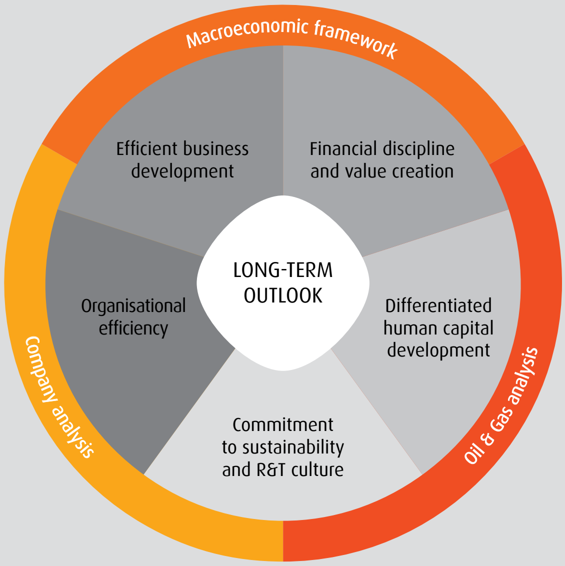
1.3 Strategy

Galp Energia aspires to become an integrated energy player recognised for its exploration and production activities, creating sustainable value for its shareholders. To this end, a clear strategy has been set out, focused on strengthening E&P activities, together with an efficient and competitive downstream and gas business supported by a solid financial capacity and sustainable practices. This strategy will allow the Company to contend with the dynamics of the Oil & Gas sector, namely the volatility and cyclical nature of the prices of oil, natural gas and refining margins, as well as to capitalise on the Company's assets and competitive advantages, and mitigate the main risks to which Galp Energia is exposed.

GALP ENERGIA'S STRATEGY

STRATEGY TO CREATE VALUE

An integrated energy player recognised for its exploration and production activities, creating sustainable value for its shareholders.



EFFICIENT BUSINESS DEVELOPMENT

Galp Energia intends to develop its E&P business in an organically sustainable manner through the selective execution of the most profitable projects.

EXPLORATION & PRODUCTION

As such, the Company aims to protect and extract more value from its current E&P portfolio of projects, namely in its world-class projects in the pre-salt Santos basin in Brazil and in Mozambique's Rovuma basin, reinforcing its position as an active partner in non-operated projects, and growing through a well-defined, disciplined and value-generating exploration activity. At the same time, the Company intends to develop its status as an operator and reinforce its proficiency in terms of technology, knowledge and experience, which are considered to be essential traits for more sustainable development and more control and success in its E&P business.

Main strategic goals of the E&P business:

1. **Execute projects on time and within budget,** protecting the value of sanctioned projects by focusing on project execution and selecting the best development solution.
2. **Extract value from sanctioned and pre-sanctioned projects** over their entire life cycle, accelerating the entry into production of resources and optimising existing assets, i.e. developing more resources than planned and with the utmost operational efficiency.
3. **Ensure internal know-how** and influence in the consortia by expanding the E&P team with the appropriate expertise, and developing its position as an active partner in non-operated projects.
4. **Reinforce exploration activity** following clear and rigorous criteria in terms of geographies to be analysed, capital allocation, maintenance of a relevant production level and the materiality of stakes, while adapting the Company's activity level to its growth profile.
5. **Reinforce expertise** as an E&P operator in order to increase control of its activity thereby increasing visibility and the ability to take part in new consortia as well.

REFINING & MARKETING

Galp Energia seeks to optimise its R&M business at a time of structural imbalance in the European refining sector and of lower demand in Iberian energy markets, with a view to increasing efficiency and maximising cash flow generation. It will be fundamental to align the production profile and volume with the profile and volumes of oil product sales, focusing more on energy efficiency as well as on the reinforcement of cost reduction and capital employed.

Main strategic goals of the R&M business:

1. **Integrate refining and marketing activities** by aligning the profile and volume of production with those of sales.
2. **Focus on energy efficiency** and process optimisation of the refining system focusing both on reductions in cost and in capital employed.
3. **Ensure the competitiveness** of operations for the marketing of oil products in the Iberian Peninsula.
4. **Increase sales in international markets,** namely by leveraging the expected growth in the African market.
5. **Maximise cash flow generation** and allocate it to the Company's expanding businesses.

GAS & POWER

Galp Energia aims to sustain its portfolio of sales in the G&P business by leveraging LNG sales in the international market and taking advantage of the favourable long-term outlook of demand for this source of energy. Achieving this goal will require a stable base for demand, while simultaneously ensuring a diversified, competitive and flexible sourcing of natural gas and LNG.

Main strategic goals of the G&P business:

1. **Guarantee a relevant base** for natural gas demand in the Iberian market, replacing consumption in the electrical sector and evaluating new markets for expansion.
2. **Ensure the long-term supply** of natural gas, accommodating the end of current supply contracts and building a diversified and flexible portfolio.
3. **Ensure the access to natural gas infrastructure** guaranteeing transport and storage capacity.
4. **Consolidate its LNG trading activity** in the international market by ensuring medium and long-term LNG sales contracts, exploring arbitrage opportunities in new markets.

FINANCIAL DISCIPLINE AND VALUE CREATION

For the successful execution of its business strategy, a high degree of financial discipline will be essential in order to maintain a solid capital structure. Capital must be allocated in order to prioritise the E&P business, supported by portfolio management that will allow the Company to generate liquidity, diversify risk and materialise value.

Main strategic goals for finance:

1. **Prioritise capital allocation** to the E&P business, namely for the development of core projects.
2. **Maintain an adequate capital structure.**
3. **Maintain a dividend policy** in line with the Company's growth profile and with the best practices of the peer group.
4. **Protect shareholder value** and increase the level of internal and external rigour.
5. **Manage the portfolio** to ensure liquidity, diversify risk and monitor and materialise value.

ORGANISATIONAL EFFICIENCY

Strategy execution will largely depend on the effectiveness of the organisational and governance model, insofar as it adapts to the goals laid out by the Company and promotes a culture of autonomy and accountability. The definition of the organisational model involves variables such as leadership, the existing technology and processes, people, individual skills and experience, as well as the manner in which accountability and reporting are defined and implemented.

DIFFERENTIATED HUMAN CAPITAL DEVELOPMENT

The differentiated development of human capital should enhance technical skills, together with soft skills such as those impacting and influencing stakeholders, at every organisational level.

The human capital strategy is focused on developing, attracting, retaining and motivating people, conveyed by a culture of autonomy and accountability, as well as creating a proposition of value for employees that is differentiated and based on new challenges and on an organisation of excellence.

COMMITMENT TO SUSTAINABILITY AND R&T CULTURE

A sustainable strategy ensures greater competitiveness and allows opportunities and risks to be anticipated and managed, as well as protecting value in the long term. As such, implementing sustainable practices to protect shareholder value is essential.

Main strategic goals for sustainability:

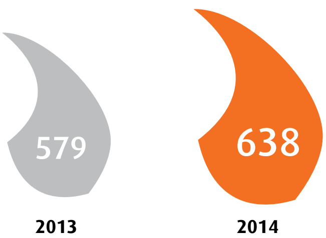
1. **Act responsibly and ethically,** ensuring best practices in governance and transparency.
2. **Involve the community** and other stakeholders by encouraging the creation of shared value.
3. **Enhance human capital.**
4. **Help satisfy future energy needs** and minimise the business' carbon intensity.
5. **Ensure the protection** of the environment, people, and assets.
6. **Promote technological innovation**, research and development.

1.4 Main indicators

OPERATIONAL INDICATORS

	2012	2013	2014
Exploration & Production			
2P reserves (mmboe)[1]	640	579	**638**
2C contingent resources (mmboe)[1]	1,583	1,853	**1,672**
Average working interest production (kboepd)	24.4	24.5	**30.5**
Average net entitlement production (kboepd)	18.1	20.8	**27.1**
Average sale price ($/boe)	101.3	100.8	**88.7**
Refining & Marketing			
Crude processed (kbbl)	81,792	87,528	**79,345**
Refining margin ($/bbl)	2.2	2.2	**3.3**
Sales to direct clients (mton)	9.8	9.5	**9.3**
Number of service stations	1,486	1,435	**1,449**
Gas & Power			
Natural gas sales to direct clients (mm^3)	4,011	4,056	**3,759**
NG and LNG sales in trading (mm^3)	2,242	3,034	**3,713**
Natural gas distribution network (km)	11,948	12,159	**12,348**
Sales of electricity to the grid (GWh)	1,298	1,904	**1,590**

2P RESERVES (mmboe)[1]



AVERAGE WORKING INTEREST PRODUCTION

30.5 kboepd

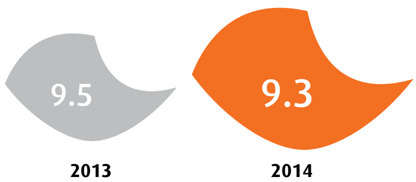
+24%

CRUDE PROCESSED

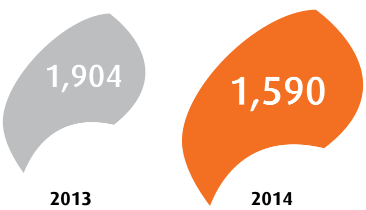
79,345 kbbl

-9%

SALES TO DIRECT CLIENTS (mton)



SALES OF ELECTRICITY TO THE GRID (GWh)



SALES OF NATURAL GAS

7,472 mm^3

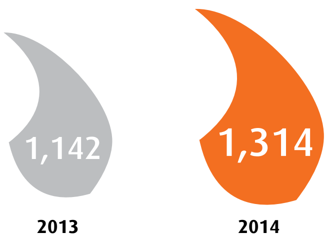
+5%

[1] Reserves on a net entitlement basis. Contingent resources on a working interest basis.

FINANCIAL INDICATORS

Million euros (unless otherwise stated)	2012	2013	2014
Turnover RCA	18,507	19,622	**17,904**
Ebitda RCA	1,032	1,142	**1,314**
Ebitda IFRS	1,054	1,042	**825**
Ebit RCA	602	590	**774**
Ebit IFRS	559	401	**180**
Net profit RCA	360	310	**373**
Net profit IFRS	343	189	**(173)**
Capital expenditure	862	963	**1,143**
Operating cash flow	577	1,081	**1,193**
Net debt	1,697	2,172	**2,520**
Net debt including loan to Sinopec[1]	766	1,301	**1,630**
Net debt to Ebitda RCA	1.7x	1.9x	**1.9x**
Net debt incl. loan to Sinopec, to Ebitda RCA	0.7x	1.1x	**1.2x**
Earnings per share RCA (€/share)	0.43	0.37	**0.45**
Dividend per share (€/share)	0.2400	0.2880	**0.3456**
Payout ratio	55%	77%	**77%**
ROACE RCA	5%	5%	**5%**
Market capitalisation at 31 December	9,752	9,881	**6.991**

EBITDA RCA (€m)



RCA NET PROFIT

€373 m

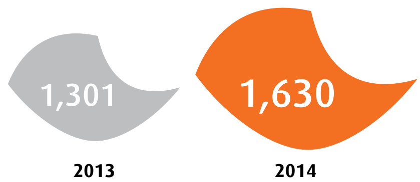
+20%

CAPITAL EXPENDITURE

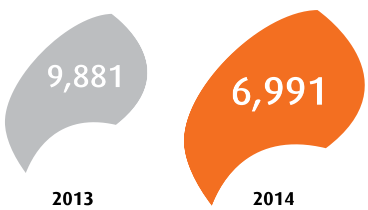
€1,143 m

+19%

NET DEBT INCLUDING LOAN TO SINOPEC (€m)[1]



MARKET CAPITALISATION ON 31 DEC. (€m)



DIVIDEND PER SHARE

€0.3456/share

+20%

[1] Loan to Sinopec of part of $4.8 bn cash-in resulting from the capital increase in subsidiary Petrogal Brasil, and related companies, in 2012.

Note: in this report, the results shown as replacement cost adjusted (RCA) exclude gains and losses with inventory effect and non-recurring events or, in the case of replacement cost (RC), only the inventory effect. These results were not audited.

02 Activities

2.1 Market environment

Oil market marked by two dynamics in 2014

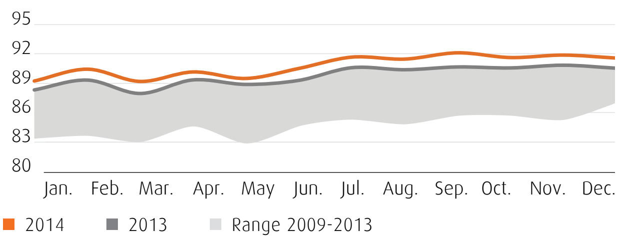
In 2014, the evolution of oil prices was characterised by two distinct phases, from a period of stability in the first half of the year, with dated Brent reaching an average of $109/bbl, to five-year record lows during the second half of the year, with the year closing at around $60/bbl.

This drop in crude oil prices was due to increased production, accentuated by the fact that the Organisation of the Petroleum Exporting Countries (OPEC) showed no flexibility for making any cut in its production in the light of higher production in the United States of America (USA) and lower demand than expected in both Europe and Asia. With regard to global oil demand, including other liquids, forecasts suggested an annual increase exceeding one million barrels per day (mmbopd) in the first half of the year. However, from the second half of 2014, with the downturn in global economic growth, forecasts were systematically revised downwards. In 2014, average consumption stood at 92.4 mmbopd, equivalent to an increase of 0.6 mmbopd, or 1% year-on-year (yoy).

Countries not belonging to the Organisation for Economic Co-operation and Development (OECD) were those which contributed to this higher global oil demand, with an increase of around 1.1 mmbopd compared to 2013. It should be noted, however, that demand in China was, in turn, influenced by a slowdown in gross domestic product (GDP) growth, which held steady at above 7%.

OECD countries experienced a growth rate below the global average. This, together with a high degree of energy efficiency in these countries, contributed to an annual reduction in demand by 0.5 mmbopd in 2014.

MONTHLY EVOLUTION OF WORLD OIL DEMAND (mmbopd)



Source: IEA

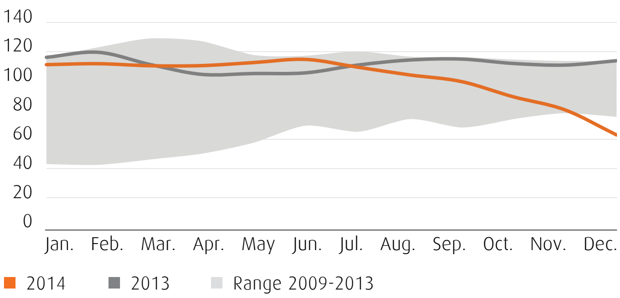
Regarding supply, the average production level in 2014 was 93.3 mmbopd, which represented an annual increase of 1.9 mmbopd. This increase occurred only in non-OPEC countries. At the end of the year, OPEC's effective overcapacity was 3.4 mmbopd, close to that of the previous year.

Note that North America, driven by the USA, was the region that most contributed to the increase in global crude oil production, which was up 1.7 mmbopd.

As a result of oversupply, in 2014, the average price of dated Brent stood at $99/bbl, slightly below $100/bbl, for the first time in the last four years.

It should be noted that the declining price trend was aggravated by OPEC's decision, in its meeting of 27 November, not to cut its production quota of 30 mmbopd.

MONTHLY EVOLUTION OF DATED BRENT PRICE ($/bbl)



Source: Platts

In 2015, the evolution of Brent prices will depend on the slowdown of the increase in supply, which in turn will be subject to cuts in capital expenditure for exploration and production of oil.

Stand-off between OPEC and the USA

Over the past three years, the average annual price of Brent remained stable above $100/bbl, essentially in the interest of OPEC members.

However, this stable environment was beneficial not only to OPEC countries, but also to the USA, allowing for the development of the country's tight oil resources, which require major investments due to the intensity of drilling activities.

In fact, oil production in the USA was up from 6.5 mmbopd in 2012 to around 8.6 mmbopd in 2014, making it the world's third largest oil producer after Saudi Arabia and Russia, which produce around 10 mmbopd each.

Increased production in the USA resulted in an oversupply in 2014, which traditionally would be absorbed by a cut in OPEC production to balance out the market. Nevertheless, this organisation, predominantly influenced by Saudi Arabia, decided to maintain its production quota at 30 mmbopd.

The strategy of OPEC, and of Saudi Arabia in particular, appears to be to defend its market share, potentially leading to the postponement or even termination, of planned increases in production by the USA. In fact, the low price environment may mean that part of North America's resources are not economically viable. This is an apparent change in the OPEC strategy, with major impacts in the short term and concerning decisions on project execution which, in turn, may impact supply in the long term.

OPEC's current position and the potential slowdown in USA production increases will be determining factors for Oil & Gas sector trends in 2015.

LNG price in Asia impacted by slowdown in demand

In 2014, the demand for natural gas increased by around 1% compared to 2013, which was lower than expected and influenced by the mild winter and the continued use of more efficient industrial and residential equipment, as well as the increasing use of renewable energy sources in countries with higher consumption per capita.

In the case of Europe, the mild winter even resulted in a decrease of 9% in natural gas consumption compared to 2013, making it the region with the highest drop in consumption in 2014.

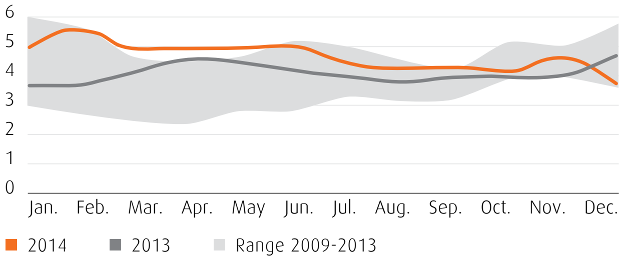
On the other hand, China continues to implement a gradual replacement of coal with natural gas. However, due to government programmes aimed at promoting greater efficiency in energy consumption and cutting carbon emissions, the country experienced a slowdown in the rate of natural gas consumption growth from 17% in 2013 to 9% in 2014.

The evolution of global natural gas consumption is a key indicator in determining the evolution of the prices of this raw material. However, this market is still subject to regional dynamics, particularly in the USA, in Europe and in Asia, whose reference prices are the Henry Hub (HH), the National Balancing Point (NBP) and the Japan Korea Marker (JKM), respectively.

The USA experienced an increase in natural gas consumption, particularly in the industrial sector, with an annual increase of 3% in demand. With regard to supply, natural gas production in the USA registered an annual increase of 5%, benefitting from investments in shale gas development.

The average HH price was $4.3/mmbtu in 2014, up 15% on 2013. This increase continued the previous year's trend, reflecting growth in industrial activity, which explores the competitive advantage gained from the low prices of natural gas in the country.

MONTHLY EVOLUTION OF HH PRICE ($/mmbtu)



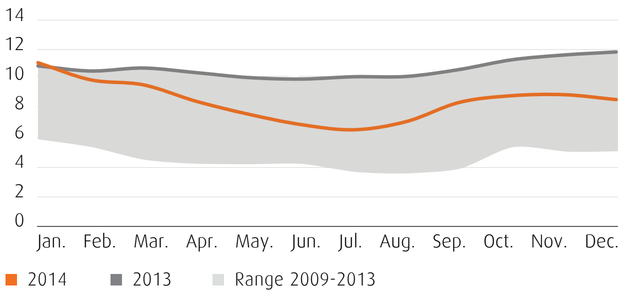
Source: Bloomberg

The average HH price is expected to be lower in 2015, compared to that of 2014. In fact, 2015 is expected to record a strong increase in natural gas supply in the USA, as well as an increase in demand due to the ongoing replacement of coal with natural gas in the industrial sector. Nevertheless, it should be noted that storage of natural gas in the USA recorded high levels at the end of the year, which is expected to put pressure on the HH price throughout 2015.

With regard to the NBP in 2014, the average price was $8.4/mmbtu, down around 20% on 2013. This downward trend reflected the lower consumption of natural gas in Europe. In addition, tension between Ukraine and Russia caused some European countries to increase imports of natural gas to build up stocks. The combination of these two factors, along with the decreasing oil prices, reinforced the NBP's downward performance.

In 2015, the NBP is expected to maintain a slight downward trend in view of the forecast for moderate economic growth in Europe and the evolution of oil prices.

MONTHLY EVOLUTION OF NBP PRICE ($/mmbtu)



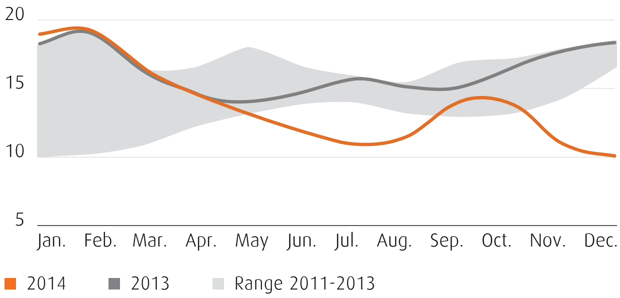
Source: Bloomberg

World LNG demand in 2014 increased 3% over 2013, curbed by the consumption in South Korea and Japan, which account for over 50% of world demand. In fact, in South Korea, the majority of nuclear reactors, that were closed in 2013 in the wake of certification problems, have resumed operations in 2014. In Japan, where none of the country's nuclear reactors were operational, coal power generation plants experienced high utilisation rates, taking advantage of the low prices of this raw material compared to the price of LNG.

With regard to supply, four LNG export projects started in 2014, two in Algeria, one in Papua New Guinea and one in Australia, corresponding to an increase of around 20 million tonnes per annum (mtpa) in liquefaction capacity. It should be noted that five new LNG export projects in the USA, with a total capacity of around 85 mtpa and still in the development phase, were granted export licences, with no restrictions on export destinations.

In 2014, the average price of JKM was $13.9/mmbtu, down 16% from the previous year. This price drop was a result of the lower temperatures experienced in the Asian summer, resulting in less energy consumption in the region, together with the negative impact of lower oil prices in the second half of the year, since the price of most LNG cargoes continues to be set by long-term contracts indexed to the oil price. In addition, the higher supply in 2014 offset pressure in the LNG market from the last two years, particularly following the Fukushima disaster in Japan.

MONTHLY EVOLUTION OF JKM PRICE ($/mmbtu)



Source: Platts

LNG demand should remain strong in 2015, with China becoming a key player in boosting global consumption. With regard to Japan, the increase will be limited due to the expected reactivation of two of the country's nuclear reactors scheduled for 2015.

Nevertheless, the JKM is likely to see a downward trend as an increase of around 20 mtpa in global liquefaction capacity is expected for 2015, which should counterbalance higher LNG consumption. The JKM will be further impacted by the evolution in oil prices.

European refining benefits from low Brent prices

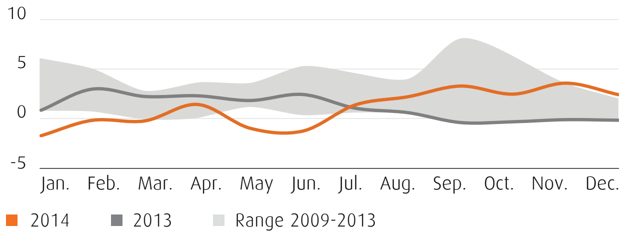
At the start of 2014, European refineries once again faced an adverse environment, with benchmark refining margins recording five-year lows and, in some cases, negative figures. In fact, the decreasing demand, in particular with the continued replacement of the less efficient auto fleet, led to an increasing excess of refining capacity in Europe, negatively impacting margins, most evidently in the first half of the year.

However, during the second half of the year, a prolonged maintenance period in the Atlantic Basin, which caused a drop in exports of oil products from the USA to Europe, readjusted the refining supply. Refining margins in Europe also benefitted from the lower price of Brent since July, resulting in a recovery for crack spreads of oil products.

Thus, Galp Energia's average annual benchmark margin was around $1.1/bbl. In fact, as around 55% of the benchmark margin consists of road fuel, the recovery of crack spreads for gasoline and diesel led to the margin shifting from minimum values in the first half of 2014, to record highs of the last five years at the end of the year.

However, in structural terms, Europe remains with excess refining capacity, of around 3 mmbopd. In fact, the recovery of margins since August has delayed the closing of refining capacity needed in Europe to balance the European market.

MONTHLY EVOLUTION OF THE BENCHMARK REFINING MARGIN ($/bbl)



Source: Platts

Continued low oil prices in 2015 may drive consumption of oil products and offer support for crack spreads, subsequently resulting in a positive impact on refining margins. Nevertheless, the sustainability of European refining margins is limited by this region's excess refining capacity. Margins may also be pressured by higher diesel exports from the USA, Russia and the Middle East, which are still more competitive than the diesel produced in Europe.

In fact, the tax reform to be implemented in Russia starting in 2015 is aimed at continuing the restructuring of the refining system and enabling higher exports of diesel. At the same time, in the Middle East, 2015 will likely see an increase in capacity of 0.4 mmbopd, with the production ramp-up at the Yanbu refinery.

Growing Iberian demand for oil products with the recovery in economic growth

In 2014, the Eurozone's GDP increased 1%. Portugal and Spain, which had already benefitted from the effects of structural reforms and improved public finance, presented growth of above 1%.

Nevertheless, the consumption of oil products in Portugal, which decreased in 2014 by 1%, did not reflect economic growth. The consumption of diesel, which represented around 65% of the consumption of oil products, increased 2% compared to 2013. Additionally, jet fuel saw an increase in demand of around 6%, mainly on the back of increased low-cost air travel. Notably, these increases were offset by the negative performance of bitumen and fuel, with the latter down 10% due to lower bunker fuel consumption and industrial use.

The consumption of oil products in Spain was up 1% in 2014. Of particular note was the increase in consumption of jet fuel and bunker fuel, impacted by higher air traffic and maritime transport of goods, up 3% and 8%, respectively. Diesel and gasoline consumption decreased 0.5% and 1%, respectively, due to higher efficiency in the auto fleet.

Thus, the increases in the Spanish market offset the contraction of the Portuguese market. A prolonged recovery in Iberian consumption is anticipated for 2015, benefitting from the backdrop of low prices of oil and oil products.

The consumption of natural gas in Portugal and Spain in 2014 saw an annual contraction of 5% and 10%, respectively. These decreases were primarily due to lower conventional consumption as a result of the milder temperatures, together with less cogeneration consumption in Spain (due to the reduction in allowed revenue since July 2013).

2.2 Exploration & Production

OIL PROCESSING MODULE TRANSPORT FOR REPLICANT FPSO

STRATEGIC OBJECTIVES

- Execute projects on time and within budget, protecting the value of sanctioned projects by focusing on project execution and ensuring the selection of the best development solution.
- Extract value from sanctioned and pre-sanctioned projects over their entire life cycle, accelerating the entry into production of resources and optimising existing assets, i.e. developing more resources than planned and with the utmost operational efficiency.
- Ensure internal know-how and influence in the consortia by expanding the E&P team with the appropriate expertise, and developing its position as an active partner in non-operated projects.
- Reinforce exploration activity following clear and rigorous criteria in terms of geographies to be analysed, capital allocation, maintenance of a relevant production level and the materiality of stakes, while adapting the Company's activity level to its growth profile.
- Reinforce expertise as an E&P operator in order to increase control of its activity thereby increasing visibility and the ability to take part in new consortia as well.

2014 HIGHLIGHTS

- 2P reserves increased 10% to 638 mmboe at the end of the year; 2C contingent resources were down 10% to 1,672 mmboe; mean risked exploration resources decreased to 217 mmboe.
- Reserve replacement ratio (RRR) stood at 551%, with the three-year average at 334%.
- A record was set in average working interest production of 39.6 kboepd, with an annual average production of 30.5 kboepd, as a result of the increased contribution from the Lula/Iracema project in the Brazilian pre-salt.
- Execution of development activities in the Lula/Iracema field, with FPSO Cidade de Paraty reaching plateau production and the start of production from FPSO Cidade de Mangaratiba in October 2014.
- Submission of the Declaration of Commerciality (DoC) for the Iara area in block BM-S-11, in December, following the execution of extensive appraisal works.
- Successful exploration and appraisal activities, namely the Pitú well in the Potiguar basin, the Apollonia well, the formation test in the Bracuhy well and drilling activities in Carcará, in the Santos basin. Also of note was the conclusion of appraisal activities in Mozambique's Rovuma basin.
- Drilling of the offshore well in Morocco, in shalow waters, the first the Company drilled as the operator; although no hydrocarbons were found, drilling went according to plan with no Health, Safety and Environment (HSE) incidents.

MAIN INDICATORS	2012	2013	2014
Average working interest production (kboepd)	24.4	24.5	**30.5**
Average net entitlement production (kboepd)	18.1	20.8	**27.1**
Average sale price ($/boe)	101.3	100.8	**88.7**
Production cost ($/boe)	13.3	13.7	**13.4**
DD&A ($/boe)	20.6	22.5	**17.6**
Ebitda RCA (€m)	373	396	**444**
Ebit RCA (€m)	245	232	**295**
Capital expenditure (€m)	633	723	**998**

GALP ENERGIA E&P PORTFOLIO

Galp Energia has an E&P portfolio of around 50 projects spread across eight countries at various stages of exploration, development and production.

The most prominent projects are located in Brazil, Mozambique and Angola. Galp Energia is present in two of the largest oil and natural gas discoveries of the recent decades namely in the pre-salt Santos basin, in Brazil, and in the Rovuma basin in Mozambique, respectively.

The Company has a portfolio of exploration projects spread across different geographies and geologies, including projects in emerging and frontier basins, as well as in terms of complexity and associated risk, namely in projects in ultra-deep waters, shallow waters and onshore projects.

The partnerships in which Galp Energia is involved in several projects, which are established with international companies with recognised technical skills and experience in the industry, are a key factor in executing the production growth strategy in the coming years.

Evolution of reserves and resources

The Company's portfolio of reserves has been reinforced, particularly due to the maturation of the development projects which followed the exploration successes achieved in recent years.

In 2014, Galp Energia's reserves base has increased, mostly due to the appraisal and development activities carried out in the Lula/Iracema field.

The proved, probable and possible (3P) reserve base increased by 18% compared to 2013, to 833 million barrels of oil equivalent (mmboe) at the end of 2014. Out of the total 3P reserves, 780 mmboe corresponded to development and production projects in Brazil, mainly in the Lula/Iracema field.

In Angola, the volume of 3P reserves, on a net entitlement basis, increased from 14 million barrels (mmbbl) to 53 mmbbl, following the final investment decision (FID) on the Kaombo area in block 32.

The appraisal and development activities carried out throughout the year in the Lula/Iracema field contributed to a greater knowledge of the reservoir and, consequently, to a greater confidence level about the reserves base.

Proved and probable (2P) reserves increased 10% yoy to 638 mmboe. At the end of 2014, natural gas reserves accounted for 13% of total 2P reserves, in line with figures from recent years.

Proved (1P) reserves also increased, and reached 232 mmboe at the end of 2014, reflecting a yoy increase of 55 mmboe.

The 3C contingent resource base decreased 11% yoy, to 3,496 mmboe at the end of 2014. This decrease was mostly due to the conclusion of the appraisal campaign in the Iara area and to development works in Lula/Iracema, both in block BM-S-11, in Brazil, which reduced the uncertainty on the estimated range of resources in those areas. Additionally, the fact that the FID was made for block 32 also contributed to the decrease in contingent resources, against the increase of the reserves base. In Mozambique, the conclusion of the appraisal campaign in the Mamba/Coral complex has confirmed the previously estimated volume of resources in the reservoir.

The 2C contingent resources base decreased by 10% yoy to 1,672 mmboe.

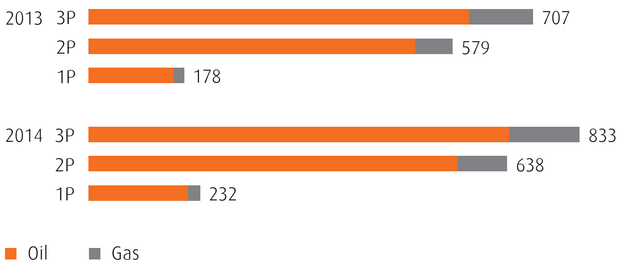
In terms of the geographical distribution of 2C contingent resources, Mozambique represented around 25% of total 2C resources, while assets in Brazil contributed with 70% of the total.

On the other hand, 1C contingent resources increased 4%, to 332 mmboe.

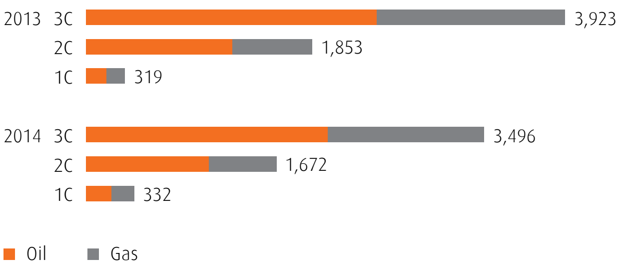
As for the exploration and appraisal campaign carried out in 2014, this resulted in a decrease of exploration resources. In fact, the campaign pursued in the Santos and Potiguar basins, in Brazil, and the conclusion of exploration activities in the South of Area 4 in Mozambique and the drilling of the TAO-1 well in Morocco, led the risked exploration resources to reach 217 mmboe and the mean unrisked exploration resources to reach 1,605 mmboe at the end of the year.

Reserves and resources were certified by an independent entity, DeGolyer and MacNaughton (DeMac).

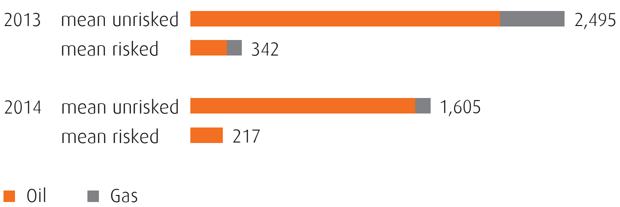
RESERVES (mmboe)



CONTINGENT RESOURCES (mmboe)



EXPLORATION RESOURCES (mmboe)



Note: reserves on a net entitlement basis. Contingent and exploration resources on a working interest basis.

Assets under development and in production

Galp Energia has assets in the development and production phases in Brazil, Mozambique and Angola.

In 2014, Galp Energia recorded an average working interest production of 30.5 thousand barrels of oil equivalent per day (kboepd), up 24% yoy as increased production in Brazil offset the decrease in Angola.

Increased production in Brazil, that reached 19.8 kboepd, was the main driver of a new production record, on the back of the development of the Lula/Iracema field, where important milestones were reached over the course of 2014.

In fact, the Company benefitted from steady operations at FPSO Cidade de Angra dos Reis (FPSO #1), the operating developments which allowed FPSO Cidade de Paraty (FPSO #2) to reach plateau production in September and the start of production from FPSO Cidade de Mangaratiba (FPSO #3) in October. The extended well tests (EWT) performed in the Lula Central, Lula South and Iara areas during the year also contributed to the increase in production. Of the total production in Brazil, 1.7 kboepd corresponded to natural gas exports.

In Angola, working interest production was 10.7 kbopd, 11% lower than in 2013, following the natural decline of producing fields in block 14 and the decommissioning of FPSO Kuito at the end of the previous year.

Net entitlement production was up around 30% yoy to 27.1 kboepd, due to higher working interest production in Brazil. In Angola, net entitlement production decreased from 8.3 kbopd to 7.2 kbopd due to decreased working interest production.

The projects in the pre-salt of the Santos basin, in Brazil, and the LNG project in the Rovuma basin, in Mozambique, will be the main drivers for production growth.

Galp Energia, together with its partners, is committed to excellence in executing its development projects, both on time and in the on budget, in order to maximise return.

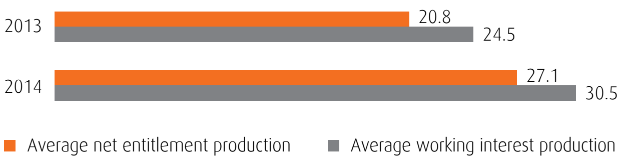
The Company is also committed to carrying out appraisal activities, which may result in increased recoverable resources and in the progress of the development projects.

In the pre-salt Santos basin, the appraisal and pre-development works in the Iara, Carcará and Júpiter areas during 2014 are of particular note.

In Mozambique, the consortium for the development of block 32 for the development of Area 4 has concluded its appraisal activities, with Galp Energia and its partners focused on the phase of development. The DoC for the Coral area was submitted at the end of 2014.

In Angola, the consortium for the development of block 32 made the FID on the Kaombo project, with the start of production scheduled for 2017.

EVOLUTION IN AVERAGE PRODUCTION (kboepd)



Brazil

Galp Energia has several projects at the development and production stages in the Santos basin. In the Lula/Iracema project, the first for which a DoC has been submitted, three permanent units are already in production. The Company expects the installation of additional capacity over the course of the decade.

Lula/Iracema

The Lula/Iracema project, in block BM-S-11 of the pre-salt Santos basin, started commercial production in 2010 through FPSO Cidade de Angra dos Reis, and two additional FPSO units have been installed until the end of 2014. Seven additional FPSO units are expected to be delivered under the development plan.

The main priority for Galp Energia and its partners is to guarantee that the Lula/Iracema project is executed on time and on budget. To this end, the consortium has been monitoring works at the FPSO construction sites with a view to forestalling and mitigating any potential risk to the execution of the development plan.

During 2014, significant progress has been made in the execution of the project, with highlights including:

i) steady production from FPSO #1 in the Lula Pilot area;

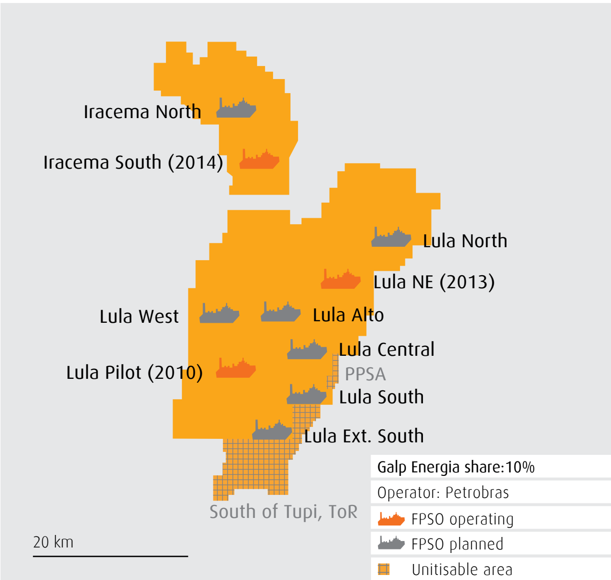
ii) plateau production of FPSO #2, in the Lula Northeast (NE) area, 15 months after the start of production, ahead of schedule;

iii) start of production from FPSO #3, the first unit installed in the Iracema area, in Iracema South.

Development plan

The development plan includes the delivery of a total of 10 FPSO units to the Lula/Iracema field, with three already in operation. The remaining FPSO units are under construction: of these, three are leased and manufactured outside of Brazil and four are acquired and with the majority of construction work taking place in that country.

ALLOCATION OF FPSO UNITS IN THE LULA/IRACEMA FIELD



Production is due to begin in the Iracema North area by the end of 2015, through FPSO Cidade de Itaguaí (FPSO #4), which has been in Brazil since the start of 2015, at the Brasfels shipyard, for the integration of topsides.

Delivery of the remaining units is scheduled from 2016 onwards, for assignment to the Central, Alto, South, Extreme South, North and West areas of the Lula field.

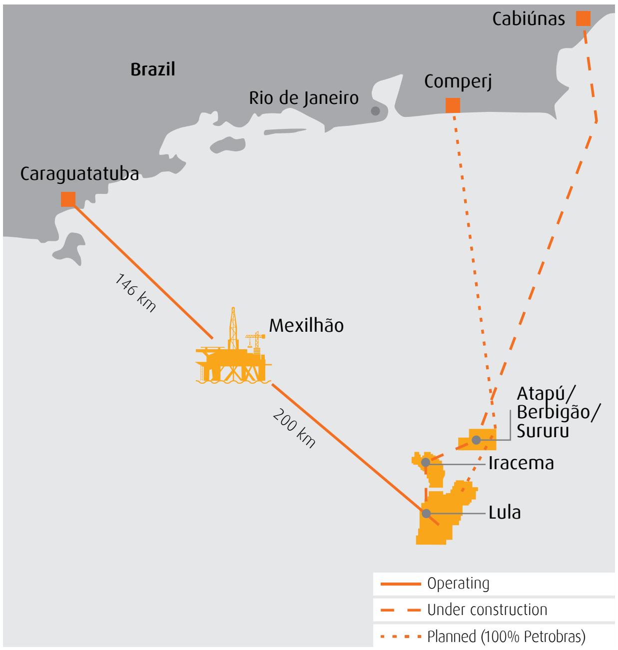
Natural gas export infrastructure

The development projects in the pre-salt Santos basin are planned in such a way as to allow the natural gas produced to be injected into the reservoir or exported onshore through a gas pipeline.

The natural gas production in the Lula/Iracema project is partially exported onshore, namely to supply the Brazilian domestic market, whereas the remainder is reinjected in order to maintain pressure in the reservoir, with a positive impact expected on its productivity.

The Lula Pilot and Lula NE projects are connected to the Lula-Mexilhão gas pipeline, which has been in operation since 2011.

NATURAL GAS EXPORT INFRASTRUCTURE



The project in which Galp Energia participates for the construction of the second gas pipeline in the Santos basin, with connection to Cabiúnas, began installation works in 2014, after obtaining the necessary licences from the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA). The gas pipeline, which will have an export capacity of almost 15 million cubic metres (mm³) of natural gas per day, is expected to start operations by the end of 2015.

The construction of future natural gas export routes in the pre-salt Santos basin is being assessed. Petrobras, Petróleos Brasileiros, S.A. (Petrobras), is planning to construct a third route with a connection to Maricá. This project aims to allow better management of the natural gas produced in the region, thereby increasing operational flexibility.

It is important to highlight that the consortium will have the flexibility and capacity to manage production, with no anticipated restriction on natural gas produced. This is enabled by the equipment installed at the FPSO units to compress and reinject natural gas into the reservoir and by the injector wells included in the development plans.

FPSO units in production

LULA PILOT PROJECT – FPSO CIDADE DE ANGRA DOS REIS

FPSO Cidade de Angra dos Reis (FPSO #1), with a production capacity of 100 kbopd, has been operating since 2010 and produced steadily near its maximum capacity throughout 2014.

Production in 2014 came primarily from four producer wells, demonstrating the reservoir's excellent productivity. At the end of 2014, the fifth producer well in the Lula Pilot area was connected to the FPSO, the first sub-horizontal well in the Santos basin.

Three injector wells are also connected, including two water alternating gas (WAG) injection wells, and one gas injection well.

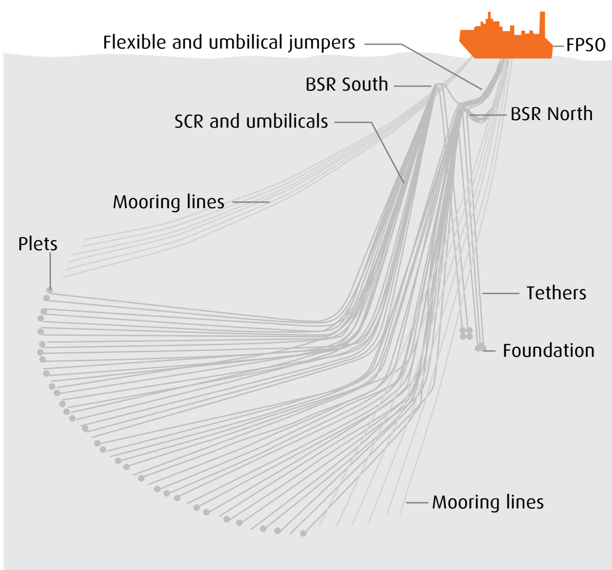
Under the development plan for the Lula Pilot area, a total of nine wells have been drilled, five of which are producer wells. The connection of future producer wells, as established in the development plan, will help to maintain production levels.

LULA NE PROJECT – FPSO CIDADE DE PARATY

FPSO Cidade de Paraty (FPSO #2), with a production capacity of 120 kbopd, started production in 2013. In the first half of 2014, two buoyancy supported risers (BSR) systems were installed, allowing the connection of wells to the FPSO.

Despite restrictions at the start of installation works in the adjacent project in the Santos basin, mostly due to weather conditions, average production of around 30 kbopd per well allowed plateau production to be achieved with only four producer wells and within 15 months of the start of production, compared to the 18 months initially planned.

SUBSEA EQUIPMENT IN THE LULA NE AREA



At the end of 2014, five producer wells and three injector wells were connected to the FPSO unit. The development plan provides for a total of 14 development wells, of which eight producer wells.

During the first half of 2014, FPSO #2 was connected to the Lula-Mexilhão gas pipeline.

IRACEMA SOUTH PROJECT – FPSO CIDADE DE MANGARATIBA

FPSO Cidade de Mangaratiba (FPSO #3), with a production capacity of 150 kbopd, started operations in October 2014 in the Iracema South area.

The FPSO started production through one producer well, with an average production of 10 kbopd until the connection of the first gas injector well. Following the connection of the first injector well and of the second producer well in December, FPSO #3 reached a production of 65 kbopd at the beginning of 2015.

Plateau production is expected in the first half of 2016. The development plan for the Iracema South area includes the installation of eight producer wells and eight injector wells over the course of the project's life cycle. Until the end of 2014, 12 wells have been drilled.

With regard to production in the Iracema South area, it should be noted that the oil is of medium density (around 30° API) and that the natural gas that is not reinjected into the reservoir will be exported through infrastructure in the Santos basin.

Subsequent FPSO units

Construction works on the remaining FPSO units for the Lula/Iracema field proceeded in 2014.

The hull of FPSO #4, the unit whose production is scheduled to begin in the fourth quarter of 2015 in Iracema North, was converted in a Cosco shipyard, in China. The unit has been in the Brasfels shipyard in Angra dos Reis, Brazil, since January 2015, for topside integration works.

With regard to the well development plan, the consortium concluded the drilling of five producer wells and three injector wells until the end of 2014, in the Iracema North area, which will receive the next production unit. In the development of the areas subsequent to Iracema North, the consortium has already concluded the drilling of 23 wells.

FPSO Cidade de Maricá and FPSO Cidade de Saquarema, which have been assigned to the Lula Alto and Lula Central areas, respectively, and are scheduled to start production in the first half of 2016, are currently being converted in a Chengxi shipyard, in China.

HULL OF REPLICANT FPSO

With regard to replicant FPSO units, of particular note was the progress in the work on the hull of P-66, whose construction was concluded at the Rio Grande do Sul shipyard. It is now at the Brasfels shipyard in Angra dos Reis, in Brazil, where the topsides are being integrated.

Also of note was the integration works on the blocks of the P-67 hull, in the Rio Grande do Sul shipyard, and the P-68 construction works at a Cosco shipyard, in China.

Value creation opportunities

Galp Energia is committed to pursuing opportunities to create value during the development phase of its projects, encouraging a strong Research and Technology (R&T) culture, namely for the analysis and implementation of the best techniques and technological solutions.

To this end, particularly in the Lula/Iracema project, the consortium meets regularly exclusively to discuss the different techniques and technology to be implemented. The consortium has been working to maximise returns from this project, most notably to increase the oil recoverability. In fact, all the equipment assigned to the current projects in the pre-salt Santos basin is designed to ensure the execution of oil enhanced recovery techniques (EOR), such as WAG injection, allowing alternating injections of water, natural gas and CO_2 in the reservoir.

Studies regarding production flow and the optimisation of development throughout the project's life cycle have also been conducted. These include solutions to accelerate production, new solutions to help debottleneck FPSO capacity, namely through subsea separation and reinjection, and the implementation of techniques to extend the plateau production period.

In addition, the consortium has contracted 4D seismic in 2014 that will allow to assess the spatial distribution of the reservoir characteristics, allowing for a better definition of production conditions, thereby providing information on the fluid saturation and pressure range during the production phase.

In 2014, the main highlight was the optimisation of the well drilling and completion process.

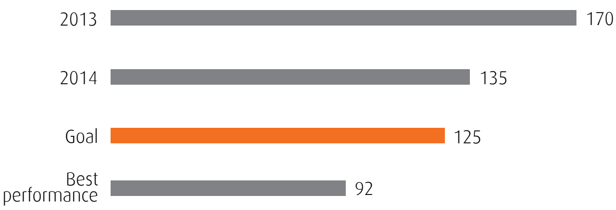
Greater efficiency in drilling and completion activities

Galp Energia and its partners in block BM-S-11 are focused on reducing well drilling and completion times. Highly positive results have been obtained to date, with the average duration of 239 days in 2010 being cut to around 135 in 2014.

The consortium aims to consistently achieve an average of 125 days, having achieved 92 days in 2014 in the Iracema South area, its best performance to date.

As such, the consortium remains focused on improving its drilling and completion efficiency through the optimisation of well design, planning operations, reducing non-operating periods, as a result of using more experienced crews and through the use of specialised rigs allocated to the different stages of the well.

AVERAGE DRILLING AND COMPLETION TIME (DAYS)



WAG injection

The WAG injection process, which started in the Lula Pilot project in 2013, continued to be executed. Gas is injected into the reservoir to reduce the oil viscosity and thereby improve flow. The water cycle, meanwhile, helps oil to move towards the producer well. The process, when stabilised, will consist of successive cycles of water and gas injection, of three months each.

WAG injection impact is to be incorporated into the oil recoverability expectation over the years.

Extended well tests

Execution of EWTs brings greater knowledge of the behaviour of the different areas of the reservoir in production. It is therefore important for the optimisation of the development plan.

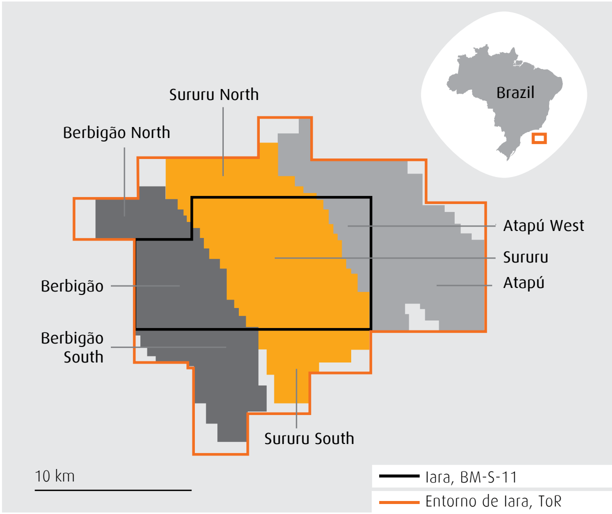
In the first half of 2014, two EWTs were concluded in the Lula Central and Lula South areas. These steadily produced an average of 15 kbopd each, constrained by gas flaring restrictions in Brazil. The EWTs were performed through FPSO Dynamic Producer, allocated to Lula Central, and FPSO Cidade de São Vicente, allocated to the Lula South area.

EWTs are also being performed through the use of larger FPSO units in production in the Lula/Iracema field, in order to acccelerate the execution of these tests.

Iara, block BM-S-11

In the Iara area, in the pre-salt Santos basin, the consortium's work was centred on the appraisal of the discovery and on field development studies. At the end of 2014, the DoC was submitted for the areas of Iara (block BM-S-11) and Entorno de Iara (Transfer of Rights Area, 100% Petrobras), representing another milestone in the Company's strategy execution.

FIELDS IN THE IARA AND ENTORNO DE IARA AREAS



In December 2014, the DoC for the Iara and Entorno de Iara areas was submitted to the Brazilian National Agency for Oil, Natural Gas and Biofuel (ANP). In this regard, commerciality was declared for eight fields located in three different accumulations.

The fields will be subject to Production Individualisation Agreements (PIA) under the process of unitisation of Iara and Entorno de Iara.

The development plan for the three accumulations, namely Berbigão, Sururu and Atapú, is expected in 2015.

In 2014, two reservoir data acquisition (RDA) wells were drilled, and an EWT was performed.

The RDA-1 well, drilled in the central-south area of Iara in order to test the quality of carbonate reservoirs and fluid properties, revealed excellent porosity and permeability conditions, similar to those found in the Iara West-2 well, while also proving the reservoir's high productivity.

The RDA-2 well was drilled in the eastern area of Iara in order to test carbonate reservoirs and to confirm oil-water contact (OWC) in the flank of the Iara area.

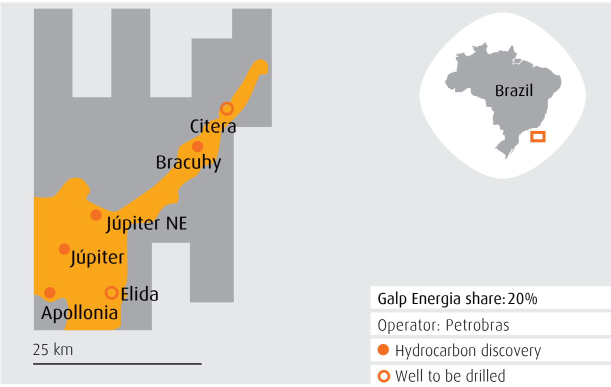
The first EWT in the Iara West-2 area started in June and lasted until the end of 2014. It was conducted by FPSO Dynamic Producer. The EWT reached an average production of 29 kbopd, confirming the high productivity of the area, while also allowing additional information on the reservoir to be obtained.

The RDA-4 well is scheduled for 2015.

Block BM-S-24

The Júpiter/Bracuhy area, in the pre-salt Santos basin, is an important discovery of oil, condensates and natural gas mixed with CO_2. The consortium's work centred on appraisal activities to define development scenarios.

BLOCK BM-S-24



In 2014, the consortium proceeded with its appraisal campaign by drilling the Apollonia appraisal well, which confirmed both the extension of the Júpiter discovery and the quality of the reservoir. Fluids were found with similar properties to those found in previously drilled wells, such as Júpiter, Júpiter NE and Bracuhy, namely oil, condensates and natural gas mixed with CO_2.

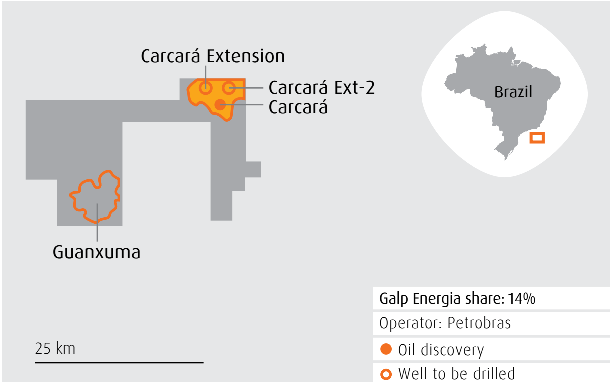
A formation test was performed in the Bracuhy well to assess the potential productivity of this area of the reservoir, which proved a heavy oil flow of 15° to 19° API. This test was the first performed in this block and represented another milestone for this project.

In 2015, the consortium plans to drill the Elida well, whose purpose is to test the reservoir, in particular the gas and condensate cap in the Júpiter Alto structure, and to carry out formation tests and additional wells to define the development plan for this project.

Block BM-S-8

In the Carcará area, also located in the pre-salt Santos basin, the consortium continued with its appraisal activities, aiming to evaluate the resource potential and to define and optimise the development plan.

BLOCK BM-S-8



In 2014, the consortium concluded the first drilling phase of the Carcará Extension well, which aims to evaluate the resource potential of the discovery. The second drilling phase is expected during the second half of 2015, after which a drill stem test (DST) will begin to evaluate the pressure, permeability and productivity of this area of the reservoir.

The drilling of the Carcará Extension-2 appraisal well started during January 2015 and will be executed in one single phase. For this purpose, a rig with managed pressure drilling (MPD) equipment has already been contracted allowing this high-pressure reservoir to be drilled faster and safely, in line with the industry's best practices.

The consortium will also continue the studies started in 2014 for the development project of this area, with particular emphasis on the natural gas export solution.

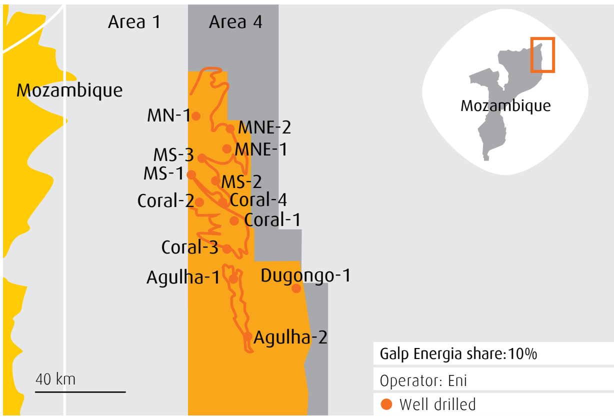
Mozambique

The discoveries in Area 4, together with those in the adjacent block of Area 1, rank Mozambique among the most important regions for global natural gas production, with around 85 tcf of gas initially in place (GIIP) estimated in Area 4.

During the year, the appraisal campaign in the Mamba/Coral complex was concluded with the drilling of the Coral-4 well, which increased reservoir knowledge for the definition of the well development plan. The DoC for the Coral area was submitted at the end of 2014, and it is subject to the FID.

To make the FID, the consortium needs to analyse the required legislation in order to develop the project, conclude the front-end engineering and design (FEED) and engineering, procurement, construction, installation and commissioning (EPCIC) work, together with establishing agreements for LNG sales in key markets and the financing options for the project.

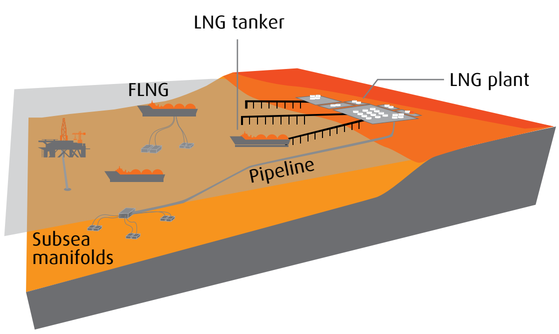
ROVUMA BASIN



With regard to the Coral FLNG development project, in the non-straddling area, FEED work is underway, for which three consortia have been pre-selected. The EPCIC contract is expected to be awarded during 2015, for the floating liquified natural gas (FLNG) unit.

With regard to the Mamba project, in the area unitisable with Area 1, the consortium performed the FEED and expects the EPCIC contract to be awarded by the end of 2015 or 2016. This project includes two onshore liquefaction trains in the first development phase.

AREA 4 DEVELOPMENT CONCEPT



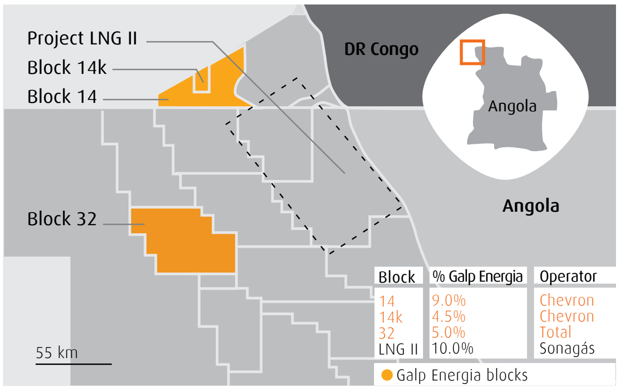
Within the scope of the development of the two LNG projects, Coral FLNG and Mamba Onshore LNG, Galp Energia included a number of technical staff to the FEED development teams, together with the operator. This inclusion reflects the Company's efforts to be an active partner in its non-operated projects.

In December 2014, the Decree-Law establishing the legal and contractual regime applicable to the Rovuma basin project, was published by the Mozambican government, which represents an important milestone in this project.

Angola

The Company has assets under development in blocks 14, 14k and 32 and currently has two production platforms in block 14. In block 32, the consortium made the FID for developing the Kaombo project, which should start production in 2017.

BLOCKS 14/14k



In 2014, working interest production in Angola decreased to 10.7 kbopd, mainly due to the advanced maturity stage of the Kuito and Benguela-Belize-Lobito-Tomboco (BBLT) fields in block 14.

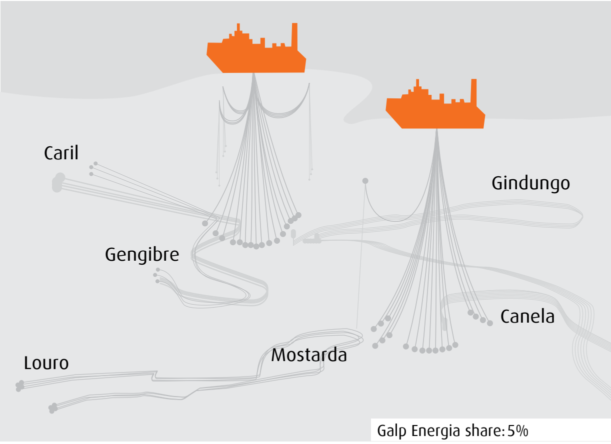
Currently, Galp Energia has two production units in block 14, the compliant piled tower (CPT) in the Tômbua-Lândana field and the CPT in the BBLT field.

During the year, work proceeded on the areas under development in block 14, namely appraisal and pre-development activities and engineering studies to select the best development options, namely for the Gabela, Lucapa and Malange areas.

The Lianzi field in block 14k, which will be developed through a tie-back to the CPT in the BBLT field, through subsea systems for the production and transport of oil, is expected to start production in the second half of 2015.

In block 32, the FID on the Kaombo project was made in 2014, and its development will include 59 wells connected to two FPSO units with a capacity of 125 kbopd each. The consortium estimates a total investment for the development of this project of $16 billion (bn), until peak production.

BLOCK 32 DEVELOPMENT CONCEPT



Assets under exploration

Creating value through exploration activities continues to be one of Galp Energia's strategic goals, namely by identifying and maturing prospects currently in the portfolio and drilling those with relevant exploration potential.

In 2014, Galp Energia focused its drilling campaign on exploratory plays identified in 2013.

Of particular note are the offshore drilling campaign in Morocco and activities carried out in Area 4 in Mozambique, and in the Santos basin and Potiguar basin, in the Brazilian offshore.

In 2015, Galp Energia will continue with its exploration activities, particularly in the Potiguar and Santos basins.

Brazil

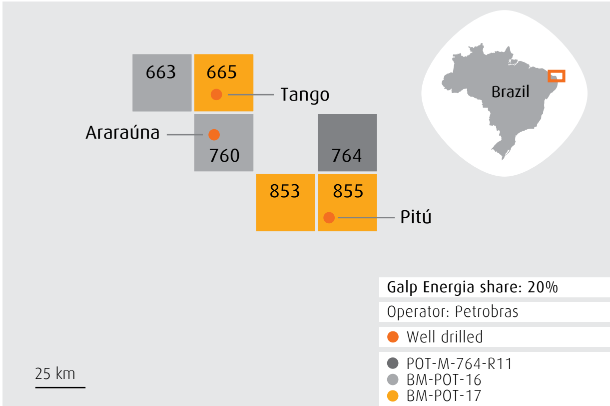
EXPLORATORY BASINS WHERE GALP ENERGIA PARTICIPATES

In block BM-S-8, the consortium focused on appraisal activities in the Carcará area. The drilling of the Guanxuma prospect is expected in 2015, after the conclusion of appraisal activities in Carcará.

In the offshore Potiguar basin, where Galp Energia holds a 20% stake, the consortium concluded the drilling of the Pitú exploration well in 2014, in licence BM-POT-17. The results of the formation test proved the presence of an active hydrocarbon system with a formation test confirming good permeability and porosity conditions in the reservoir. The consortium has submitted an appraisal plan for the area, which was approved by the ANP, with an appraisal well scheduled for 2015.

Under that licence, an evaluation plan was also submitted for the Tango prospect, and the 3D seismic data acquisition is expected in 2015, in order for the consortium to proceed with the interpretation of the area's prospectivity.

OFFSHORE POTIGUAR BASIN



Under licence BM-POT-16, an evaluation plan was submitted for the Araraúna prospect. The consortium plans to drill an exploration well and to acquire an extension of 8,695 km^2 of 3D seismic data in 2015.

In the offshore Pernambuco basin, where Galp Energia holds a 20% stake, the first exploration well is dependent on ANP's approval of the one-year extension to the exploration period, following the delay in obtaining the environmental licence.

In the offshore Barreirinhas basin, where Galp Energia holds a 10% stake, the consortium proceeded with the interpretation of the 2D seismic data, with 3D seismic data acquisition scheduled for 2016.

In the onshore Amazonas basin, the consortium began an exploratory drilling campaign to analyse the area's potential. The first well was concluded and abandoned in December 2014 as no hydrocarbons were found. The drilling of a second well started at the beginning of 2015 and two additional exploration wells are expected to be drilled.

Mozambique

The exploration campaign in the Rovuma basin was completed with the drilling of the Agulha-2 and Dugongo-1 wells. In the Agulha discovery, the Agulha-2 well was drilled 12 kilometres (km) south of the Agulha-1 discovery well, proving the existence of a 25-metre gas column in good-quality Paleocene sandstone reservoirs, thereby confirming the southern extension of the field.

The consortium also drilled the Dugongo-1 well, aiming to increase reservoir knowledge in that area of the block.

Angola

In Angola, Galp Energia has offshore assets under exploration in blocks 14 and 32. The Company is also taking part in the first integrated natural gas project in the country, Angola LNG II, whose goal is to research, explore, certify and produce natural gas reserves.

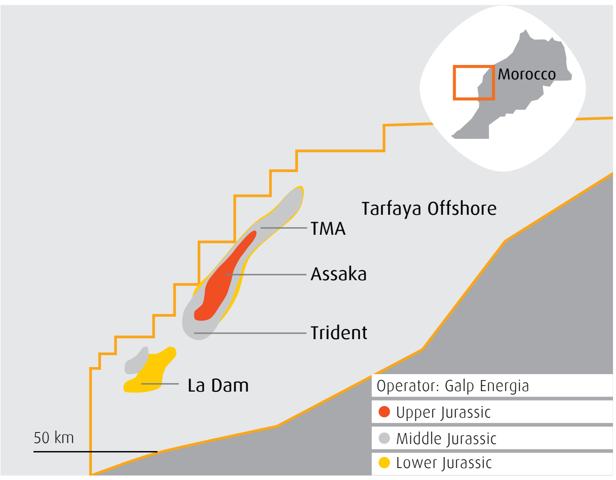
In block 32, the Cominhos-2 well was drilled in the central north-eastern area. The results confirmed the quality of the reservoirs found in 2007 by the Cominhos-1 well. The Cominhos-3 well was also drilled to test for the the Oligocene and Eocene intervals, confirming the presence of hydrocarbons, as expected.

The first exploratory period for this part of block 32 will finish at the end of 2015, with the drilling of the Colorau-3 appraisal well expected during the year.

Morocco

In 2014, Galp Energia executed its exploration campaign in the Tarfaya Offshore area by drilling an exploration well whose primary objective was the Trident prospect. The TAO-1 well was drilled to a total depth of 3,518 metres, but without proving the presence of hydrocarbons.

TARFAYA OFFSHORE AREA



This was the first offshore well operated by Galp Energia and it should be noted that the activities were carried out according to plan and without any HSE incidents, as a result of the strict procedures adopted.

Galp Energia is currently analysing the results of this well, namely the geological data gathered, in order to assess the remaining prospectivity of the Tarfaya Offshore area. To this end, the consortium aims to extend the second phase of the exploration period for one year.

Namibia

In Namibia, where Galp Energia holds a 14% stake in three offshore licences in the Orange and Walvis basins since 2012, the Company is currently analysing the data obtained from the 2013 exploratory campaign. In 2015, a decision is expected as to whether to abandon the area or to proceed to the next exploration phase.

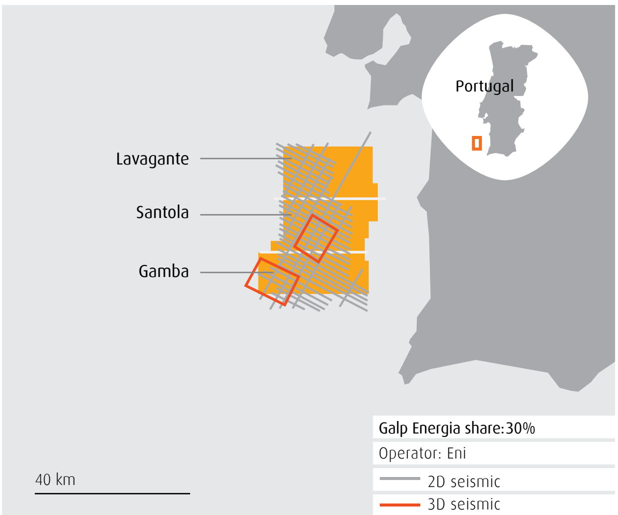
Portugal

The exploration portfolio in Portugal currently includes seven offshore blocks in the Alentejo and Peniche basins.

In the three blocks located in the Alentejo basin, Santola, Lavangante and Gamba, work during the year focused on maturing prospects and on the farm-down process of Galp Energia's stake. This process culminated in an agreement signed with Eni, S.p.A. (Eni), which has become operator of the blocks, with a 70% stake, with Galp Energia retaining a 30% stake. Eni will promote the planned exploration activities.

The consortium expects the drilling of the first exploration well in the end of 2015 or early 2016.

ALENTEJO BASIN



In the Peniche basin, it should be noted the farm-in of Kosmos Energy, in 2014, which acquired a 31% stake. Repsol remains the project operator, with a 34% stake, while Galp Energia and Partex hold 30% and 5%, respectively.

During the year, the consortium continued with data interpretation and will make a decision in 2015 as to whether to abandon the area or move on to the second phase of the exploratory period.

Uruguay

Galp Energia is present in Area 3 of the Punta del Este basin, where it holds a 20% stake.

In 2014, the consortium made the decision to abandon Area 4, after assessing its prospectivity. With regard to Area 3, the consortium requested an extension to the second phase of the exploration period.

In 2015, the consortium expects to proceed with 3D seismic data interpretation to determine the prospects to be drilled.

2.3 Refining & Marketing

SINES REFINERY

STRATEGIC OBJECTIVES

- Integrate refining and marketing activities by aligning the profile and volume of production with those of sales.
- Focus on energy efficiency and process optimisation of the refining system both on reductions in cost and in capital employed.
- Ensure the competitiveness of operations for the marketing of oil products in the Iberian Peninsula.
- Increase sales in international markets, namely by leveraging the expected growth in the African market.
- Maximise cash flow generation and allocate it to the Company's expanding businesses.

2014 HIGHLIGHTS

- 2014 was marked by intense volatility in European refining margins, reaching historical lows in the first half of the year, having recorded a positive evolution in the second half.
- The performance of the refining business was affected by the planned outage for maintenance at the Sines refinery in the first half of the year, affecting all units, including the hydrocracking complex.
- The market for oil products in the Iberian Peninsula remained stable, although still impacted by the region's adverse economic environment.
- Continued implementation of measures aiming to maintain a reference position in the market and improve operational efficiency in marketing oil products.

MAIN INDICATORS	2012	2013	2014
Crude processed (kbbl)	81,792	87,528	**79,345**
Galp Energia refining margin ($/bbl)	2.2	2.2	**3.3**
Refineries net operating costs ($/bbl)	2.2	2.6	**2.9**
Refined products sales (mton)	16.4	17.2	**16.8**
Sales to direct clients (mton)	9.8	9.5	**9.3**
Number of service stations	1,486	1,435	**1,449**
Number of convenience stores	836	830	**834**
Ebitda RCA (€m)	308	312	**412**
Ebit RCA (€m)	75	5	**99**
Capital expenditure (€m)	162	153	**108**

Galp Energia's integrated refining system comprises two refineries in Portugal. This is a highly complex and competitive refining system, when compared to the sector.

The Company benefits from integrated refining and marketing of oil products activities, which gives it a competitive advantage. In fact, Galp Energia has a vast network for marketing oil products across the Iberian Peninsula, where it is a leading operator. Galp Energia is also present in selected African markets.

Galp Energia benefits from access to maritime terminals in Portugal and to storage facilities in Portugal and Spain, with a combined capacity of around 9 mm^3. Furthermore, the Company also has stakes in logistics companies in Portugal and benefits from access to several pipelines in the Iberian Peninsula, spanning a total of almost 4 thousand km.

In Mozambique, Galp Energia reinforced its logistics base with a 45% stake in the consortium that is building the country's fuel and liquefied petroleum gas (LPG) storage infrastructure. This project consists of creating a logistics centre in Africa, which will allow the Company to ensure access to competitive sourcing of those products and allow them to be exported to neighbouring countries, thereby reinforcing the Company's strategic position in the region.

The R&M business contributes in a resilient manner to results and it is an important source of cash flow, particularly when considering the Company's current phase. The actions to be taken in the R&M business will focus on increasing the profitability of refining and marketing activities, in order to maximise cash flow generation, and which will be allocated to the Company's growing businesses, particularly to E&P.

It should also be noted that cost optimisation and reduction of capital invested are essential for increasing return on capital employed. In this way, several initiatives involving stock management and client debt management have allowed Galp Energia to better manage its working capital.

Refining

Galp Energia's refining business comprises a refining system with a total processing capacity of 330 kbopd. This is a highly complex refining system, with a Nelson complexity index of 8.6, benefitting from the operation of its hydrocracker and fluid catalytic cracking (FCC) units at the Sines refinery and the visbreaker unit at the Matosinhos refinery.

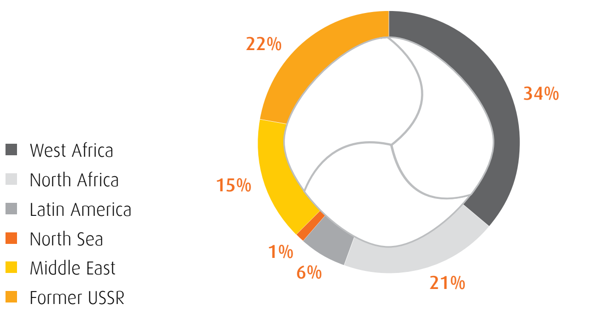
In 2014, the refining business was marked by the planned outage for maintenance of the Sines refinery, including the hydrocracking complex and FCC, during the first half of the year. The outage, which was considered to be the largest and most complex at the Company, had more than 4,200 workers involved at the peak of the work, and lasted around 45 days.

The hydrocracking complex had a utilisation rate of around 84% in 2014, operating at maximum capacity during the second half of the year, when refining margins in the international markets recovered. In fact, the high reliability and flexibility of Galp Energia's refining units allowed the Company to take advantage of favourable market conditions and thus be able to increase its processing of vacuum gas oil (VGO), which helped Galp Energia's refining margin to reach new highs during the second half of the year.

Considering the target production profile and with a view to maximising the refining margin, Galp Energia optimises the sourcing of crude oil and other raw materials. Sourcing also takes into account the diversification strategy and the specifications of the refining system. Following the upgrade of its refining system, Galp Energia currently has a greater capacity for processing heavier raw materials.

It is important to mention that the diversification policy in the sourcing of crude oil allowed the Company to overcome the effects of certain events, such as geopolitical conflicts.

ORIGIN OF CRUDE OIL IN 2014



In 2014, around 13 million tonnes (mton) of raw materials were processed, of which crude oil represented 82%. During the year, Galp Energia imported crude oil from 14 countries. Medium and heavy crude oils, which historically tend to have a lower cost than light crude oils, represented 78% of the total.

During 2014, given the demand in its target markets, middle distillates and gasoline represented the highest yield of the Company's production profile, accounting for 47% and 20%, respectively, of total production.

It should be highlighted that one of Galp Energia's main strategic focuses is the implementation of an energy efficiency programme at the Sines refinery. Implementing this programme will allow the Company to minimise consumption and losses in the refining system, with a direct impact on the cost structure.

Marketing of oil products

Galp Energia focuses its marketing of oil products on high-value markets, namely the Iberian Peninsula where the Company is a leading player, but also includes some African countries where the anticipated market growth is attractive and where there are synergies with other activities in the region.

The Company is focused on marketing oil products under the Galp Energia brand, but also on marketing non-fuel products through its network of service stations in order to maximise their profitability.

The marketing of oil products activity maintained its positive contribution to results in 2014, benefitting from stabilised operating in Portugal and Spain, and from the reduction of operating costs.

In 2014, 16.8 mton of oil products were sold, a decrease of 2% yoy, mainly due to the impact of the planned outage for maintenance at the Sines refinery in the first half of the year. Sales to direct clients accounted for around 55% of the total volume sold, with exports down around 9% yoy. Sales to other operators accounted for 21% of the year's volumes.

In order to increase competitiveness and efficiency in resource management, as well as maximising return on capital employed, Galp Energia has continued to adapt its marketing structure for oil products in Portugal and Spain, leveraging Iberian synergies.

SERVICE STATION IN PORTUGAL

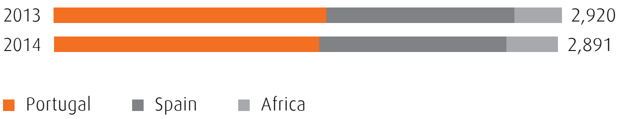
Sales to direct clients

Sales to direct clients in the Iberian Peninsula and some selected African markets are Galp Energia's main focus for marketing oil products. In fact, in light of the quality and geographical advantage of its refining and logistics assets, the Company considers that these are the markets where it is most able to create value.

In 2014, sales to direct clients totalled 9.3 mton, down 2% yoy, mainly impacted by the planned outage at the Sines refinery in the first half of the year. Sales volumes in Africa accounted for around 8% of all sales to direct clients, in line with 2013. Galp Energia continues to develop its African marketing activities, driving continued growth in the region, particularly in Mozambique and Guinea-Bissau.

In the retail segment, the volumes of oil products sold in 2014 decreased by 1% due to the economic environment in the Iberian Peninsula.

SALES IN THE RETAIL SEGMENT (kton)

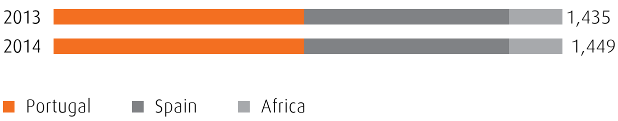


At the end of 2014, Galp Energia maintained its leadership of the retail market in Portugal, with around 50% market share, in line with 2013. On the other hand, in Spain, market slightly increased to 9%.

In order to maintain sales volumes, Galp Energia strengthened its customer relationships during 2014, through client acquisition and loyalty initiatives. The Company continued to strengthen its partnership with a brand of Portugal's largest retail group, Sonae, impacting more than 1.1 million customers. Galp Energia launched the Energia³ plan including the offer of fuels, natural gas and electricity with a discount plan in the Galp Energia and its partner networks. Other customer loyalty initiatives were also launched during the year for specific market segments.

Note that Galp Energia is defining a strategy to respond to the new Portuguese law on non-additive fuels. The Company will, however, remain faithful to its value proposition and its commitment to product and service quality for customers.

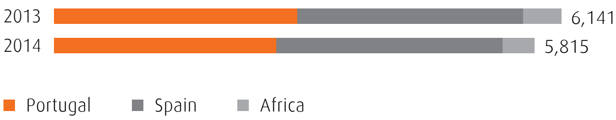
NUMBER OF SERVICE STATIONS



Galp Energia proceeded with the active and efficient management of its service stations network, which currently includes a total of 1,449 service stations, of which 1,301 are in the Iberian Peninsula and 148 are in Africa.

In the wholesale segment, sales decreased 5% yoy as a result of lower volumes sold in Portugal, namely in the transport and industry sub-segments. On the other hand, sales in the aviation sector increased, together with the consolidation of marine bunker sales to cruise ships in the port of Lisbon. Sales volumes in Spain and in Africa remained stable.

SALES IN THE WHOLESALE SEGMENT (kton)



Sales to other operators

In spite of Galp Energia's focus on sales to direct clients, the Company guarantees supplies to other operations in the Iberian Peninsula through production from its refineries, at the expense of the export market, and taking advantage of the corresponding location economic benefit.

In 2014, sales to other operators totalled 3.5 mton, in line with 2013, representing 21% of the total volumes sold by Galp Energia.

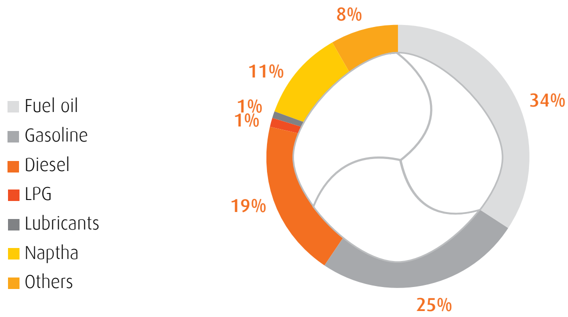
Exports

Galp Energia operates in the international export market, using this mainly as a way of offloading production from its refineries. It is important to highlight that the Company prioritises exports to markets which are close to the location of its refining system, although it continues to explore opportunities in other markets.

In 2014, exports outside of the Iberian Peninsula totalled 4.0 mton, 9% down from 2013. This decrease was primarily due to the planned outage at the Sines refinery in the first half of the year, resulting in less production available for export.

It should be highlighted that fuel oil, gasoline and diesel represented 34%, 25% and 19% of total exports, respectively, destined mostly to Gibraltar, USA and France.

EXPORTS BY PRODUCT IN 2014



2014 was marked by the start of sales of Galp Energia lubricants in Latin America, a market with high potential, where the Company is also present through its E&P and G&P businesses.

2.4 Gas & Power

COGENERATION AT THE MATOSINHOS REFINERY

STRATEGIC OBJECTIVES

- Guarantee a relevant base for natural gas demand in the Iberian market, replacing consumption in the electrical sector and evaluating new markets for expansion.
- Ensure the long-term supply of natural gas, accommodating the end of current supply contracts and building a diversified and flexible portfolio.
- Ensure the access to a natural gas infrastructure guaranteeing transport and storage capacity.
- Consolidate its LNG trading activity in the international market by ensuring medium and long-term LNG sales contracts, exploring arbitrage opportunities in new markets.

2014 HIGHLIGHTS

- Historical highs in the volumes of natural gas supplied, of 7,472 mm³, supported by LNG sales in the international market.
- Decrease in volumes sold in the industrial and residential segments in the Iberian Peninsula, following the decrease in demand and as well as of the streamlining of the client portfolio.
- Consolidation of the structured natural gas and LNG trading activity.
- Continued focus on the combined natural gas and electricity package, reaching a total of 261 thousand clients in the residential sector in Portugal.
- Launch of the first triple offer, the Energia³ plan, including the combined supply of oil products, natural gas and electricity for the residential segment, which has the best value proposition in the Portuguese market.

MAIN INDICATORS	2012	2013	2014
Natural gas sales to direct clients (mm³)	4,011	4,056	**3,759**
NG and LNG sales in trading (mm³)	2,242	3,034	**3,713**
Natural gas net fixed assets (€m)	1,233	1,239	**1,263**
Cogeneration installed capacity (MW)	257	254	**205**
Electricity sold to the grid (GWh)	1,298	1,904	**1,590**
Ebitda RCA (€m)	350	416	**438**
Ebit RCA (€m)	285	338	**363**
Capital expenditure (€m)	67	85	**29**

In its G&P business unit, Galp Energia has combined the procurement, supply and trading of natural gas, with electricity generation and supply.

At the same time, the Company has consolidated its natural gas and electricity supply activities with a view to providing a competitive and integrated offer to its clients.

The Company distributes and supplies natural gas in the Iberian Peninsula as well as in the international market, where it has been intensifying its LNG trading activity.

In the Iberian Peninsula, Galp Energia has around 4 billion cubic metres (bcm) per year of natural gas demand, while, in the international market, the Company seeks to find the best business opportunities by focusing on high-value markets.

The cash flow generated by the G&P business is allocated to the Company's expanding businesses. In view of the natural gas market conditions, in its supply & trading activity, the Company plans to optimise its consolidated Iberian commercial operations and consolidate the LNG sales in the international market. Management of the regulated natural gas infrastructure should contribute steadily to results.

Natural gas

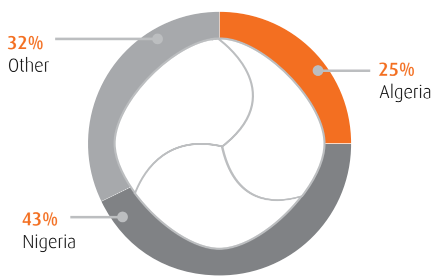
Galp Energia's natural gas business portfolio encompasses both regulated and liberalised activities. Supply and trading operate under the liberalised regime, while the operation of infrastructure is under a regulated regime.

Procurement

Galp Energia has long-term sourcing contracts for a total of around 6 bcm per year, which will mature after 2020. With these contracts, the Company ensures it has access to natural gas from Algeria and LNG from Nigeria.

The Company always seeks to manage its supply mix in the most efficient manner, including the spot market.

SOURCES OF NATURAL GAS SUPPLY IN 2014



In 2014, a significant part of natural gas needs, i.e. 32%, was supplied through new sourcing contracts, thereby supporting the growth of the trading segment. The remaining were supplied through the long term natural gas contracts, with 43% of the total gas from Nigeria and 25% from Algeria, through contracts with Nigeria LNG and Sonatrach, respectively.

EQUITY HOLDINGS IN INTERNATIONAL GAS PIPELINES

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

The supply of natural gas from Algeria is carried out through the Maghreb–Europe Gas Pipeline (EMPL) and the Al-Andalus and Extremadura pipelines.

Supply & Trading

Galp Energia's supply & trading activities currently revolve around two cornerstones: the Iberian market and the international LNG market.

In the Iberian natural gas market, where the Company has steady demand for natural gas, Galp Energia focuses its efforts on optimising operations.

With regard to LNG trading operations, Galp Energia plans to take advantage of opportunities in the international market.

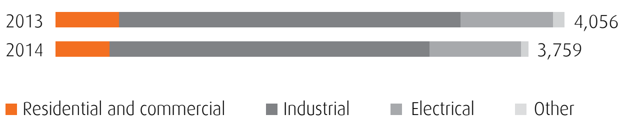
In 2014, Galp Energia supplied a total of 7,472 mm³ of natural gas, a historical high supported by the increased sales in the trading segment.

Sales to direct clients

Galp Energia maintained its position in 2014 as the second-largest supplier of natural gas in the Iberian Peninsula, with around one million clients.

In 2014, sales of natural gas to direct clients totalled 3,759 mm³, down from 2013 due to lower demand in the residential and industrial segments. On the other hand, volumes sold to the electrical segment remained stable, compared with 2013.

SALES OF NATURAL GAS TO DIRECT CLIENTS (mm³)



In 2014, the volumes of natural gas sold to the industrial segment decreased 168 mm³ to 2,550 mm³. This was due to the decreasing demand from major industrial clients in Portugal, including the decrease in consumption at Galp Energia's own industrial units, in the wake of the planned outage at the Sines refinery in the first half of 2014.

During 2014, the electrical segment maintained a steady natural gas consumption at 726 mm³. This was on the back of an increase in electricity generation using other energy sources, such as hydroelectric and coal electrical generation.

In the residential segment, the volumes of natural gas sold stood at 424 mm³, down 19% yoy, as a result of the increasing competition in the Iberian market, particularly in the Portuguese market, which continues to move forward with its liberalisation process.

Trading
The international LNG trading is currently a growing business within of growth for Galp Energia. The Company aims to act in a sustainable manner in the market and, as such, has been strengthening its technical expertise in this area.

In 2014, the Company recorded a new high in volumes sold in this segment, 3,713 mm³, a 22% increase from 2013. There were 40 trading operations over the year, mainly to countries in the Far East and Latin America.

Regulated infrastructures
The natural gas distribution network operated by Galp Energia in Portugal is regulated by the Portuguese Energy Market Regulator (ERSE), which is responsible for establishing the framework for the returns from those activities.

Allowed revenue, on which the tariffs for the distribution of natural gas are calculated, are the sum of the cost of capital plus the recovery of operating costs and adjustments – namely the tariff deficit. The cost of capital is calculated as the product of the regulated asset base and the rate of return set by the regulator, plus asset depreciation. The tariff deficit is defined as the difference between actual and estimated allowed revenues for year n-2. The remuneration rate is calculated according to the average yield of 10-year bonds issued by the Portuguese State.

Of note in the storage activity was the agreement established in 2014 with REN Armazenagem of the possible transfer of the concession of two existing storage facilities with a capacity of 30 mm³ together with the construction and exploration rights for two additional facilities.

Distribution
Galp Energia has stakes in nine natural gas distributors in Portugal, five of which operate under 40-year concession contracts, while the others operate under licences with an exploration period of 20 years. With a view to improving the service level and experience of the end user, the Company has optimised operations and standardised processes.

The distribution network operated by Galp Energia reaches 12,348 km, through which its subsidiaries have distributed 1.4 bcm of natural gas during 2014.

The remuneration rate established for the 2013-2014 Gas Year was revised in June 2014, from 9.0% to 8.4%, in light of the yields from benchmark bonds in that period. At the end of 2014, the regulatory asset base allocated to this activity was around €1.1 bn.

Power
Power generation and supply in the Iberian Peninsula complement the natural gas business through the consumption of natural gas in the cogeneration plants, as well as through the provision of combined electricity and gas packages to Company customers.

Cogeneration
Galp Energia is involved in the power generation business through its cogeneration portfolio in Portugal. Galp Energia currently has an installed capacity of 205 megawatts (MW), including cogeneration units 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 refineries.

GALP ENERGIA COGENERATION PORTFOLIO IN 2014

	Installed capacity (MW)	Sales of electricity to the grid (GWh)	Natural gas consumption (mm³)
Sines	82	629	229
Matosinhos	82	693	236
Other	41	232	65
Total	205	1,554	530

Trading and supply of electricity
Galp Energia operates in the electricity market through the Iberian Electricity Market (MIBEL) for the purchase of electricity, which is then commercialised. The supply of electricity complements the natural gas business and, in 2012, the first combined package was offered to the Portuguese market, specifically for the residential segment.

In 2014, the Company supplied 2,137 gigawatts per hour (GWh) of electricity, up 32% over 2013. Note that at the end of year Galp Energia had already around 261 thousand contracts, most of which are for combined electricity and natural gas supply.

The most important milestone in 2014 was the launch of the Energia³ plan, consisting of the supply of oil products, natural gas and electricity, linked to a discount programme on Galp Energia's network and on Portugal's largest retail network.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03 Financial performance

3.1 Executive summary

In 2014, Galp Energia's RCA net profit was €373 m, an increase of €63 m yoy.

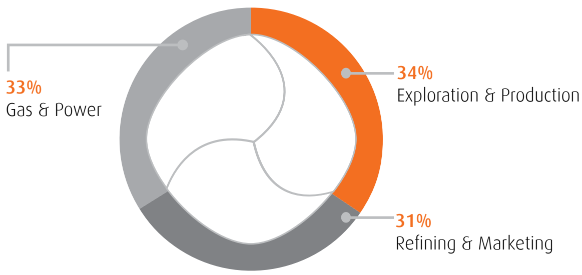
This increase was supported by the improved operating performance of all business segments, namely due to higher oil and natural gas production, the higher refining margin and the increased volumes of LNG traded in the international market.

The most noteworthy facts regarding Galp Energia's operational and financial performance during 2014 were:

- Net entitlement production of oil and natural gas increased by around 30% yoy to 27.1 kboepd, of which around 75% was from Brazil;
- Galp Energia's refining margin reached $3.3/bbl, up $1.1/bbl from the year before, mainly due to the improvement in refining margins in the international market during the second half of 2014;
- The marketing of oil products activity maintained its positive contribution to results, benefitting from stabilised operations in both Portugal and Spain, and from the reduction in operating costs;
- Volumes of natural gas sold reached a record high of 7,472 mm^3, as the higher LNG volumes traded in the international market offset the decrease in sales to direct clients in the Iberian Peninsula, and to which contributed the ability to source natural gas from alternatives sources;
- Ebit RCA reached €774 m, up 31% yoy, not only due to the improved operating performance, but also due to lower provisions in the R&M business;
- Capital expenditure amounted to €1,143 m, of which 87% was allocated to the E&P business segment, mainly to development activities in the Lula/Iracema field, in Brazil;
- Net debt at the end of 2014 amounted to €2,520 m, or €1,630 m considering the loan to Sinopec as cash and equivalents, in which case, net debt to Ebitda was 1.2x.

Note: Unless otherwise indicated, results referenced in this chapter are RCA.

EBITDA PER BUSINESS SEGMENT IN 2014 (%)



3.2 Results analysis

Exploration & Production

In 2014, Ebitda increased €48 m yoy to €444 m, primarily as a result of increased net entitlement production.

The average sale price in the period was $88.7/boe, down from $100.8/boe the previous year due to lower oil prices in international markets during 2014.

Production costs increased €22 m yoy to around €100 m as FPSO #3 began operations in October 2014 and EWTs were performed in the Lula Central, Lula South and Iara areas, in Brazil. On the other hand, production costs in Angola decreased €4 m yoy due to the lower production and the decommissioning of the Kuito FPSO in December 2013. In unit terms, production costs reached $13.4/boe, compared to $13.7/boe in the previous year.

Other operating costs decreased €2 m yoy to €63 m.

Depreciation, excluding abandonment charges, increased €2 m yoy to €131 m, following higher capital expenditure and production in Brazil.

Abandonment charges fell to €17 m from €35 m the previous year.

As a result, Ebit of the E&P business segment increased €64 m yoy to €295 m in 2014.

Refining & Marketing

Ebitda for the R&M business segment in 2014 increased €100 m yoy to €412 m, on the back of improved results from Galp Energia's refining activities, as the refining margin increased to $3.3/bbl from $2.2/bbl the previous year, primarily as a result of higher refining margins in international markets in the second half of the year.

Refining cash costs amounted to €175 m, or $2.9/bbl in unit terms, up from $2.6/bbl the previous year, following the general outage for maintenance of the Sines refinery in the first half of the year and the lower volumes of crude oil processed, which led to less dilution of fixed costs.

Marketing of oil products maintained its positive contribution to results during 2014, benefitting from stabilised operations in the Iberian Peninsula, and from the reduction in operating costs.

Depreciation charges increased €21 m yoy to €289 m as the assets related to the hydrocracking complex started to be depreciated in the second quarter of 2013.

Provisions decreased by €15 m yoy to €23 m as impairments on trade receivables fell.

As a result, Ebit for the R&M business segment in 2014 increased by €94 m yoy to €99 m.

Gas & Power

Ebitda for the G&P business in 2014 increased 5% yoy to €438 m primarily on the back of improved results from the supply & trading activity. Ebitda for this activity amounted to €251 m during the year.

The regulated infrastructure business contributed with €154 m to Ebitda in the period, although impacted by the downward revision of the rate of return.

The power business generated Ebitda of €33 m, down €10 m from the year before, due to the outage at the Sines cogeneration in the first half of the year, and the shutdown of the Carriço and Energin cogenerations.

Depreciation and amortisation amounted to €63 m, up from €61 m the previous year.

Provisions of €12 m were €3 m lower than in the previous year.

As a result, Ebit for the G&P business segment in 2014 increased 7% yoy to €363 m.

Consolidated results

Turnover declined 9% yoy to €17,904 m as the prices of oil, natural gas and oil products fell in international markets, and the volume of oil products sold contracted, on the back of the planned outage for maintenance at the Sines refinery.

Operating costs decreased 10% yoy to €16,624 m as the 12% fall in the cost of goods sold offset the increase of €90 m in supply & services costs that followed from higher variable costs related to oil and natural gas production, and the rise in international freight costs. Personnel costs amounted to €333 m, in line with the previous year.

Ebitda for the year increased €172 m yoy to €1,314 m, following the higher contribution from all business segments.

Ebit advanced 31% yoy to €774 m, as a result of the improved operating performance in all business segments and the lower provisions in the R&M business.

INCOME STATEMENT (€m)

	2013	2014	Var.	% var
Turnover	19,622	17,904	(1,719)	(9%)
Operating expenses	(18,514)	(16,624)	(1,890)	(10%)
Costs of goods sold	(17,117)	(15,133)	(1,984)	(12%)
Supply & Services	(1,068)	(1,158)	90	8%
Personnel costs	(329)	(333)	3	1%
Other operating revenues (expenses)	34	35	1	2%
Ebitda	**1,142**	**1,314**	**172**	**15%**
DD&A	(495)	(504)	9	2%
Provisions	(57)	(36)	(21)	(37%)
Ebit	**590**	**774**	**185**	**31%**
Net profit from associated companies	64	60	(4)	(6%)
Net profit from investments	0	3	2	n.m.
Financial results	(121)	(145)	(24)	(20%)
Net profit before tax and non-controlling interests	**533**	**693**	**160**	**30%**
Taxes[1]	(168)	(253)	86	51%
Non-controlling interests	(55)	(67)	12	21%
Net profit	**310**	**373**	**63**	**20%**
Non-recurrent items	(59)	(203)	(144)	n.m.
Net profit RC	**251**	**170**	**(81)**	**(32%)**
Inventory effect	(62)	(343)	(281)	n.m.
Net profit IFRS	**189**	**(173)**	**(362)**	**n.m.**

[1] Includes taxes for the production of oil and natural gas, namely Special Participation Tax (SPT) payable in Brazil and oil tax payable in Angola.

Results from associates amounted to €60 m, primarily from the contribution of equity stakes in international gas pipelines.

Financial losses in 2014 increased by €24 m yoy, and amounted to €145 m. This increase was mainly due to the mark-to-market of refining margin hedges and exchange rate differences.

Taxes increased by €86 m to €253 m, driven by the increased contribution from the E&P business to Group results.

Non-controlling interests amounted to €67 m, up €12 m from the previous year.

As a result, RCA net profit for 2014 increased €63 m yoy to €373 m, whereas IFRS net profit was negative by €173 m, after an adverse inventory effect of €343 m post-tax and non-recurrent items of €203 m. The latter were primarily related to impairments in the E&P business, and included costs with the exploration well in Morocco and impairments related to assets in Brazil.

3.3 Capital expenditure

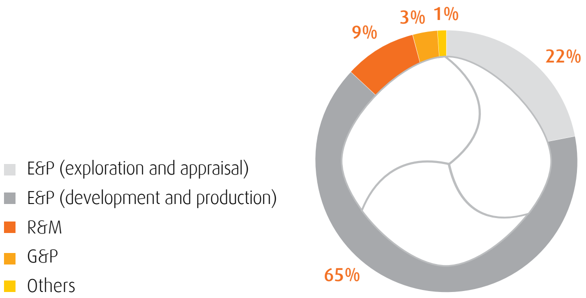
Capital expenditure in 2014 totalled €1,143 m, of which 87% was allocated to the E&P business.

Investment in development activities, namely in the Lula/Iracema field, represented 75% of total invested in the E&P business segment.

The remaining 25% were allocated to the exploration and appraisal campaign executed throughout the year, particularly to activities in the Brazilian pre-salt, in Mozambique and in Morocco.

The combined capital expenditure in the R&M and G&P businesses amounted to €137 m and was mostly allocated to maintenance of the Sines refinery and the expansion of the natural gas distribution network.

CAPITAL EXPENDITURE PER SEGMENT (%)



3.4 Cash flow

CASH FLOW MAP (€m IFRS)

	2013	2014
Ebit	401	180
Dividends from associates	64	74
Depreciation, depletion and amortisation (DD&A)	585	614
Change in working capital	30	326
Cash flow from operations	**1.081**	**1.193**
Capital expenditure[1]	(854)	(1.142)
Net financial expenses	(176)	(130)
Taxes paid	(154)	(159)
Dividends paid	(222)	(275)
Other[2]	(150)	165
Change in net debt	**(475)**	**(348)**

[1] The 2013 figures include the €111 m in proceeds from the sale of 5% in CLH.
[2] Includes CTAs (Cumulative Translation Adjustments) and partial reimbursements of the loan extended to Sinopec.

Net debt increased by €348 m during 2014 mostly as a result of investment in fixed assets.

Net capital expenditure was offset by cash flow from operations of €1,193 m primarily following the positive operating performance in the second half of 2014 and the reduction in working capital during the fourth quarter. The Company's integrated business profile allowed it to cope with the decrease in oil prices during the second half of 2014.

3.5 Financial debt

CONSOLIDATED FINANCIAL POSITION (€m)

	31 Dec. 2013	31 Dec. 2014	Var.
Non-curent assets	6,890	7,599	709
Working capital	1,294	968	(326)
Loan to Sinopec	871	890	18
Other assets (liabilities)	(468)	(512)	(44)
Capital employed	**8,588**	**8,945**	**357**
Short-term debt	373	303	(70)
Medium-long term debt	3,304	3,361	57
Total debt	**3,677**	**3,664**	**(13)**
Cash	1,505	1,144	(361)
Total net debt	**2,172**	**2,520**	**348**
Total equity	**6,416**	**6,425**	**9**
Total equity and net debt	**8,588**	**8,945**	**357**
Total net debt including loan to Sinopec	**1,301**	**1,630**	**330**
Net debt to Ebitda RCA	**1.9x**	**1.9x**	**-**
Net debt, including loan to Sinopec, to Ebitda RCA	**1.1x**	**1.2x**	**0.1x**

On 31 December 2014, non-current assets amounted to €7,599 m, up €709 m from the end of 2013 following investment in fixed assets namely in the E&P segment.

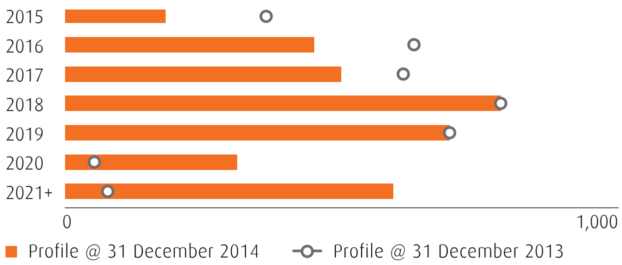
Working capital at the end of 2014 was €968 m, a decrease of €326 m compared to the end of 2013. This evolution was mainly due to the reduction in stocks, which benefitted from lower commodity prices and from a reduction in volumes. The effective management of trade payables and receivables also contributed to the reduction in working capital.

Net debt at the end of December of 2014 amounted to €2,520 m, or €1,630 m, considering the €890 m loan to Sinopec as cash and equivalents.

Net debt to Ebitda was 1.9x at the end of 2014, or 1.2x, considering the loan to Sinopec as cash and equivalents.

During 2014, Galp Energia continued to execute its financial strategy, which envisages, among others, aligning debt repayment with the Company's expected free cash flow profile, as well as guaranteeing the diversification of funding sources. In fact, around 65% of the debt outstanding was scheduled to mature from 2018 onwards.

DEBT REIMBURSEMENT PROFILE (€m)



It should be highlighted that Galp Energia proceeded to the second issuance of debt of €500 m and a coupon of 3.0% in the capital markets in July 2014, under its Euro Medium Term Note (EMTN) programme, announced in 2013.

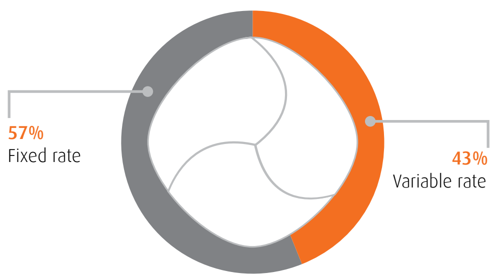
At the end of 2014, medium and long term debt accounted for 92% of the total, 20 percentage points (p.p.) higher than at the end of 2013.

On 31 December 2014, the average debt maturity was 3.7 years.

The average debt interest rate at the end of the year was 4.2%, down 20 basis points (b.p.) from 2013.

At the end of the 2014 Galp Energia had unused credit lines of €1.2 bn, 30% of which were signed with international banks and 60% were contractually guaranteed.

DEBT PER CONTRACTED RATE (%)



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04 Risk management

4.1 Risk management model

In Galp Energia, the Executive Committee is responsible for the establishment of an identification and assessment mechanism for both internal and external risks which could impact the Group's performance. The Executive Committee is assisted by several internal bodies, namely by the Risk Management Division, the Internal Audit Division and by the Risk Management Committee.

The Company's risk management activity has been empowered and centred on the Risk Management Division, since 2012 under the supervision of a Executive Director. This has allowed for a more efficient definition and management of an integrated risk management model.

The mission of the Division is to promote the implementation of the risk management policies defined by the Executive Committee, together with the different Galp Energia Group business units, thereby ensuring the consistency of risk management and assessment principles, concepts, methodologies and tools of all of the Group's business units, including subsidiaries. It also has the task of ensuring the effective enforcement of the risk management system, together with the Executive Committee, the Risk Management Committee and the focal points of the Group's business units or subsidiaries.

The implemented risk management structure allows for the monitoring of the Company's integrated risk profile, as well as of those specific risks that are inherent to the Group's activities or business.

The Company's different business and support units are responsible for the identification, notification, self-assessment and mitigation of risk. Risk managers, referred to as Local Risk Officers (LRO), have been appointed for this purpose. The LRO is an experienced employee, with sufficient knowledge to identify, assess and communicate risks.

The mission of the Risk Management Committee is to support and monitor the definition and execution of Galp Energia's risk management strategy and policy together with the Risk Management Division and the heads of the Company's management units, which comprise the Chief Risk Officer, the Chief Financial Officer, the Head of the Risk Management Division and the Head of the Internal Audit Division.

The Risk Management Committee is responsible for:

- the follow-up of the evolution of global risk levels;
- ensuring that these are compatible with the goals and strategies that are approved by the Executive Committee;
- assess and review together with the Risk Management Committee and the Executive Committee the risk monitoring and control measures, namely those which present significant variables;
- analyse and provide an opinion on the Risk Management Policy presented by the Risk Management Committee, which is to be submitted to the Executive Committee;
- ensure that the Company's strategy and business plans do not pose risks which have not been adequately examined by the managers of the businesses concerned;
- propose the definition and amendment of Galp Energia's main risks when necessary;
- analyse and provide an opinion on the incorporation of the risk management dimensions into the business goals;
- approve the annual risk management report and inform the Supervisory Board;
- inform the Executive Committee about the Committee's activity and decisions adopted on a regular basis.

The Supervisory Board is responsible for overseeing the efficiency of the risk management, internal control and internal audit systems, as well as for annually assessing the functioning of the systems and the internal procedures involved, thereby reinforcing the internal control environment. The Supervisory Board's recommendations in this regard are sent to the Executive Committee.

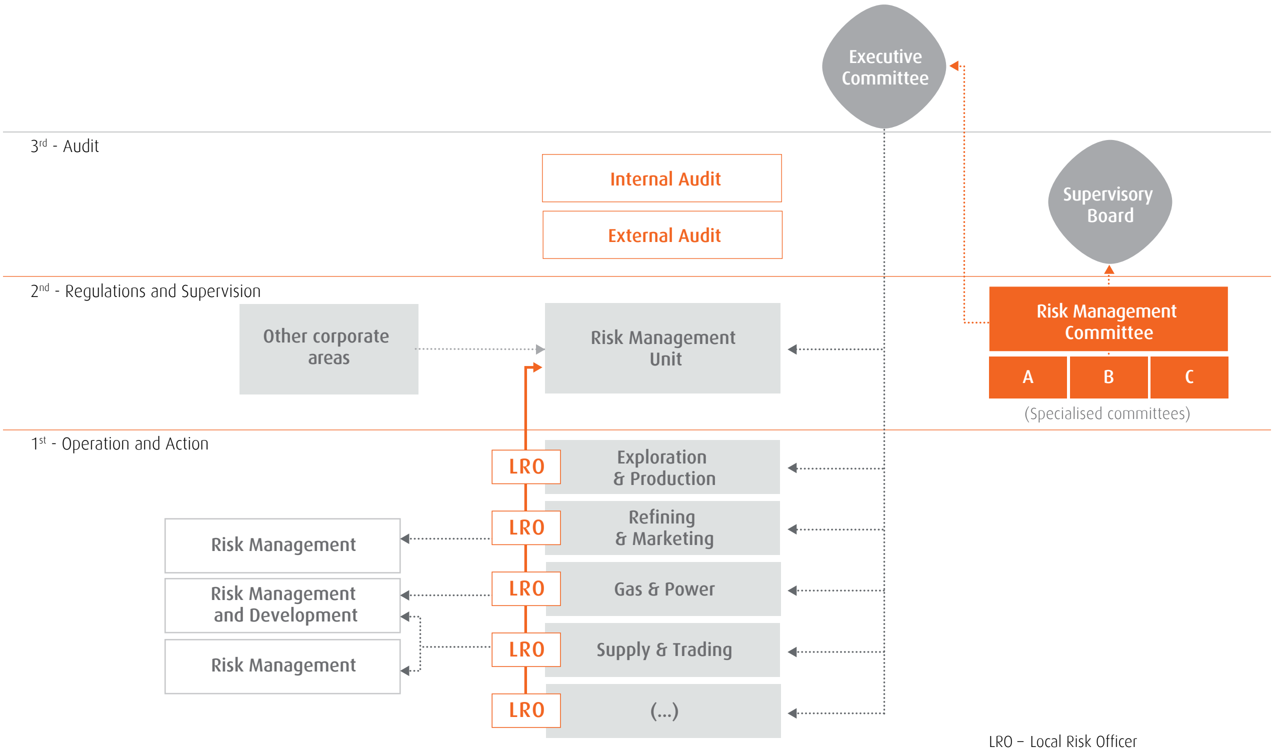
The Internal Audit Division independently and systematically assesses the adequate operation of the risk management and internal control systems, as well as the effectiveness and efficiency of the implementation of controls and mitigation measures, regularly informing and alerting the Board of Directors and the Supervisory Board about the most relevant observations and recommendations and identifying opportunities for improvement.

An annual audit plan is set up based on the results of the residual risk assessment for the different procedures and the several business units. The annual audit plan is approved by Galp Energia's Board of Directors.

The effective enforcement of the risk management system is ensured through the continuous follow-up of the concerning adequacy and effectiveness, the follow-up of the corrective measures for possible shortcomings in the system and the permanent monitoring of the risk level and of the implementation of the control mechanisms for the several risks faced by Galp Energia.

With regard to the supervisory role, the Supervisory Board shall accompany the work plans and resources made by the Internal Audit Department and the Group's compliance areas. The Supervisory Board is to receive periodic reports on these services, as well as on information concerning accounting, identification or resolution of conflicts of interest and the detection of potential unlawful activities.

RISK MANAGEMENT MODEL



4.2 Internal control system

The internal control system is a set of policies and procedures adopted to ensure, with reasonable likelihood of success, the fulfilment of the Company'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 system: the control environment, risk assessment, monitoring, information and communication.

The control environment is the starting point for all other components of internal control and covers the general attitude and awareness among employees. This aspect involves the overall attitude, ethical awareness and measures introduced by the Executive Committee, which serve as an example to employees as well as to stakeholders.

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. Galp Energia's code of ethics is available on the Company's website at: http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Documents/Code-of-ethics.pdf.

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

Galp Energia has been promoting the systematisation of the risk assessment and internal control systems within the business units. These initiatives cover the 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. Risk reassessments are therefore regularly conducted for the Group's main businesses in order to guarantee the alignment of the business units' response to risks with the risk profile.

Generally, risk analysis and internal control assessments start by identifying and classifying the main risks that can compromise the achievement of the objectives of the business units, as well as the control systems in place to mitigate them. To assess the effectiveness of the controls implemented, residual risks are measured and the existence of possible deviations from the risk profile set for the business unit are verified.

Finally, business units announce their residual risk, committing to a response plan designed to minimise, transfer, avoid or accept residual risk.

Operational, compliance and financial audits, such as reviews of information systems, are conducted in order to test the effectiveness of the internal control mechanisms implemented.

Galp Energia has set up policies and processes for accompanying, measuring and managing risk exposure. The purpose of these policies is to help the business segments to reach their respective goals and monitor the potential impact of risks on their results.

Information and communication

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 Strategy and Investor Relations Division 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 divisions.

Prior to their disclosure, these documents are sent to the management and supervisory bodies. This means that all documents containing financial information are approved by these two bodies before their disclosure.

4.3 Main risks

The main risks faced by Galp Energia may negatively affect the implementation of its strategy, its stakeholders, its employees and the communities where it operates, its operations, results, financial situation, assets and its reputation.

Consequently, these results can have an impact on shareholder returns, including the distribution of dividends and Galp Energia's market value. The measures taken by the Company's Board of Directors to mitigate some of these risks are identified and disclosed whenever appropriate.

An intense assessment of the principal risks faced by Galp Energia was carried out in 2013 and the results of this assessment were updated and revised in 2014.

Galp Energia groups its main risks into four main categories: strategic, operational or compliance, external and financial. Risk mitigation measures were established in order to adjust risk exposureto the tolerance levels of shareholders.

The following are among the risks which could affect Galp Energia's activities and financial situation, while not ruling out the possibility that other risks of equal or greater importance may exist.

GALP ENERGIA'S MAIN RISKS

Main risk	Description and impact	Means of mitigation
Strategic risks		
Project execution	The success of the execution 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.	At Galp Energia, the FID is made after a detailed review of feasibility studies, including sensitivity analyses of the 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.
	The execution of these projects is subject to health, safety and environmental risks and to economic, technical, technological, commercial, legal and regulatory risks. Moreover, choosing a less suitable development option can result in additional costs and/or risks during the project's useful life.	Another means of mitigating the risk of project execution is through the continuous monitoring of these, in order to identify potential risks as early as possible, ensuring that corrective measures are being implemented in a timely manner. The information gathered from each project is also important, as this is later used in other projects, allowing the Company to benefit from the experience and learning curves.
	Many of the Company's main projects are carried out through partnerships and may be operated by third parties. In turn, since Galp Energia and its partners' activities depend on the performance of various service providers and other contracted parties, the Company is exposed to execution risk through these entities.	Although Galp Energia is not the operator on most of the projects it takes part in, it is actively involved in their execution. The Company 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.
	It should also be noted that partners' interests or goals may be different from those of the Company and they may exercise certain veto rights to block certain decisions or actions taken by Galp Energia. Different partners may also approve certain matters without the Company's consent. The fact that Galp Energia is involved in different projects where it is not the operator and where it holds minority stakes may affect its ability to influence the partnership's decisions and manage risks and costs.	Galp Energia is present in many different projects worldwide, which enables it to benefit from diverse experience and knowledge, employing different techniques and experience curves from one region to another. An example of this is the knowledge acquired from the Latin American and African offshore. Galp Energia believes that its proven and diverse experience, combined with the knowledge it acquires from the various projects it is involved in, are key factors that allow it to influence the consortium in which it participates

Main risk	Description and impact	Means of mitigation
Project execution (cont.)	Furthermore, Galp Energia's partners and contracted parties are responsible for bringing suitable technical and human expertise to each project. Otherwise, these partners and other parties may not be able to cope with their financial or other obligations vis-à-vis their contracted parties or projects, thereby potentially affecting their feasibility.	Galp Energia aims to continue to reinforce its exploration and production skills, which are expected to contribute to increasing its control and influence on each project. With regard to the risk of hiring suppliers, service providers and other contracted parties, Galp Energia analyses and implements a procurement and selection process combining various operational HSE criteria. For the projects it does not operate, the Company also conducts monitoring through multi-disciplinary internal teams at the various project phases.
Country risk	The Lula/Iracema field is currently the largest contributor to Galp Energia's natural gas and oil reserve base. Although Galp Energia has had no material problems to date with its operations in Brazil including, but not limited to, events involving security failures, civil unrest, expropriated assets or changes to the legal, regulatory or tax framework, there are no guarantees that such events will not occur in the future. As such, although the Brazilian authorities and government have cooperated in terms of developing the country's oil and gas reserves, any adverse circumstance that may arise during the development phase of Galp Energia's projects in Brazil may jeopardise its operations in the country. This could ultimately compromise the Company's production goals, thereby negatively affecting Galp Energia's operating results and financial position.	Galp Energia constantly monitors events occurring in countries in which it operates, particularly those which might impact Company activities, namely Brazil. In this case, the Company's presence in Brazil and the relationship it has built with the reference oil company, Petrobras, have enabled the existence of an open communication channel and allowed the Company to react in a timely manner, namely with regard to the decision-making process and the respective ability to influence the local interested parties, including its partner. Given the dimension of the development projects in Brazil, and to its importance to the economy of that country, it is expected that the Brazilian regulatory authorities and the government facilitate the execution of projects, thereby reducing associated risk. In addition, Galp Energia remains watchful for opportunities that may arise in other regions, following the strategic criteria laid down, which may result in reducing the exposure of its portfolio to Brazil.
Financial and liquidity needs	Due to its strategy and investment plan, it is expected that Galp Energia will need major funds. Galp Energia hopes to fund a substantial part of its investment plan through the operating cash flow it expects to generate, cash reserves and other sources of liquidity. However, if its operations fail to generate sufficient cash flow, the Company may have to turn to other outside financing sources, including bank loans, placing debt and equity on the capital market or creating partnerships. There is no guarantee that Galp Energia will be able to meet all of its financing needs to execute its investment plan under acceptable business terms. If the Company is unable to handle its funding and liquidity needs, it may have to downsize its investment plan, which may in turn negatively impact the Company's strategic plan, its business and, consequently, its operating results.	One of Galp Energia's strategic pillars is the maintenance of a solid capital structure, through strict financial discipline, which should facilitate the access to diverse funding sources at competitive costs. This solid capital structure, the resilient cash flow generated by the downstream and gas businesses and the cash flow generated by increased production in Brazil will be essential for improving credit conditions, prolonging maturities at competitive rates and for diversifying financing sources. For example, there were two debt issuances on the capital market, one in 2013 both of which increased the average life of the debt and reduced the average cost of funding. Furthermore, Galp Energia keeps contracted credit lines at a level deemed adequate and proactively manages its asset portfolio by monetising assets considered non-core by the Company, giving it more flexibility in terms of its cash needs.
Efficiency of investments	The Company's organic growth is dependent on creating a portfolio of high-quality assets and invest in the best options. If Galp Energia is not effective in selecting and developing its investments, the result may be a loss in value and/or higher investments, jeopardising the implementation of its strategic plans. Thus, if it is unable to successfully implement its strategy, this may negatively impact the Company's financial position and operating results.	Galp Energia has high-quality assets particularly in the E&P segment. All projects that are developed by the Company are rigorously analysed and submitted to the approval of the management team. These can only be approved if the return is greater than the estimated cost of capital. Other than the teams analysing the feasibility of each project in detail, Galp Energia has a team which assesses the portfolio of projects and assets as well as its alignment with the Company's strategy. Its purpose is to ensure Galp Energia's efficiency in the choice of its investments, so as to protect shareholder value and ensure the Company's sustainability.
Discovery and development of oil and natural gas reserves and resources	Galp Energia's future oil and natural gas production is dependent on its success in acquiring, finding and developing new reserves to replace depleted reserves on a consistent and cost-effective basis. However, the Company's ability to acquire and find new resources and reserves is subject to countless risks. For example, there is no guarantee that exploration and development activities will be successful or that, if they are, the size of the discoveries will be sufficient either to replenish current reserves or cover the costs of exploration. In fact, exploration activities may involve negative results in terms of dry wells, as well, as discoveries considered economically unfeasible. Moreover, E&P activities normally take place in extremely challenging environments, with the potential risks of technical failure and natural disasters. This can lead to higher costs or to the downsizing, delay or cancellation of drilling activities due to a number of factors, such as unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with requirements handed down by government entities and failures or delays in the availability of drilling rigs and equipment delivery.	Galp Energia has a vast portfolio of oil and natural gas reserves and resources which the Company anticipates should sustain a relevant production growth. In fact, Galp Energia has an array of E&P projects in different stages of development and production. With regard to development projects, the Company focuses on the execution in terms of predefined costs and deadlines to develop resources and reserves and, consequently, ensure future production. Nonetheless, it should be noted that these projects might not be operated by Galp Energia, even when the Company contributes to and influences their execution. Galp Energia has also made efforts to reinforce its internal knowledge and expertise, minimising risks tied to exploration activities to the greatest extent possible. Given the nature of this activity, these risks cannot be mitigated entirely. However, Galp Energia has a system in place for choosing prospect drilling opportunities which compiles multiple criteria, such as probabilities, as well as technical, commercial and economic risks.

Main risk	Description and impact	Means of mitigation
Discovery and development of oil and natural gas reserves and resources (cont.)	Furthermore, oil and natural gas production blocks are normally auctioned by government authorities and Galp Energia is subject to intense competition in bidding for these blocks, particularly those considered potentially more attractive in terms of resources. Due to this competition, Galp Energia may not obtain desirable exploration and production blocks or may obtain them under less competitive conditions, which may affect the economic feasibility of subsequent production in the long term. If unsuccessful in de-risking resources and developing reserves, the Company's total proved reserves will decrease and Galp Energia may run the risk of not achieving its production goals. This will negatively affect future production growth, the Company's results and its financial position.	The technical expertise of teams, proper choice of equipment and a strict policy for procuring goods and services are criteria which contribute to a reduction in the operating risks associated with exploration and production activities. This is due to the challenges faced in the extremely complex environments of ultra-deep water production. With regard to potentially expanding its portfolio, the Company has a multidisciplinary team under the responsibility of the Director of the E&P business segment with the aim of actively managing the exploration portfolio, by evaluating new opportunities according to risk and return matrices and following the strategic criteria laid out.
Attracting and retaining qualified human capital	The successful execution of Galp Energia's business strategy depends on the skills and efforts of its employees and management teams. Competition for experienced and qualified managers and employees is particularly intense in the oil and gas industry. If Galp Energia is unable to attract, retain, motivate and organise the right human capital in the future, this may compromise its business success and, as a result, its operating results and financial position.	Galp Energia promotes strategies which it believes are appropriate 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 which Galp Energia provides to its employees and on which it has been focusing in recent years is also important, particularly its advanced training programmes in management, refining and hydrocarbon exploration and 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 at an international level. Galp Energia operates in two of the most promising basins in the world – the pre-salt Santos basin in Brazil and the Rovuma basin in Mozambique. In addition, the Company has an exploration portfolio with a number of different opportunities to be developed in the future.
Operational or compliance risks		
Estimated oil and natural gas reserves and resources	Estimates of oil and natural gas reserves and resources are based on available geological, technological and economic data and are therefore subject to a great number of uncertainties. The accuracy of these estimates depends on a number of factors, assumptions and variables, some of which are beyond the Company's control. These factors include: changes in oil and natural gas prices, which may impact the quantity of proved reserves (since reserves are calculated based on the prevailing economic conditions on the date they are estimated); changes to the applicable tax regime or other regulations and contractual conditions after the date of estimating reserves (which may impact the economic feasibility of developing these reserves); and certain potential actions by third parties, including operators, in the fields where Galp Energia is involved. The process of estimating reserves involves informed judgements and estimated reserves are, therefore, subject to revision. The results of drilling, testing and production activities after the date of the estimate may result in substantial revisions to information on the Company's reserves and resources. Any revision of estimated proved reserve quantities may negatively affect Galp Energia's operating results, leading to higher depreciation and amortisation and/or impairments, which may negatively affect the Company's financial position.	Galp Energia has made major efforts to expand its knowledge base and strengthen the technical expertise of its teams, helping to give it better command and control of the various areas of exploration and production, including the estimation of the reserves and resources in its portfolio. Galp Energia uses an external and independent auditing company to certify the volume of its reserves and resources each year. Reserves and resources presented in this report were subject to an independent analysis by DeGolyer and MacNaughton.
Health, safety and environment	Given the range and complexity of Galp Energia's operations – for example, in ultra-deep water exploration and production, or during the refining process – the potential HSE risks are considerable. These include major incidents involving the safety of processes and facilities, 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. A major incident of this sort may cause injury, loss of life, environmental damage or the destruction of facilities. Depending on the 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. Therefore, a commitment to integrate the fundamental HSE aspects into the Company's strategy and activity has been established, as well as ongoing improvement in its performance, which is considered an essential instrument in the HSE policy. Furthermore, the Company has a system for managing HSE. By implementing the directives of this system into the Company's day-to-day operations, the business units can identify and manage inherent operational risks throughout the entire lifecycle 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.

Main risk	Description and impact	Means of mitigation
Business continuity and crisis management	Galp Energia is subject to business continuity risk from its own activities as well as those of its partners. It may be impacted by financial losses from any type of business interruption, such as natural disasters, industrial accidents, power outages and loss of information systems. Galp Energia is also subject to risks from labour disputes and adverse employee relationships, which may interrupt the Company's operations and potentially affect its business, operating results and financial situation. Individual and collective bargaining agreements may not be sufficient to prevent strikes or future work stoppages at the Company's facilities. Any interruption to work may have a negative material impact on Galp Energia's business, operating results and financial position. Plans for managing crises and the ability to cope with crisis scenarios are essential in facing emergencies at every level of the Company's operations. If Galp Energia fails to appropriately address an internal or external crisis, or is perceived to have failed to do so, the Company's business may be seriously affected, with a potential negative impact on its reputation, operating results and financial position. In addition, if Galp Energia fails to resume or replace critical business capacity within the stipulated time frame, this may prolong the effects of any interruption.	Galp Energia has established a set of identification, prevention and contingency procedures to avoid or limit losses and damages and immediately resume operations in order to limit the effects of an interruption. In view of the importance of its E&P activities, in particular the inherent value of current projects underway (especially those in the ultra-deep waters of the pre-salt layer in the Santos basin), the Company's contingency and emergency response plans are of the utmost importance. The Company primarily focuses on prevention, in conjunction with its partners, and regularly monitors activities, focusing on safety measures and audits. All of the Company's E&P activities are supported by oil spill response centres with proper equipment for reaction and containment in the event of an incident leading to a spill. Galp Energia ensures that all new contracted drilling rigs comply with the criteria of standard API 53 IV. The Company has a crisis management plan which covers HSE issues and every business area regularly tests its emergency response plans.
Failures in data reporting	Reports prepared for outside publication, whether containing financial or non-financial information, are dependent on the integrity of systems and people. Any failure to report information correctly and in compliance with applicable standards may result in legal or regulatory action and may damage the Company's reputation, with potential negative impacts on Galp Energia's operating results and financial position.	All reports disclosed to the public are rigorously reviewed to mitigate the risk of any incorrect information. Prior to their disclosure, these documents are sent to the management and supervisory bodies. All documents containing financial information are approved by these bodies before their disclosure.
Insufficient insurance	Activities in the oil and gas sector involve significant risks. Galp Energia's operations are subject to oil exploration and production risks, such as explosions, fires, equipment failure and other factors which may cause bodily injury, loss of life or environmental and property damage, together with uncertainties regarding the physical characteristics of an oil field. Exploration in offshore areas is subject to several risks, including sinking, collision, adverse weather conditions and environmental pollution. Similarly, operations in refining and petrochemical complexes, gas and oil pipeline systems and storage and loading facilities are subject to mechanical difficulties, breakdowns and delays in equipment delivery. 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, civil liability, maritime transport liability for crude oil and other goods, pollution and contamination, third-party liability of directors and staff and work accidents. However, insurance for some risks is not feasible from an economic standpoint. Galp Energia's insurance policies also have exclusions which may result in limited coverage under certain circumstances. In addition, Galp Energia may be unable to keep the appropriate insurance at costs or under terms it considers reasonable or acceptable, or may be unable to obtain insurance for risks that may arise in the future. Thus, in extreme cases, Galp Energia may incur heavy losses from events that are not covered, which may negatively affect the Company's business, financial position or operating results.	Galp Energia has an insurance programme in place that provides compensation to mitigate any significant losses, which is 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, exploration and construction losses; 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 occupational accidents, personal accidents, life and health insurance; iv) financial insurance – covering credit risks, security deposits and theft; and v) transport insurance – covering risks to all transported loads and barrels.
Losses from trading activities	In the course of its business, Galp Energia is subject to operating risks revolving around trading activities. Galp Energia carries out transactions on the commodity derivatives market and has periodic procedures to limit exposure to the risks involved with these transactions. With regard to the physical commodities market tied to Galp Energia's business, there is no guarantee against future Company losses due to downward trends in the prices of these commodities or other factors that may influence the Company's trading positions. Effectively controlling these activities depends on Galp Energia's ability to process, manage and monitor a large number of complex transactions in different markets and currencies. Any event in this regard resulting in losses may negatively impact Galp Energia's business, operating results and financial position.	Galp Energia has implemented a set of procedures aimed at reducing the risk arising from its trading activities. It should also be noted that the Company has strengthened its expertise in this activity and has been encouraging the development of technical skills and soft skills to facilitate trading, namely with regard to the establishing of relationships in high value markets. For a successful trading business, a sufficient supply of raw materials, such as oil and natural gas and oil products is also essential. As such, Galp Energia makes every effort to manage a diversified and flexible mix for the supply of crude oil, natural gas and LNG. With regard to trading oil products, although the Company's priority is to place these in high-value markets such as the Iberian Peninsula and Africa, the Company ensures proper planning of its production by analysing the best markets for placing products available for trading. With regard to LNG trading, in addition to ensuring a sufficient and flexible supply mix, Galp Energia seeks to maintain a stable base for natural gas demand in the Iberian Peninsula. This in turn will allow the Company to take a supply risk and to effectively manage its portfolio. In addition, Galp Energia has periodic procedures to limit its exposure to risks involving trading transactions.

Main risk	Description and impact	Means of mitigation
External risks		
Fluctuations in the prices of raw materials and products	The prices of oil, natural gas, LNG and oil products are affected at any given time by the market dynamics of supply and demand. These in turn are influenced by different factors such as economic or operational circumstances, natural disasters, weather conditions, political instability, armed conflicts or supply constraints in oil-exporting countries. Thus, over the course of Galp Energia's activities and transactions, Company's results are exposed to the price volatility of oil, natural gas and by-products. Although the sector's long-term operating costs tend to follow the volatility of prices of raw materials and products, there are no guarantees that this will occur in the short term. Therefore, a fall in the price of oil or natural gas may compromise investment plans, including exploration and development activities. Similarly, rising oil or natural gas prices may also impact the value and profitability of Galp Energia's assets. Although the prices that Galp Energia practices reflect market prices, it may not be possible to adjust these immediately and they might not fully reflect changes in market prices – particularly those in the regulated natural gas market. In addition, significant price changes between the purchase of raw materials and the sale of refined products can negatively affect Galp Energia's operating results and financial position.	Projects and investments are assessed internally, taking sensitivity analyses of key variables such as commodity prices into account. The price risk of raw materials is managed at the business unit level by monitoring the Company's global net commodity position and by balancing its purchasing and supply obligations. In particular, Galp Energia manages its price-fixing period in such a way as to obtain the average Dated Brent price, irrespective of daily fixed prices, at the end of each month. To this end, the Company purchases and sells oil futures 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. Due to price liberalisation in the natural gas business, Galp Energia uses the over-the-counter (OTC) market to offer its clients the price structures that they demand, thereby not changing its final risk position.
Competition in the Oil & Gas sector	The oil and gas industry is extremely competitive. Competition puts pressure on product prices, affects the marketing of oil products and requires constant focus by the management team on optimising costs and boosting efficiency, while also ensuring the safety of operations. Implementing the Company's strategy requires efforts towards innovation and constant technological advances, including in exploration, production, refining and energy efficiency. The Company's performance may be impacted if its competitors develop or acquire intellectual property rights or technology, or if the Company is unable to keep pace with the industry in terms of innovation and technology. Some of Galp Energia's competitors are well-established operators on the market, larger in size and with access to more resources. The market strength of these companies is due to a combination of factors, including: diversified and reduced risk; the financial capacity needed for developments requiring high investment levels; the ability to benefit from economies of scale in terms of technology and organisation; and size, allowing them to capitalise on advantages related to knowledge acquired, established infrastructure and reserves. These companies can thus acquire more, or pay more for, exploration prospects and other assets in the sector, and may be able to invest more than Galp Energia in developing technologies. As such, the intense competition to which the Company is subjected may adversely affect its business, operating results and financial position.	Given the existing competition in the oil and gas sector, and in order to reduce exposure to risks associated to the high level of operational complexity of that sector, Galp Energia systematically uses the industry's best practices, combined with a rigorous monitoring and auditing system. The Company has implemented a solid Research & Development (R&D) culture in an attempt to constantly keep pace with the latest advances in the oil and natural gas industry, with a commitment to develop expertise, whether internally or through partnerships, allowing it to create, study and deploy new and better technical and technological solutions. Given the fact that some of Galp Energia's competitors are larger operators with potentially more financial capacity and access to more resources, it should be noted that the Company is involved in two of the most important development projects worldwide. These are the pre-salt region in the Santos basin in Brazil and the LNG project in the Rovuma basin in Mozambique. These projects leverage Galp Energia's competitiveness versus other companies in the sector. In addition, the Company possesses several competitive advantages and maintains a solid capital structure supporting its activities in the E&P business. With regard to the downstream and gas businesses, Galp Energia has also made major efforts to stand out from the industry's competition. In fact, the Company is equipped with a complex and flexible refining system, but remains committed to increasing the process efficiency and profitability of its refining business. In the marketing of oil products, Galp Energia maintains a leading position in the Iberian Peninsula and continues to invest in growth markets, particularly in Africa. In the context of the Company's G&P business, of particular note are the initiatives to sustain the trading business on the international market, which involves a number of players, including well-established companies in the LNG market. Along with efforts to maintain a diverse and flexible supply mix, these initiatives also include strengthening the technical expertise and soft skills of the Company's trading team.

Main risk	Description and impact	Means of mitigation
Climate change and protection of natural habitats	Galp Energia is subject to the effects of government policies aimed at minimising the impact of climate change, including emissions, energy consumption and the treatment and disposal of waste. These initiatives can affect the conditions under which Galp Energia conducts its business, namely with regard to the exploration and production of oil and natural gas and refining, with potential negative impacts on the Company's operating results and financial position. In particular, due to the higher perceived risk of climate change, a number of countries have adopted or are in the process of adopting new regulatory requirements to reduce GGE. These include taxes on carbon, higher efficiency standards or systems for buying and selling licences for CO_2 emissions. Although Galp Energia 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, whose production makes up the majority of Galp Energia's business. Furthermore, production costs for this type of energy may be significantly affected by stringent measures concerning licences for the emission of CO_2. Likewise, access to oil and natural gas reserves, which leverages strategic growth opportunities, may be restricted due to initiatives to protect the integrity of natural habitats. Galp Energia therefore closely monitors the development of government policies for environmental protection and adjusts its strategy in line with relevant developments. Galp Energia has invested – and will continue to invest – in its compliance with laws and regulations on environmental, health and safety issues. If compliance costs increase to the point that Galp Energia is unable to pass them on to the end client, this may negatively impact the Company's operating results and financial position. If Galp Energia fails to abide by laws and regulations on environmental, health and safety issues, this may result in substantial costs to the Company, together with obligations to government authorities or third parties.	The strategy for climate change centres on four key actions: i) responsible exploration and production; ii) efficient refining and marketing; iii) innovation, research and development, and promotion of efficient technology; iv) anticipating tendencies and stakeholder expectations within the energy and climate remit. With regard to the protection of natural habitats, within the HSE strategy, Galp Energia has defined goals for minimising impacts and the depletion of resources. In addition, the Company's Sustainability Committee ensures the integration of sustainability principles, promoting best sector practices across the entire Company. It is of note that Galp Energia has been listed on the Dow Jones Sustainability Index (DJSI) for the third time running, one of the most widely recognised indexes internationally on sustainability issues. The Company was also listed on the FTSE4Good Index in 2014. As such, Galp Energia is monitoring a series of environmental indicators, while at the same time making regular environmental audits, monitoring changes in environmental legislation and proactively managing CO_2 emission licences.
Corporate responsibility	A number of stakeholders, including employees, investors, media, governments, civil society groups, non-governmental organisations (NGOs) and those living in local communities affected by Galp Energia's operations, have legitimate interests in Galp Energia's business. Any possibility that Galp Energia will not meet its stakeholders' high expectations in terms of corporate responsibility may harm Galp Energia's reputation and/or its business, financial position and operating results.	Galp Energia's corporate responsibility policy regulates the Company's ethical, environmental, 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.
Uncertainty of the economic situation	The current economic environment is causing social tensions to rise, with mounting protectionist trends in various parts of the world. The Eurozone remains as particularly vulnerable and a new worsening of the financial crisis in this region stands as the larger risk to the global outlook. The main focus lies on the oil countries, namely those with the ability to stimulate economic growth and increase competition. Persistent pressure on the sustainability of public finance in developed economies has created deep-rooted tensions in credit markets and may lead to tax reforms or changes to the regulatory scene in the oil and natural gas industry. Finally, current instability and the economic and financial status quo may negatively impact other parties that Galp Energia does or may do various types of business with under the scope of its activities. In particular, the Iberian Peninsula's economies may continue to be impacted in the coming years, resulting in a decrease in demand for Galp Energia's products. Any one of the above factors, taken alone or in combination with others, may adversely impact Galp Energia's business, operating results and/or financial position.	Galp Energia has closely monitored all developments on the world economic scene, particularly in the eurozone. With regard to potential impacts on results due to the negative economic climate, particularly in the Iberian Peninsula, the Company has already been impacted by lower demand, mainly in the marketing of oil products. In this context, Galp Energia has made key efforts to uphold the resilient contribution of this business towards the Company's results, particularly in terms of client loyalty for maintaining market share, capitalising on synergies and streamlining its Iberian structure, with direct impacts on the profitability of the Company's downstream and gas businesses. In this regard, it should also be noted that the intensification of the Company's production activities in E&P is expected to increase the contribution of this business towards Galp Energia's results. This will help to make the generation of results within the European economic environment relatively less important.
Financial risks		
Credit	This risk follows on from the possibility that a counterparty may default on its contractual payment obligations, whereby the level of risk depends on its financial solidity. This risk includes both the possibility that a counterparty may default on its payment obligations undertaken in signed agreements for financial investments and hedging instruments (related to the exchange rate, interest rate or others) as well as risks involving business relationships between the Company and its clients. Increased risk exposure may materially and adversely affect Galp Energia's operating results and financial position.	Credit risk is managed at business unit level, following the Board of Directors directives, in particular regarding credit limits and actions to minimise or eliminate risk. The following guidelines are of note. - proper assessment and review of credit to be granted to clients (credit management manual, ceiling, rating), proper management of hedges through guarantees and credit insurance, monitoring of overdue credit, appropriate collection effort and efficient litigation management. - contracting 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
Fluctuations in exchange rates	Galp Energia is exposed to fluctuations in exchange rates, as the results and cash flow generated by the sale of oil, natural gas and refined products are normally linked to the in US Dollar or are affected by exchange rates associated with this currency. Since Galp Energia's financial statements are prepared in euros, the assets and liabilities of its subsidiaries and affiliates expressed in different currencies, such as the US Dollar or the Brazilian Real, are converted into euros using the interest rate in force. Revenue and expenses in each item of the income statement are converted into euros using the average exchange rate at the time of the transaction. Exchange rate fluctuations applied in the process of converting the different currencies into euros result in variations (gains or losses), which are recognised in Galp Energia's consolidated financial statements, expressed in euros. Adverse exchange rate fluctuations may negatively impact Galp Energia's operating results and financial position. Despite the ability to access market instruments designed to hedge interest rate risk, Galp Energia's financing costs may be affected by volatile market rates, which may negatively influence its operating results.	The interest rate risks, currency risks and other financial risks are managed across the Company. With regard to mitigating exchange rate risk in its results, Galp Energia may, when it deems appropriate, hedge its position by using derivatives for which a liquid market exists and where it believes the transaction costs are reasonable.

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05 Commitment to stakeholders

Implementing responsible practices, particularly in designing and carrying out Galp Energia's strategy, is essential in ensuring the Company's long-term business operations and the creation of sustainable value for its stakeholders.

In order to promote best practices in corporate responsibility and ensure that it is one of the main pillars of the Group's activity, the Company has implemented a corporate responsibility policy that regulates Galp Energia's activities from an ethical, environmental, social and economic perspective, encouraging its application at every organisational level.

At the same time, Galp Energia ensures that sustainability principles are integrated into the Group companies' management processes through a Sustainability Committee comprised of representatives from different areas of the Company and presided over by the incumbent Executive Director.

In 2014, it should be noted that Galp Energia was included in the FTSE4Good Index, that evaluates the performance of companies in terms of social, environmental and corporate governance.

The Company was once again recognised for its sustainable practices on a European and world scale through its inclusion, for the third consecutive year in the DJSI World and DJSI Europe indexes. Galp Energia is also part of the Carbon Disclosure Leadership Index (CDLI), a component of the annual Carbon Disclosure Project (CDP) Iberia 125 Climate Change Report. This report, compiled by PricewaterhouseCoopers (PwC), highlights the Iberian companies who stand out in the dissemination of information on climate change.

5.1 Corporate governance

Shareholder structure

In 2014, Galp Energia's shareholder structure underwent several changes compared to the end of 2013, with the free float increasing from 38.32% to 46.66% during this time.

Following the shareholder agreement in place since 2006, formally between Amorim Energia, B.V. (Amorim Energia), Caixa Geral de Depósitos, S.A. (CGD) and Eni, jointly referred to as the "Parties", agreements were signed in 2012 which stipulated the conditions under which Eni could sell its shareholding in Galp Energia. Eni acquired the right to sell up to 20% of the Company's share capital that it held on the market. CGD, in turn, was able to exercise a right to tag along on its 1% stake in Galp Energia's share capital.

Under the agreements signed, Amorim Energia acquired 5% of Galp Energia's share capital from Eni at the end of July 2012. On 27 November 2012, through an accelerated book-building process, Eni placed shares on the market representing approximately 4% of Galp Energia's share capital, while CGD exercised its right to tag along. On that date, Eni also issued bonds exchangeable into Galp Energia shares, corresponding to approximately 8% of the Company's share capital.

In 2013, Eni sold an equivalent of 8% of Galp Energia's share capital, holding a 16.34% stake in the Company at the end of the year. Of Eni's total shareholding in Galp Energia's share capital, 8% was the underlying asset of the exchangeable bonds it issued in late 2012.

On 27 March 2014, Eni sold shares representing approximately 7% of Galp Energia's share capital, through an accelerated book-building process, to institutional investors. Following the sale of the shares, Eni continued to hold a stake corresponding to approximately 9% of Galp Energia's share capital.

On 23 June 2014, Eni concluded the sale of ordinary shares by the means of daily sales at a regulated market of approximately 1% of Galp Energia's share capital. Thus, at the end of 2014, Eni held a shareholding of approximately 8% of Galp Energia's share capital, corresponding to the underlying asset of the exchangeable bonds issued in 2012.

Under the agreements signed between the Parties and under paragraph 1(c) of Article 20 of the of the Portuguese Securities Code (CVM), the voting rights corresponding to the shares held by each of the parties in the aforementioned shareholder agreement were allocated to the others. This ceased to apply to CGD when it sold its stake of 1% in Galp Energia's share capital. With regard to Amorim Energia and Eni, the Italian company notified Galp Energia on 26 July 2013 that the voting rights attached to the qualified holding held by Amorim Energia were not understood as allocated to Eni, despite the fact that the voting rights held by Eni were still allocated to Amorim Energia. Thus, at the end of 2014, Eni had a qualified holding of 8% in Galp Energia's share capital, and the corresponding voting rights, while a total of 46.34% of Galp Energia's voting rights were allocated to Amorim Energia.

In 2010, Parpública – Participações Públicas, SGPS, S.A. (Parpública), a shareholder that owns 7% of Galp Energia's share capital, issued bonds exchangeable into Company shares, representative of its shareholding.

SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2014

	No. of shares	% share capital	% voting rights
Amorim Energia	317,934,693	38.34%	46.34%
Eni	66,337,592	8.00%	8.00%
Parpública	58,079,514	7.00%	7.00%
Free float	386,898,836	46.66%	46.66%
Of which:			
The Capital Group Companies, Inc.	40,652,757	4.90%	4.90%
Capital Research and Management[1]	40,652,757	4.90%	4.90%
EuroPacific Growth Fund	20,430,000	2.46%	2.46%
BlackRock, Inc.	20,307,726	2.45%	2.45%
Templeton Global Advisors Limited	16,870,865	2.03%	2.03%
Other shareholders	309,067,488	37.27%	37.27%
Total	**829,250,635**	**100.00%**	-

Note: for a complete description of the direct and indirect qualified holdings on 31 December 2014, in accordance with Article 20 of CVM, see chapter 6.2 Additional information, on page 75 of this report.

Qualified holdings

During 2014 there was a significant increase in Galp Energia's free float, having increased 38.32% from the end of 2013 to 46.66%, which contributed to the Company's increased visibility in the capital markets. Indeed, various entities now hold major stakes in Galp Energia's share capital, as disclosed by the Company pursuant to articles 16 and 17 of the CVM.

In April, BlackRock, Inc. and Capital Research and Management Company (CRMC) reported qualified holdings of 2.4500% and 2.0243%, respectively, in Galp Energia's share capital.

In July, EuroPacific Growth Fund (EUPAC), part of the Capital Group Companies, Inc. (CGC), announced the holding of a 2.0366% stake in the Company's share capital.

In September, the CGC announced that it owned 5.0350%, an amount which was dropped to 4.9023% in December, and which included 20,430,000 shares held by EUPAC, whose proxy voting authority is held by CRMC.

It should be noted that, in 2014, BPCE, S.A. and Standard Life Investments (Holdings) Limited (Standard Life) announced major holdings of 2.2490% and 2.0300%, respectively, in Galp Energia's share capital. Nevertheless, both institutions announced a reduction in their holdings in Galp Energia, in 2014, to 0.3140% in the case of the BPCE, and 1.9910% in the case of Standard Life, on the date of the concerning announcements.

Description of main shareholders

Amorim Energia has its head office in the Netherlands. 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 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 on the New York Stock Exchange (NYSE). Eni is present in around 85 countries in exploration and production, refining and marketing, gas and power, petrochemicals and engineering services and construction and drilling. On 31 December 2014, Eni had a market capitalisation of approximately €53 bn.

Parpública is a state-owned entity that manages financial stakes owned by the Portuguese state in several companies.

The Capital Research and Management Company is a financial services company set up in 1931. It is a subsidiary of The Capital Group Companies and is based in Los Angeles, California.

BlackRock, Inc. is a multinational investment management company founded in 1988. It is based in New York and listed on the NYSE.

Franklin Templeton Investments is a financial investment company based in San Mateo, California. It operates in over 35 countries and listed on the NYSE.

Share capital free float

At the end of 2014, 46.66% of Galp Energia's shares were freely traded on the market. Around 85% of the free float, or 40% of the total shareholder base, was held by Company investors, while private investors accounted for the remaining free float, i.e., 6% of Galp Energia's share capital.

At the end of 2014, the shareholder base included investors from more than 40 countries across four continents, with investors outside Europe representing 41% 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. This model's effectiveness is, in part, encouraged by a clear separation of powers between the Board of Directors and the Executive Committee.

From an organic standpoint, the Board of Directors is independent from the Executive Committee as each has its own Chairman.

The Board of Directors is responsible for preparing the Company's strategy. Its duties also include supervision and control, monitoring issues involving strategic execution and relations between shareholders and other governing bodies. The duties of the Executive Committee, delegated by the Board of Directors, revolve around operations, particularly the management of business units and corporate services. This division of powers does not, however, preclude the fact that the Executive Committee plays an important role in the Company's strategy formulation process.

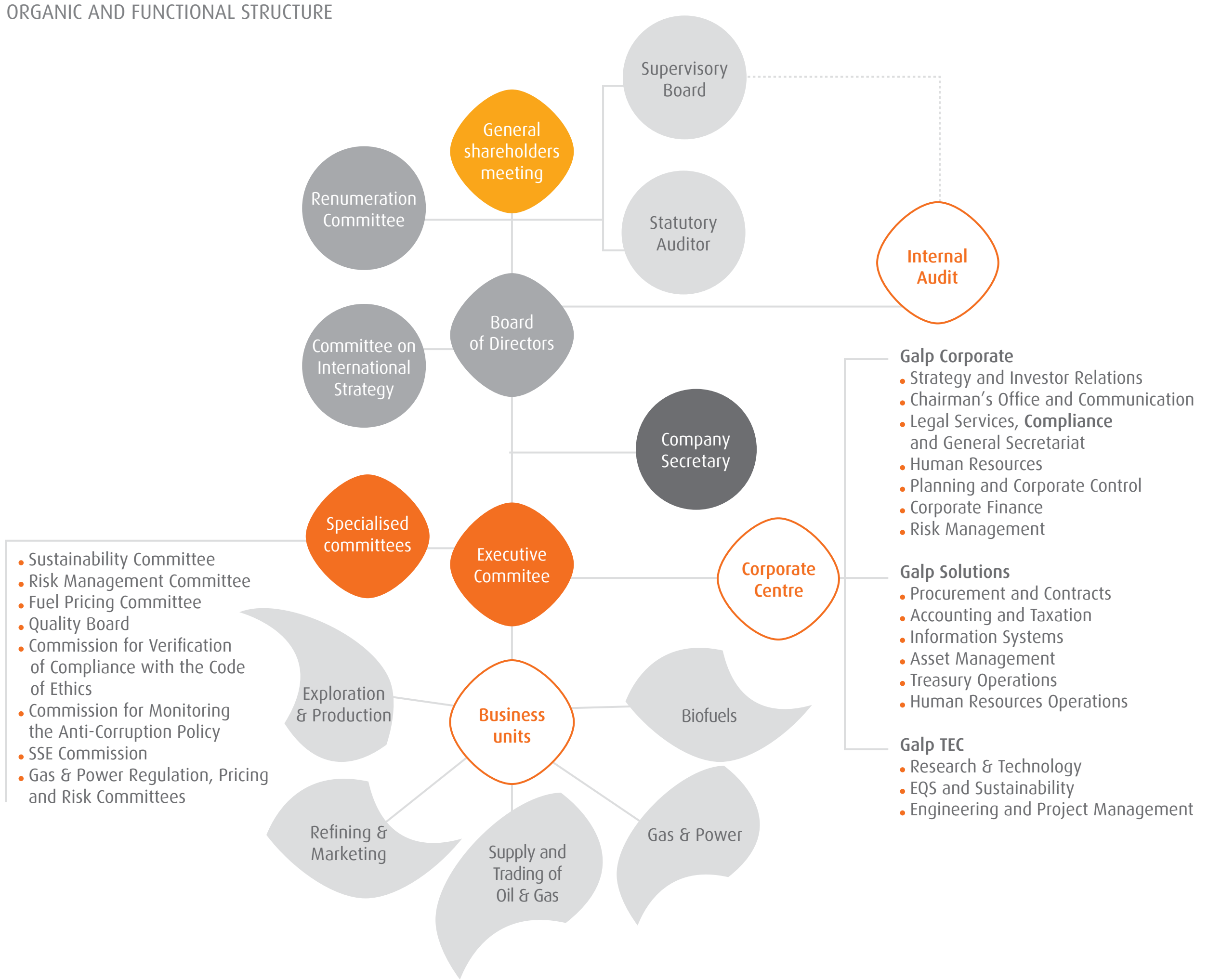
At the end of 2014, Galp Energia's Board of Directors had 20 members, of whom seven were Executive and 13 Non-Executive. Of the latter, six were considered independent by the Board of Directors, based on criteria from the Portuguese Securities Market Commission (CMVM), the Portuguese capital market regulator. With regard to the Board of Directors. Vítor Bento submitted his resignation in July 2014 and Stephen Whyte, member of the Board of Directors and of the Executive Committee, resigned in September 2014. In October 2014, two new members were appointed to the Board of Directors: Raquel Vunge, as Non-Executive Director, and Thore E. Kristiansen, as an Executive Director responsible for E&P.

Board of Directors resolutions are taken based on a simple majority of votes cast, except for certain matters where a two-thirds majority is required. These issues are described in detail in the Corporate Governance Report.

The Board of Directors is responsible for monitoring Galp Energia's strategic execution and assessing the Executive Committee's performance in relation to attaining goals. In addition, Non-executive Directors must ensure the proper functioning of internal control and risk management systems.

The Board of Directors held 12 in-person and non-presential meetings during 2014. Electronic voting was used in five of these meetings. The presential attendance of the members of the Board of Directors is recorded in the Corporate Governance Report.

ORGANIC AND FUNCTIONAL STRUCTURE



The main topics discussed by the Board of Directors in 2014 were related to monitoring the execution of Galp Energia's primary E&P projects, particularly in Brazil, and assessing the impact of the current macroeconomic environment on the Company's business.

The Board of Directors also discussed the Company's financing strategy for maintaining a solid capital structure and promoting financial discipline.

The current Directors were elected for the 2012-2014 period.

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Position
Américo Amorim	Chairman, Non-Executive Director
Manuel Ferreira De Oliveira	Vice-Chairman, Chief Executive Officer
Luís Palha da Silva	Vice-Chairman, Executive Director
Paula Amorim	Non-Executive Director
Filipe Crisóstomo Silva	Executive Director
Carlos Gomes da Silva	Executive Director
Sérgio Gabrielli de Azevedo	Non-executive Director
Thore E. Kristiansen[1]	Executive Director
Abdul Magid Osman	Non-Executive Director
Luís Campos e Cunha	Non-Executive Director
Raquel Rute da Costa David Vunge[2]	Non-Executive Director
Miguel Athayde Marques	Non-Executive Director
Carlos Costa Pina	Executive Director
Rui Paulo Gonçalves	Non-Executive Director
Luís Todo Bom	Non-Executive Director
Fernando Gomes	Non-Executive Director
Diogo Mendonça Tavares	Non-Executive Director
Joaquim Borges Gouveia	Non-Executive Director
José Carlos da Silva Costa	Executive Director
Jorge Manuel Seabra de Freitas	Non-Executive Director

[1] Appointed by the Board of Directors on 3 October 2014, to replace Stephen Whyte.
[2] Appointed by the Board of Directors on 3 October 2014, to replace Baptista Sumbe.

Note: Vítor Bento was a member of the Board of Directors until his resignation (31 August 2014).

The Committee on International Strategy, whose goal is to permanently reflect on Galp Energia's international strategy, met three times in 2014.

Executive Committee

The Executive Committee, comprised of seven members, is responsible for the day-to-day management of the Company's business according to the strategic guidelines set out by the Board of Directors. As established by the powers delegated by the Board of Directors under the Company's articles of association, the Executive Committee manages the performance of the several business units and corporate services, supervises all these units and establishes policies applicable throughout the entire Company.

In 2014, the Executive Committee held 42 meetings.

The regulations establishing the organisation and operation of the Board of Directors and Executive Committee are available at Galp Energia's website.

COMPOSITION OF THE EXECUTIVE COMMITTEE

Manuel Ferreira De Oliveira

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

Experience

Over 40 years of international experience and experience in the Oil & Gas sector. Among the management duties performed at a number of different companies including international oil companies, of particular note was the position of CEO at Petrogal from 1995 to 2000, the company that would give rise to Galp Energia under a merger process.

Luís Palha da Silva

Deputy-CEO since July 2012 and responsible for Galp Energia's R&M business unit.

Experience

Held several management positions, including that of CEO at Jerónimo Martins, one of Portugal's largest retail chains, from 2004 to 2013.

Filipe Crisóstomo Silva

Galp Energia's CFO since July 2012.

Experience

Responsible for the investment banking department since 1999, and Chief Country Officer at Deutsche Bank in Portugal since 2008.

Carlos Gomes da Silva

Galp Energia Director since April 2007 and currently in charge of the G&P business segment and the Oil & Gas trading unit.

Experience

Over 20 years of experience in the Oil & Gas sector. As a Galp Energia Director, he was responsible for the marketing of oil products business. He has held several management positions at Group companies since 2007.

Thore E. Kristiansen

Galp Energia Director since October 2014, responsible for the E&P business unit.

Experience

Over 25 years of professional experience in Statoil, where he was responsible for the areas of marketing of oil products, trading and exploration and production, with particular focus on Norway, sub-Saharan Africa and South America.

Carlos Costa Pina

Galp Energia Director since April 2012, in charge of various corporate services, including risk management and IT, and the Biofuel business segment.

Experience

Former Secretary of State for the Treasury and Finance (2005-2011), he has held positions at a number of international financial institutions. He is a member of the CMVM Board of Directors and a member of the Portuguese Insurance Authority Advisory Board.

José Carlos da Silva Costa

Galp Energia Director since December 2012, responsible for several corporate services, including engineering and procurement.

Experience

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

Supervisory bodies

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

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

COMPOSITION OF THE SUPERVISORY BOARD

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

The Company's Supervisory Board, elected for the 2011-2013 period, had its mandate extended to four years (2011-2014), as approved by the general shareholders meeting held on 24 April 2012.

The Supervisory Board monitors the preparation and publication of Galp Energia's financial information, appoints, appraises and dismisses, if and when necessary, the external independent auditor, supervises the audit of financial statements and proposes the appointment to the general shareholders meeting of an SROC or statutory auditor (ROC), whose independence is verified regarding the provision of additional services. The regulations which guide the Supervisory Board's activity are available on Galp Energia's website.

The Supervisory Board held 11 meetings in 2014 and the conclusions of its supervisory and inspection work were transmitted to the Board of Directors and the general shareholders meeting. A report on the Supervisory Board's annual activities concerning the 2014 financial year is attached to this report.

The terms of office of the statutory auditor, Pedro João Reis de Matos Silva, and deputy member, António Campos Pires Caiado, representing P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC, ended on 31 December 2014.

Galp Energia's current external auditor is PwC. After a tender process, it was appointed in 2011 for the 2011-2013 period. The contract was subsequently renewed for another two years.

Remuneration policy

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

According to the articles of association, the remuneration of the members of the governing bodies is set by a Remuneration Committee composed 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 Executive Directors' remuneration, 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 the same sectors.
In order to align Executive Directors' performance with the Company's long-term goals, Galp Energia has implemented a policy of setting three-year goals, in line with best market practices.

As a result, Executive Directors receive a fixed monthly salary plus an annual and three-year a variable remuneration component both worth 50% of the total variable remuneration. The three-year component, although calculated annually, will only be effectively paid at the end of the 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, the PSI-20.

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 for the positions to be filled at the Company and encouraging stability of tenure.

In 2014, Non-Executive Directors earned exclusively fixed remuneration of €687 m, based on the remuneration policy set by the Remuneration Committee and approved by the general shareholders meeting held on 28 April 2014.

Total remuneration of €5,743 m has been awarded to the members of Galp Energia's Executive Committee. Of this, €3,633 m was fixed remuneration and €654 m corresponded to variable remuneration for 2013. Out of the total remuneration, €803 m was allocated to the creation of a supplementary retirement plan.

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

Shareholder information

General shareholders meeting participation

In 2014, Galp Energia's general shareholders meeting was held on 28 April. Its main purpose was to approve the 2013 annual report and accounts and decide on the proposal for the allocation of profits.

In 2014, around 490 shareholders attended the general shareholders meeting, representing 71% of the Company's share capital. All proposals submitted to the general shareholders meeting during the year were approved by majority vote.

Dividend policy

A new dividend policy was announced in March 2012, aiming to remunerate shareholders in line with the increased results the Company expects in the future. Accordingly, the Company pays a variable dividend, which is expected to increase at an average annual rate of 20% between the 2012 and 2016 financial years.

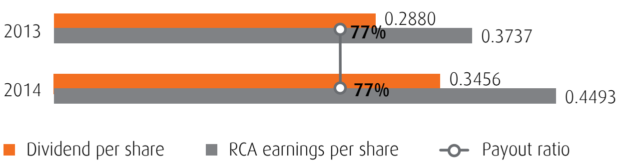
However, it is important to note that Galp Energia continues to retain the necessary capital to carry out the investment programme it has planned, which is essential to successful strategic execution.

In April 2014, Galp Energia's general shareholders meeting approved the dividend for 2013 totalling €0.288 per share, which was 20% higher than the dividend for 2012.

Under the Company's goal of paying an interim dividend, an interim dividend of €0.1728 per share for 2014 was paid in September 2014.

In 2015, Galp Energia's Board of Directors will propose a dividend of €0.3456 per share to the general shareholders meeting, 20% more than the dividend for the previous year. Taking into account the total proposed dividend per share, the interim dividend paid in September 2014 represented 50% of the total amount.

DIVIDEND AND EARNINGS PER SHARE (€/SHARE)



Based on the price of the shares as of 31 December 2014, the dividend yield of Galp Energia's share was 4%.

Trading in Galp Energia share

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

Galp Energia's share capital consists of 829,250,635 shares. Of these, 771,171,121 shares, have been admitted to trading on the Euronext Lisbon stock exchange, which corresponded to 93% of the Company's share capital. The remaining 58,079,514 shares, corresponding to 7% of the share capital, are indirectly held by the Portuguese State through Parpública and are not listed for trading.

The shares held by Parpública, corresponding to 7% of the share capital, are a special category of shares, which will be subject to a privatisation process. They may be converted into ordinary shares on completion of this process, by addressing a simple request to Galp Energia. The conversion shall take place with immediate effect following the request, without the need of approval from any of the Company's bodies.

GALP ENERGIA CODES AND TICKERS

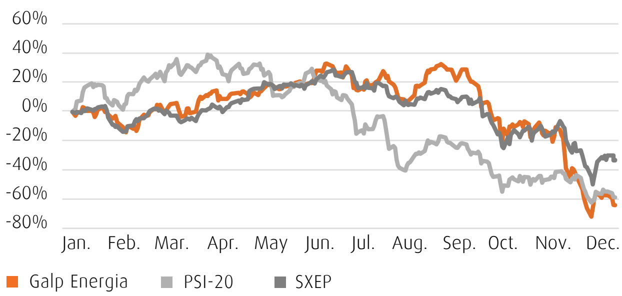
ISIN	GALP	PTGAL0AM0009
	State-owned shares (shares subject to privatisation process)	PTGALXAM0006
Sedol		B1FW751
WKN		A0LB24
Bloomberg		GALP PL
Reuters		GALP.LS

Performance of Galp Energia's share

At the end of 2014, Galp Energia had a market capitalisation of around €7 bn, a 29% decrease over the end of 2013.

Galp Energia's stock performance was lower than the SXEP, the European index for the Oil & Gas sector, and the PSI-20, the benchmark index for the Portuguese stock market, which were down 15% and 27%, respectively. It should be noted that the price of dated Brent fell from around $110/bbl to $55.3/bbl, i.e. a reduction of 50%.

GALP ENERGIA STOCK PERFORMANCE AGAINST THE SXEP AND PSI-20 INDEXES IN 2014



Source: Bloomberg

In 2014, 1,408 million shares were traded in regulated markets, equivalent to 1.4x Galp Energia's free float. The average daily volume traded in regulated markets was 2.1 million shares, 1.3 million of them on the Euronext Lisbon.

In 2014, it is worth highlighting the increase of eight p.p. in the Company's free float to 46.66%.

The share price peaked at €13.75 for the year on 20 June and hit its lowest of €7.82 on 16 December.

At the end of the year, Galp Energia's stock was up 45% in comparison to the market price in October.

Analyst coverage

On 31 December 2014, the average target price of the 23 analysts covering the Galp Energia share was €13.93, with 83% of them recommending to Buy, 13% with a Neutral recommendation and the remainder recommending to Sell.

ANALYST PRICE TARGET

	Average	Maximum	Minimum	Medium
Price target (€)	13.93	17.00	11.00	13.80

In 2014, it should be noted the start of the research coverage by BMO Capital Markets.

Information to bondholders

EMTN programme

In 2013, Galp Energia launched a programme to issue medium-term debt instruments, the Euro Medium Term Note (EMTN), on the capital market, thereby ensuring access to an additional source of funding. This programme is part of the Company's financing strategy, aimed at diversifying sources of funding and extending the average maturity of debt.

In July 2014, Galp Energia held the second debt issuance debt issuance under the EMTN programme totalling €500 m, maturing in January 2021, and a coupon of 3.0%.

The first issuance under the EMTN programme, totalling €500 m, occurred on 15 November 2013.

These securities were listed for trading on the London Stock Exchange.

DEBT ISSUANCE UNDER THE EMTN PROGRAMME

Title	ISIN	Date of issuance	Maturity	Amount	Coupon
Galp 4.125% 01.2019	PTGALIOE0009	25-11-2013	25-01-2019	€500 m	4.125%
Galp 3.000% 01.2021	PTGALIOE0009	14-07-2014	14-01-2021	€500 m	3.000%

On 31 December 2014, the first bond issued was traded with a yield of 2.95%, i.e., a decline of approximately 130 b.p. since the pricing. The bond issued by the Company in 2014 was traded at the end of the year with a yield of 3.22%, corresponding to an increase of 9.2 b.p. since the pricing.

Exchangeable bonds

Although Galp Energia has not issued exchangeable bonds, a number of debt instruments exchangeable into the Company's shares have been issued by its reference shareholders and are traded on the market.

In fact, in September 2010, Parpública placed bonds exchangeable into Galp Energia shares on the market, totalling its entire 7% stake in the Company. The bonds have a seven-year maturity and require the payment of a fixed coupon of 5.25% and an exercise price of €15.25 per share.

Subsequently, on 27 November 2012, Eni issued bonds exchangeable into Galp Energia shares corresponding to approximately 8% of the Company's share capital. The bonds are exchangeable into Company shares at €15.50, have a three-year maturity and pay a coupon of 0.25% per year.

Amorim Energia issued exchangeable bonds corresponding to around 3% of Galp Energia's share capital in May 2013. These bonds expire in 2018, with the payment of a coupon of 3.375% per year. The respective exercise price is €15.8919.

Company shares and bonds

The general shareholders meeting held on 28 April 2014 granted the Board of Directors the decision-making power regarding the acquisition and disposal of Company shares and bonds. The timing and size of the transaction are 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 shares to be acquired may not exceed 10% of the Company's share capital at any time and the Board of Directors may decide on the purchase or sale of Company shares for a period of 18 months.

With regard to bonds, from the date of decision, the number of bonds to be acquired may be no more than the equivalent of 10% of the aggregate nominal amount of all bonds issued. Bonds may be acquired or disposed of within 18 months by the Board of Directors.

As of 31 December 2014, Galp Energia had no Company shares or bonds in its portfolio.

Financial calendar 2015

Galp Energia announces the events that are relevant for shareholders in 2015.

Trading updates and earnings documents are scheduled to be released before the opening of Euronext Lisbon. These dates are subject to change.

FINANCIAL CALENDAR 2015

Event	Date
Trading update on fourth quarter of 2014	26 January
Report on fourth quarter of 2014	9 February
Capital Markets Day 2015	10 March
Annual accounts report 2014 (audited)	20 March
Trading update on first quarter of 2015	13 April
General shareholders meeting	16 April
Report on first quarter of 2015	27 April
Trading update on second quarter of 2015	13 July
Report on second quarter of 2015	27 July
Trading update on third quarter of 2015	12 October
Report on third quarter of 2015	26 October

■ Accomplished ■ Yet to be carried out

5.2 Human capital

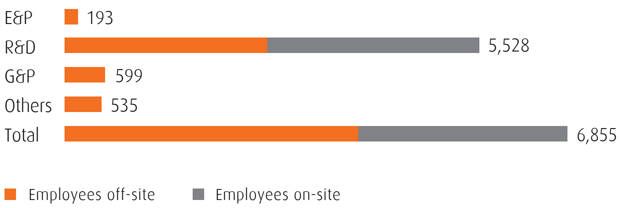
For the success of strategic execution, Galp Energia considers it essential to differentiate in the development of its human capital. To this end, the Company has been making every effort to attract and above of all to retain and develop talent.

A solid foundation of technical and behavioural skills, appropriate for meeting the requirements imposed by the strategy defined, is crucial to the Company's value creation.

Employee profile

At the end of 2014, Galp Energia had 6,855 employees, with particular emphasis on the increase of 193 employees in the E&P business.

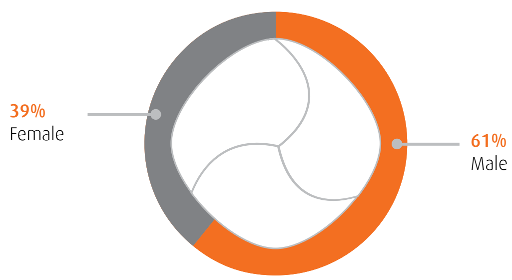
EMPLOYEES BY BUSINESS SEGMENT IN 2014



Out of the total of Company employees, 2,909 are allocated on-site, i.e. to service stations in the Iberian Peninsula and in Africa.

Galp Energia promotes diversity and intergenerational contact, which it considers fundamental for the development of a value creation culture. The Company is also committed to the principle of equality, including between genders, in all the geographical areas in which it operates. At the end of 2014, female employees represented 39% of the total of Galp Energia employees.

EMPLOYEES BY GENDER IN 2014



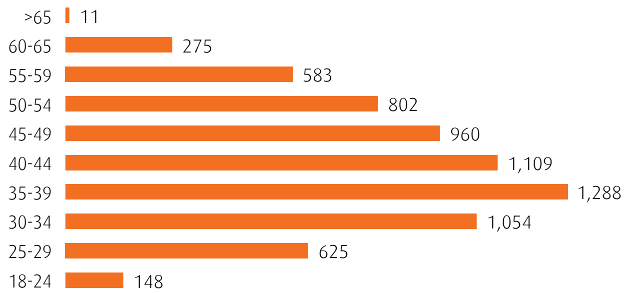
Recruitment and selection in a highly competitive environment

The definition and implementation of recruitment and selection policies capable of attracting the necessary human capital is critical in an industry as competitive as Oil & Gas.

The Generation Galp programme is Galp Energia's main external recruitment initiative, aimed at attracting and recruiting young people with high potential and from leading universities in order to rejuvenate the Company's workforce.

The programme lasts for one year, during which time participants are exposed to different experiences within the Company, allowing them to acquire diversified knowledge of the industry and the Organisation, while simultaneously developing their technical and soft skills.

EMPLOYEES BY AGE GROUP IN 2014



At the end of the 2013/2014 programme, 98% of participants were invited to join the Company, strengthening and extending the Company's potential for human capital development. In the 2014/2015 programme, 51 graduates with an undergraduate or master's degree were admitted. Of these, 14 were exclusively allocated to the E&P business reflecting the investment made by Galp Energia in this segment.

The overall retention rate on the programme has been 81% since its launch in 1998, reflecting the career development opportunities offered by the Company.

Fostering differentiated human capital development

In 2014, Galp Energia held a total of 173,370 hours of training, to Group employees.

The Galp Energia Academy is currently the main differentiating initiative for human capital development as the Company's training & assessment centre. The Galp Energia Academy works in partnership with prestigious academic institutions in Portugal and internationally, aimed at offering courses tailored to the Company's needs and strategy.

The Galp Energia Academy offers five courses: the Advanced Management Training Course – FormAG; the Doctoral Programme and Advanced Training in Refining, Petrochemical and Chemical Engineering (EngIQ); the Advanced Training Course in Commercial Skills (CompeC); and specifically directed to the E&P segment, the Master's degree in Petroleum Engineering (MScEP), and the Advanced Studies Programme in Reservoir Geo-engineering (GeoER).

FormAG aims to provide additional training to senior management and employees with high potential in the fields of advanced management, energy and behaviour, to prepare them for leadership roles in the Company's business at various levels. In 2014, a total of 16,636 hours of training were provided to 323 people.

EngIQ aims to train highly qualified professionals in the field of Refining, Petrochemical and Chemical Engineering. This programme has three modules: a PhD undertaken while working for the Company, advanced training and tailor-made modules. In 2014, 4,080 hours of training were provided to 35 people.

CompeC aims to train highly specialised sales personnel in the sales process to think about the complete cycle up to post-sales, focusing on making profitable sales, encouraging loyalty and building sustainable client relationships. In 2014, the course provided a total of 4,896 training hours to 60 salespeople.

Focus on the E&P business segment

Given the strategic importance of the E&P business segment, the Company has enhanced its portfolio of employee skills in this area.

In 2014, the Galp Energia Academy launched the first edition of the MScEP, which started with 21 students selected from a total of 1,801 national and international candidates. At the international level, candidates were selected from Brazil, Africa and Asia.

The MScEP offers learning based on the development of applied R&D activities, responding to the specific needs of the Oil & Gas industry.

This programme is a partnership between the Institute of Oil and Gas (ISPG) and the world-renowned Heriot-Watt University. The Heriot-Watt University in Scotland is a world centre for education, training and research in Petroleum Engineering. The ISPG, a partnership between Galp Energia and six Portuguese universities, is a Portuguese organisation which aims at offering advanced training for technical staff, the development of projects with high added value for the consortia in which Galp Energia participates and the creation of a cooperation network between consortia, universities and other research organisations in the Oil & Gas sector.

Also directed towards the E&P, the Academy offers GeoER. This programme offers geologists, geoscientists and engineers in the area of E&P, with advanced training in engineering (Reservoirs, Drilling and Fluid Flow), Geosciences, Geology (Exploration and Development), Petrophysics and Geophysics. The programme was set up in 2012, in partnership with Petrobras, and in 2014 provided 1,360 hours of training to six employees.

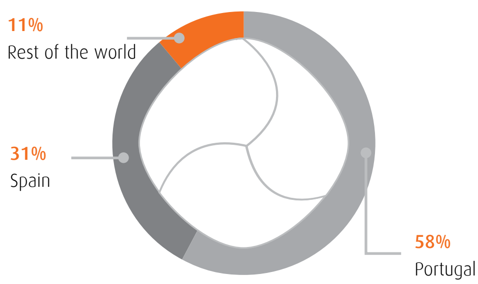
At the end of 2014, there were 193 employees allocated to the E&P business, corresponding to an increase of 13% from the previous year.

With regard to recruitment, 16 international technicians have been hired, seven of which were to Brazil, six to the headquarters in Portugal and three to the project in Mozambique.

Also worth noting is the protocol established between the Company and the National Hydrocarbon Company of Mozambique (ENH), under which Galp Energia welcomed eight of their employees during the year.

Another highlight during 2014 was the first time that Galp Energia operated an E&P project in shallow waters, fostering the need for the acquisition and management of new skills. At the end of the year, the Company already had 15 employees from different nationalities in its E&P business, clearly demonstrating the globalisation of the business as well as the need for making efforts in terms of cultural integration.

GEOGRAPHICAL DISPERSION OF EMPLOYEES IN 2014



5.3 Research and technology

Galp Energia considers that investment in R&T is strategic in view of the challenges facing the Oil & Gas industry and invests heavily in the development of projects in order to differentiate the Company from its peers and create value for its stakeholders.

For this purpose, Galp Energia promotes innovative projects, both in-house and in partnerships with others, whether partner companies or other entities from the science and technology community. Projects involving the E&P business, particularly as part of the Lula/Iracema project in Brazil, were of particular note in 2014.

Investing in R&T to add value to E&P projects

Galp Energia has a unique portfolio of E&P projects worldwide, particularly those in Brazil. Due to their specific nature and location, these projects are associated with high complex operations requiring investment in technology and constant innovation so as to boost efficiency and maximise the extraction of value, through production for example. Galp Energia and its partners are continuing to develop projects to study the potential application of new techniques and technology solutions with these goals.

Furthermore, since Galp Energia is committed to creating a centre of research and technology excellence in Brazil, it is worth highlighting the activities of ISPG, set up in 2013.

During 2014, the Company continued to consolidate the implementation of activities at the institute, whose purpose is to provide innovative solutions to the technological challenges faced by the Oil & Gas sector and, in particular, by Galp Energia.

To this end, the Company has developed R&D technology programmes in Brazil, for which Brazilian universities were invited to tender. The areas of the technology programmes defined were: i) oil production in carbonate reservoirs carrying fluids with a high CO_2 percentage; ii) modelling carbonate reservoirs; iii) flow assurance; iv) production equipment and facilities; and v) cognitive computing and seismic interpretation.

It is worth noting the launch of the first master's degree in Petroleum Engineering in March, in partnership with Heriot-Watt University, one of the world leaders in R&D in exploration and production.

Promoting greater energy efficiency

Finding ways to optimise energy consumption in an adverse economic setting such as that in Portugal, by minimising costs and encouraging competitiveness, is one of the major challenges energy companies face.

To address this challenge, Galp Energia promotes a number of projects aimed at boosting energy efficiency. In addition to continuing to study and implement new measures to streamline its operations, the Company currently has a programme underway to transfer knowledge and innovation between the business and academic worlds in Portugal.

The R&D TOP-REF project was launched in 2014 by Galp Energia and a consortium with nine other entities, in order to increase its energy efficiency potential, particularly at the Sines refinery. The project is developing a simulation platform for critical energy-efficiency processes at the refinery and creating indicators, methodologies and non-invasive tools focused on resource efficiency in energy-intensive industrial processes.

This was the 8th year of Galp Energia's 20-20-20 Programme, the largest programme for research and energy efficiency in Portugal. Twenty-one interns were placed with 21 Galp Energia clients in 2014, with about 30% of the projects being implemented in the participating companies.

GALP ENERGIA EMPLOYEES

5.4 Health, safety and environment

A strong HSE culture is of indisputable value at Galp Energia, with safety being set as a prerequisite in every operating area, just as respect for the environment is a constant consideration. As such, Galp Energia seeks to ensure that these are complied with by all stakeholders in direct or indirect contact with Company operations. HSE principles are a shared responsibility among all employees and at all levels of the Organisation.

The Company ensures that HSE goals are operated and controlled by System G+. This management system supports the reporting and analysis of HSE indicators, thereby assessing the inherent risks of the Company's business for the purpose of preventing accidents, ensuring the safety of employees and service providers and preserving the environment, among other things.

Safe and sustainable exploration and production

Galp Energia regularly monitors the operational performance of its exploration and production projects in the different geographical areas in which it operates. This is particularly important given the context of expansion in this business.

Regular audits and ongoing communication are encouraged with the project operators, including projects where the Company has a minority stake. The potential HSE impacts are taken into account from the exploration to the production phases. Galp Energia regularly monitors current and planned activities, certifying that seismic surveys, drilling programmes, development plans and other activities comply with the best international standards.

With regard to gas flaring, particularly in offshore projects in Brazil, Galp Energia and the operator jointly monitor and control volumes flared in order to minimise environmental impacts arising from this process, with the target of achieving zero flaring.

Health and safety as strategic objectives

Galp Energia set a target of achieving zero accidents in the course of its activities, whether in terms of personal injury or accidents involving or the environment. The Company aims to continuously improve the standards of safety procedures, through training, analysing and implementing measures to reduce risks.

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

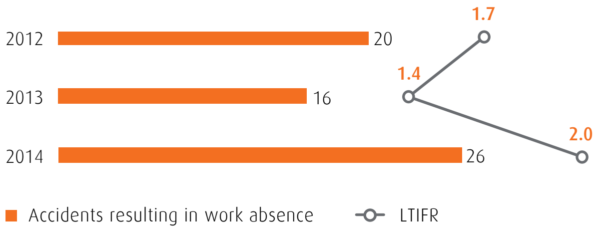
Four Class 4 accidents were registered in 2014. These were duly investigated and found to have been caused by conditions outside of the control of Galp Energia. There was also a material accident in the same class, involving a supply vessel in one of the Group subsidiaries in Cape Verde, which led to a containment loss of 80 m³ of product.

The Company has made efforts to consistently reduce the number of personal accidents that result in absence from work. The lost time injury frequency rate (LTIFR) per million hours worked in 2014 was, however, above the reference values of the Conservation of Clean Air and Water in Europe (CONCAWE). This increase was mainly due to events in the supply and marketing of oil products business. Investigation and implementation of measures are currently under way to reduce accidents in this segment to reference levels.

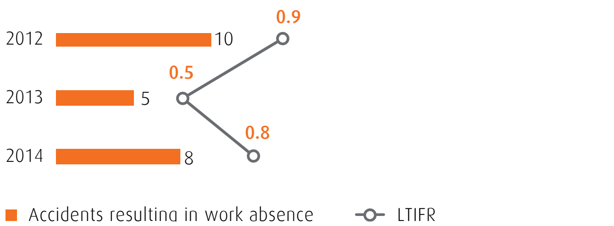
Nevertheless, it should be emphasised that during the planned outage at the Sines refinery, the largest and most complex ever, involving 1.4 million hours worked, there were no injuries resulting in lost workdays.

PERSONAL ACCIDENTS AT GALP ENERGIA

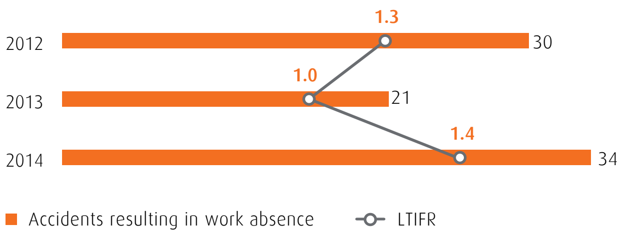
EMPLOYEES



SERVICE PROVIDERS



EMPLOYEES AND SERVICE PROVIDERS



Commitment to reducing the environmental footprint

As an integrated energy operator, Galp Energia is aware of its responsibility towards society, particularly with regard to its environmental footprint.

In view of its expansion strategy for the E&P business, the Company is committed to helping meet future energy needs and minimising the intensity of the carbon footprint of its activity. This commitment revolves around six specific objectives:

- to promote responsible growth in the E&P segment, based on operational and energy efficiency, seeking to minimise the intensity of CO_2 emissions;
- to promote energy efficiency and minimise the intensity of emissions in operations;
- to monitor market trends and promote innovation, research and development in the field of energy and environmental efficiency;
- to assess the risks and develop plans to mitigate and adapt to the risks associated with climate change with significant impact on Galp Energia activities;
- to monitor and anticipate legislative developments and trends in the energy and climate policies;
- to meet the expectations of relevant stakeholders and ensure clear communication.

These objectives cover the entire chain of Company operations and reflect an integrated approach towards sustainability.

The importance of reducing the carbon intensity of the activity

Reducing the carbon footprint, namely in terms of reducing emissions and the carbon intensity levels of the Company's operations, constitutes a challenge, particularly in a context of expanding activities. Galp Energia aims to achieve reference energy efficiency and carbon intensity levels for its activity.

CARBON FOOTPRINT – CO_2 EMISSIONS (kton)

Galp Energia operations: include emissions of scope 1, 2 and 3, excluding emissions of non-operated E&P blocks that are presented separately. Excludes the use of products under scope 3.

Considering the operations under Galp Energia's responsibility (scopes 1, 2 and 3) and the use of its products, the value of the Company's carbon footprint for 2014 reached 32,578,971 tonnes of CO_2, compared to 35,431,362 tonnes of CO_2 in 2013.

The Company's refineries and cogenerations are covered by the European Emissions Trading Scheme (EU ETS) and, between 2013 and 2020, the free CO_2 emissions licenses will be allocated by sectorial benchmarking. Galp Energia was awarded 2.7 million emission licenses in 2014.

Galp Energia continues to implement new energy efficiency measures in its refining system.

Investments made in energy efficiency will allow the Company to maintain this high level of performance in relation to the European benchmark.

Minimising environmental impact risk through prevention

In addition to complying with the highest ethical standards and responsibility, Galp Energia strictly complies with all process safety regulations aimed at preventing accidents that may harm the environment.

Even so, in 2014, there were containment losses of approximately 22.3 thousand litres, with around 10.3 thousand litres released into the environment.

In this context, it is worth mentioning an incident with Galp Energia's a supply vessel with one of the Group's subsidiaries in Cape Verde. An action plan was followed in line with Galp Energia's crisis management and incident reporting and investigation requirements. The causes were established and measures are being implemented to prevent future occurrences, including the introduction of an equipment maintenance management system for ships and equipment, introducing navigation procedures in restricted waters, the development of training plans for crew members and a review of the roles and responsibilities of the various parties involved in the incident.

Galp Energia and its service providers have plans to minimise the emergency response times, reduce potential environmental impacts and the costs of the management of affected areas.

The Company follows internal standards and procedures which aim to ensure the sustainable management of soil and water resources, which is in line with globally recognised best practices and with the expectations from the competent authorities and remaining stakeholders.

From an integrated perspective of the life-cycle of the Company's facilities, the protection of soil and water resources is ensured through the proper management of contaminants, residues and effluents, by the prevention of incidents and by the preparation of the response to crises and emergencies, always taking into account the principle of acting in a responsible manner in the event of any threat of environmental damage.

Preserving biodiversity and water resources

The preservation of biodiversity and water resources affected by Galp Energia activities is a priority for the Company, as part of its commitment to sustainable development.

In 2014, the integration of biodiversity continued to be a relevant aspect in the selection processes for upstream projects and the assessment of their environmental impact. To this end, two new additions to the Best Practice Guide for Biodiversity Management were published.

In order to promote transparency in these issues, the Company designed an interactive map and made it available on its website, using two internationally recognised tools: the Integrated Biodiversity Assessment Tool (IBAT) and the Global Water Tool for Oil & Gas (GWT), where the Company activities can be associated with protected areas, endangered species and areas with water scarcity or stress.

Renewable energy projects

In order to monitor trends in energy sources complementary to the Oil & Gas sector, Galp Energia is involved in renewable energy projects, namely biofuel, wind and solar power generation.

Galp Energia is present throughout the entire biofuels value chain, operating both in upstream and downstream biofuel activities.

At the upstream level, the Company has a palm oil plantation project in Brazil. In 2014, plantations totalled about 41,000 hectares, an increase of 13,000 hectares on 2013, and should start producing from 2017 onwards.

At the downstream level, there is a unit producing second-generation biofuel in Portugal, with an installed capacity of 27 mton of biofuel per year, dedicated to transforming waste oils and waste animal fats into biodiesel. In addition, engineering and logistics studies are being carried out to build production plants for hydrotreated vegetable oil (HVO).

In 2014, Galp Energia introduced around 132 thousand m³ of biodiesel directly in Portugal, i.e., incorporated about 5.5% of renewable energy into road transport. According to the European Renewable Energy Directive (RED) this corresponds to a potential reduction in GGE in excess of 184 thousand tonnes (kton) of CO_2 equivalent. Around 142 thousand m³ of biofuel was introduced in Spain, also in compliance with local laws. This introduction corresponds to a potential reduction of around 182 kton of CO_2 equivalent.

According to the goals set by the European Commission and its countries, Galp Energia will continue to introduce biofuels into the Iberian Peninsula, with the aim of achieving the 10% target in 2020, using the various renewable fuels supplements available, both for gasoline and diesel.

With regard to wind power generation, Galp Energia currently has an operational wind farm with an installed capacity of 12 MW, which produced 36 GWh in 2014. Four additional wind farms are also under construction and will have an installed capacity of 171.6 MW, as a result of a partnership signed in 2014 between the Ventinveste consortium, in which Galp Energia has a stake, and Ferrostaal.

With regard to solar power generation, Galp Energia is developing several projects in Portugal to promote greater energy efficiency with its clients and business partners.

Rigorous selection of suppliers

In order to consider the impact caused throughout its value chain, Galp Energia imposes HSE requirements on all its suppliers.

These exist at all procurement stages, from pre-selection up to termination of the contract. Contracts have clauses requiring suppliers to comply with the Galp Energia code of ethics and anti-corruption policy. Audits of service providers are conducted regularly.

5.5 Quality

Galp Energia applies the highest quality standards, establishing guidelines and monitoring procedures so that quality management will result in continuous improvement of its products and services, management systems and key processes, creating value for the Company in a sustainable manner.

In 2014, Galp Energia had 35 certifications, which included some more management systems than the previous year. Certification was obtained in the areas of the environment (ISO 14001), quality (ISO 9001), safety (OHSAS 18001), energy (ISO 50001) and laboratories (ISO/IEC 17025). In 2014, the Company embarked on the development and execution of a new reporting platform for non-financial performance in the areas of the environment, quality, safety and sustainability.

During 2014, 42 audits were conducted within environmental, quality and safety remits, involving 53 internal auditors in a total of 81 participations and five external auditors with 19 participations.

The internal audit carried out in 2014, resulted in 447 findings, of which 162 were for non-compliances and 285 were opportunities for improvement.

These audits and the ambition to impartially certify its activities demonstrate the Company's commitment to improving its products, services and internal processes.

5.6 Local community development

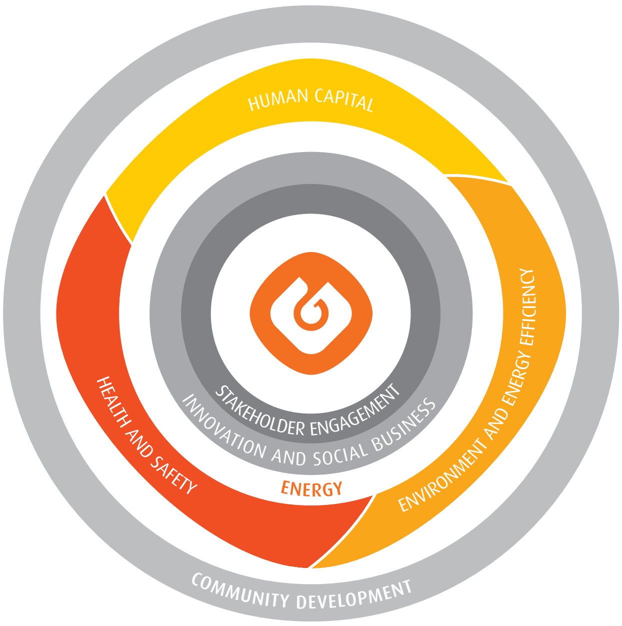
Galp Energia's strategy promotes the concept of "shared value", that is, the simultaneous creation of value for the Company and for local communities and other stakeholders, which is essential to the safeguarding of operations in the countries where it is present, while also reinforcing its influence in these regions.

In this context, of particular note in 2013 was the Company's inclusion in the UNO Global Compact, which seeks to align the strategies and operations of participating companies with universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. In 2014, Galp Energia adopted its first human rights policy, pledging to respect, promote and fulfil internationally recognised rights.

Galp Energia has implemented a social responsibility policy aimed at developing and supporting local communities. It should be noted that this policy was defined on the basis of Portuguese, Spanish and Brazilian regulatory systems, in line with the recommendations of International Standard (ISO 26000:2011). Galp Energia's social responsibility policy revolves around the cornerstones of human capital, health, safety and the environment and focuses primarily on promoting innovation and inclusive social action through the energy solutions it provides.

In this way, Galp Energia develops its business activity in two complementary areas: support for projects run by community representative bodies and planning and implementing its own projects that involve community representative bodies.

COMMUNITY INVESTMENT POLICY



Being particularly aware of community issues in developing countries, Galp Energia continues to promote social, educational and health activities, with particular focus on the African countries where it operates.

In the field of health and safety, a campaign was launched in Cape Verde following the volcanic eruption on Ilha do Fogo. This involved making a donation to the Red Cross for every litre of fuel sold. It is also worth highlighting the initiatives in Swaziland, "Orange your Neighbourhood", to help combat violence against women, and the "End Hunger Walk".

In terms of promoting the environment and energy efficiency, there is the Mission UP | Unidos pelo Planeta school project, which aims to raise awareness of energy efficiency issues among Portugal's school community. In 2014, 2,142 schools and a total of around 200,540 students took part in the project. One of the main initiatives presented by this project is the informative sessions on energy that are held in schools. In 2014, 779 sessions were carried out involving 20,535 students and with the participation of 33 Company employees.In this regard, it is also worth mentioning Mission Power Up, which aims to increase the scope of the above programme through a web and mobile platform, benefitting from a credit line from the Plan for Promoting Efficiency in Electricity Consumption (PPEEC) approved by ERSE.

In Mozambique, Galp Energia has developed several initiatives, destined for social support for children and the elderly, in partnership with several local institutions.

The Company also continued to promote a corporate volunteer culture. In 2014 Galp Voluntária held 14 events involving a total of around 9,422 volunteer hours and about 1,156 volunteers by the end of 2014. Amongst the various initiatives was a partnership with the Associação de Empresários Pela Inclusão Social (EPIS), in which Galp Voluntária created 12 work placements within the Company. In 2014, Galp Voluntária also organised an initiative to rehabilitate seven charities, involving nearly 600 employees. Since its launch in 2011, Galp Voluntária has carried out 73 events, involving a total of around 18 thousand volunteer hours.

In 2014, the global investment in this area reachedn €4.1 m. Of this amount, 36% was allocated to social initiatives, 27% to education, 7% to health and 5% to environmental protection initiatives.

Galp Energia Foundation

In the areas of social development, energy and the environment and culture, the Galp Energia Foundation continued with its existing business plan and promoted new initiatives for which the Galp Energia Group contributed with €535 k.

06 Appendices

6.1 Proposed allocation of net profit

Galp Energia, SGPS, S.A. holds equity participations in Group subsidiaries.

Galp Energia, SGPS, S.A., under individual accounts, closed the 2014 financial year with a net profit of €263,348,933.08. This result is presented in accordance with the International Financial Reporting Standards (IFRS).

Pursuant to the law, the Board of Directors proposes that the net profit from the 2014 financial year, €263,348,933.08, be allocated in the following manner: €54,584,312.84 to retained earnings and €208,764,620.24 to be distributed in the form of dividends.

The amount to be paid to shareholders in 2015, concerning the financial year 2014, will be only of €143,294,509.73 (€0.1728/share), since €65,470,11050,51 has already been paid in last September, in the form of an advance on profits for the year and €77,824,399.22 from retained earnings, totaling €143,294,509.73, which corresponds to a dividend of €0.3456 per share, according to the dividend policy approved in March 2012, representing a 20% increase from the previous year's dividend.

6.2 Additional information

Mandatory notes and statements

HOLDERS OF QUALIFYING HOLDINGS IN GALP ENERGIA'S SHARE CAPITAL, AT 31 DECEMBER 2014, CALCULATED IN ACCORDANCE WITH THE REGIME OF ARTICLE 20 OF CVM, ARE DETAILED IN THE FOLLOWING TABLE.

Shareholders	No. of shares	% share capital	% voting rights
Amorim Energia, B.V.			
Direct holding	317,934,693	38.34%	38.34%
Holding attributed under Article 20(1)(d) of the Portuguese Securities Code (CVM) by virtue of serving at the Board of Directors of Amorim Energia B.V.	2,410	0.0003%	0.0003%
Holding attributed under Article 20(1)(d) of the CVM by virtue of shareholder agreement with Eni, S.p.A.	66,337,592	8.00%	8.00%
Total attributed holding	**384,274,695**	**46.34%**	**46.34%**
Eni, S.p.A.	66,337,592	8.00%	8.00%
Parpública – Participações Públicas (SGPS), S.A.	58,079,514	7.00%	7.00%
The Capital Group Companies, Inc.			
Holding attributed under Article 20(1)(b) of the CVM by virtue of a control relationship with the Capital Research and Management Company	40,652,757	4.90%	4.90%
Total attributed holding	**40,652,757**	**4.90%**	**4.90%**
Capital Research and Management Company			
Holding attributed under Article 20(1)(b) of the CVM by virtue of a control relationship with the Capital Research and Management Company	20,222,757	2.44%	2.44%
Holding attributed under Article 20(1)(g) of the CVM by virtue of several funds having conceded the respective powers of attorney	20,430,000	2.46%	2.46%
Total attributed holding	**40,652,757**	**4.90%**	**4.90%**
EuroPacific Growth Fund (EUPAC)	20,430,000	2.46%	2.46%
BlackRock, Inc.	20,307,726	2.45%	2.45%
Templeton Global Advisors Limited	16,870,865	2.03%	2.03%

TREASURY SHARES

As of 31 December 2014, Galp Energia had no treasury shares.
During the 2014 financial year Galp Energia, SGPS, S.A. did not acquire or sell any treasury shares.

In accordance with article 447, paragraph 5 of the CSC, on 31 December 2014 the members of the Board of Directors and supervisory bodies of Galp Energia, SGPS, S.A. had the following holdings in the Company's share capital:

		Aquisition			Disposal			
		From 1 January to 31 December 2014						
	Total shares on 31 Dec. 2013	Date	No. of shares	Value (€/share)	Date	No. of shares	Value (€/share)	Total shares on 31 Dec. 2014
Members of the Board of Directors								
Américo Amorim*	-	-	-	-	-	-	-	-
Manuel Ferreira De Oliveira	85,640	-	-	-	-	-	-	85,640
Luís Palha da Silva	950	-	-	-	-	-	-	950
Paula Amorim*	-	-	-	-	-	-	-	-
Filipe Crisóstomo Silva	-	11.02.2014	5,000	11.3	-	-	-	5,000
Carlos Gomes da Silva*	2,410	-	-	-	-	-	-	2,410
Sérgio Gabrielli de Azevedo	-	-	-	-	-	-	-	-
Thore E. Kristiansen	-	-	-	-	-	-	-	-
Abdul Magid Osman	-	-	-	-	-	-	-	-
Luís Campos e Cunha	-	-	-	-	-	-	-	-
Raquel Rute da Costa David Vunge	-	-	-	-	-	-	-	-
Miguel Athayde Marques	1,800	-	-	-	-	-	-	1,800
Carlos Costa Pina	-	-	-	-	-	-	-	-
Rui Paulo Gonçalves*	-	-	-	-	-	-	-	-
Luís Todo Bom	-	-	-	-	-	-	-	-
Fernando Gomes	1,900	-	-	-	-	-	-	1,900
Diogo Mendonça Tavares	2,940	-	-	-	-	-	-	2,940
Joaquim 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	-	-	-	-	-	-	5
Amável Alberto Freixo Calhau	-	-	-	-	-	-	-	-
Statutory Auditor								
P. Matos Silva, Garcia Jr., Caiado & Associados	-	-	-	-	-	-	-	-
António Campos Pires Caiado	-	-	-	-	-	-	-	-

Notes:

1. Stephen Whyte, Executive Director until 03 October 2014, did not own shares in Galp Energia on 31 December 2014, having sold the 2,035 shares that he had held on 04 July 2014, at a price of €13,535 per share.
2. Vitor Bento, Non Executive Director until 31 August 2014, did not own shares in Galp Energia on 31 December 2014.

* 317,934,693 attributable shares under Article 447(2)(d) of the CSC by virtue of serving on the management body of Amorim Energia B.V.

DIRECTORS' DEALINGS WITH THE COMPANY

During the 2014 financial year, there were no commitments by the members of the Board of Directors of Galp Energia, SGPS, S.A. to conduct business with the Company or companies with a group or control relationship.

OTHER ACTIVITIES ENGAGED IN BY CURRENT DIRECTORS

During the 2014 financial year, none of the current Directors of Galp Energia, SGPS, S.A. engaged in any temporary or permanent duties under employment contracts in any form in any company or companies that are part of this group or are under its control, with the exception of José Carlos da Silva Costa, whose employment contract with Galp Energia, S.A. – Sociedade Aberta has been suspended since his election as member of the Board of Directors of Galp Energia, SGPS, S.A. – Sociedade Aberta, which was on 23 November 2012.

AMOUNTS OWED TO ASSOCIATES

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

Governing bodies

GENERAL SHAREHOLDERS MEETING BOARD

Chairman:
Daniel Proença de Carvalho

Vice-Chairman:
Victor Manuel Pereira Dias

Secretary:
Maria Helena Claro Goldschmidt

The current composition of the governing bodies of Galp Energia, SGPS, S.A. – Sociedade Aberta, for a term of office which runs until 31 December 2014 is as follows:

BOARD OF DIRECTORS

Chairman:
Américo Amorim

Vice-Chairman:
Manuel Ferreira De Oliveira

Vice-Chairman:
Luís Palha da Silva

Members:
Paula Amorim
Filipe Silva
Carlos Gomes da Silva
Sérgio Gabrielli de Azevedo
Thore E. Kristiansen[1]
Abdul Magid Osman
Luís Campos e Cunha
Raquel Rute da Costa David Vunge[2]
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

EXECUTIVE COMMITTEE

Chairman:
Manuel Ferreira De Oliveira (CEO)

Vice-Chairman:
Luís Palha da Silva

Members:
Filipe Crisóstomo Silva (CFO)
Carlos Gomes da Silva
Thore E. Kristiansen
Carlos Costa Pina
José Carlos da Silva Costa

COMPANY SECRETARY

Standing:
Rui de Oliveira Neves

Deputy:
Maria Helena Claro Goldschmidt

SUPERVISORY BOARD

Chairman:
Daniel Bessa Fernandes Coelho

Member:
Gracinda Augusta Figueiras Raposo

Member:
Pedro Antunes de Almeida

Deputy:
Amável Alberto Freixo Calhau

STATUTORY AUDITORS

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

Deputy:
António Campos Pires Caiado

REMUNERATIONS COMMITTEE

Member:
Amorim Energia, B.V., represented by Francisco Rêgo

Member:
Jorge Armindo Carvalho Teixeira

1. Appointed by the Board of Directors on 3 October 2014, to replace Stephen Whyte.
2. Appointed by the Board of Directors on 3 October 2014, to replace Baptista Sumbe.

Note: Vítor Bento was a member of the Board of Directors until his resignation (31 August 2014).

6.3. Consolidated financial statements

Galp Energia, SGPS, S.A. and Subsidiaries

Consolidated statement of financial position as of 31 December 2014 and 2013

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

Assets	Notes	December 2014	December 2013 restated	
Non-current assets:				
Tangible assets	12	5,052,356	4,572,699	(a)
Goodwill	11	225,361	233,137	
Intangible assets	12	1,446,906	1,545,368	(a)
Investments in associates and jointly controlled entities	4	786,702	514,417	(a)
Assets held for sale	4	2,512	2,863	
Trade receivables	15	24,242	24,322	
Loans to Sinopec	14	170,954	706,993	
Other receivables	14	187,796	205,125	(a)
Deferred tax assets	9	363,973	271,074	
Other investments	17	21,378	24,530	
Total non-current assets:		**8,282,180**	**8,100,528**	(a)
Current assets:				
Inventories	16	1,210,374	1,845,607	
Trade receivables	15	1,115,287	1,327,040	(a)
Loans to Sinopec	14	718,904	164,500	
Other receivables	14	667,281	732,503	(a)
Other investments	17	10,136	10,128	
Current income tax recoverable	9	-	32,788	
Non-current asstes held for sale	12	67,273	-	
Cash and cash equivalents	18	1,143,982	1,504,324	(a)
Total current assets:		**4,933,237**	**5,616,890**	(a)
Total assets:		**13,215,417**	**13,717,418**	(a)

EQUITY AND LIABILITIES	Notes	December 2014	December 2013 restated	
Equity:				
Share capital	19	829,251	829,251	
Share premium		82,006	82,006	
Reserves	20	2,701,339	2,394,913	
Retained earnings		1,565,335	1,666,075	
Consolidated net profit for the period	10	(173,394)	188,661	
Equity attributable to equity holders of the parent:		**5,004,537**	**5,160,906**	
Non-controlling interests	21	1,420,184	1,254,894	
Total equity:		**6,424,721**	**6,415,800**	
Liabilities:				
Non-current liabilities:				
Bank loans	22	1,113,578	1,464,910	
Bonds	22	2,247,541	1,838,812	
Other payables	24	555,840	544,904	
Retirement and other benefits liabilities	23	410,591	338,495	
Deferred tax liabilities	9	121,188	128,577	
Other financial instruments	27	838	1,538	
Provisions	25	184,540	154,149	
Total non-current liabilities:		**4,634,116**	**4,471,385**	
Current liabilities:				
Bank loans and overdrafts	22	303,245	226,542	
Bonds	22	-	146,778	
Trade payables	26	898,047	1,509,622	(a)
Other payables	24	921,059	936,821	
Other financial instruments	27	15,144	10,470	(a)
Current income tax payable	9	19,085	-	
Total current liabilities:		**2,156,580**	**2,830,233**	(a)
Total liabilities:		**6,790,696**	**7,301,618**	(a)
Total equity and liabilities:		**13,215,417**	**13,717,418**	(a)

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

The accompanying notes form an integral part of the consolidated statement of financial position for the year ended December 31, 2014.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated income Statements for the periods ended 31 December 2014 and 2013

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

	Notes	December 2014	December 2013	
Operating income:				
Sales	5	17,478,599	19,101,293	(a)
Services rendered	5	542,395	520,958	(a)
Other operating income	5	105,477	142,605	(a)
Total operating income:		**18,126,471**	**19,764,856**	(a)
Operating costs:				
Cost of sales	6	15,701,372	17,208,281	(a)
External supplies and services	6	1,157,704	1,068,079	(a)
Employee costs	6	369,554	347,092	(a)
Amortisation, depreciation and impairment loss	6	613,598	586,314	(a)
Provision and impairment loss on receivables	6	30,710	54,968	
Other operating costs	6	73,304	99,063	(a)
Total operating costs:		**17,946,242**	**19,363,797**	(a)
Operating profit:		**180,229**	**401,059**	(a)
Financial income	8	51,899	61,855	(a)
Financial costs	8	(152,052)	(207,427)	(a)
Exchange (loss) gain		(26,604)	(8,790)	
Share of results of investments in associates and jointly controlled entities	4	30,342	115,852	(a)
Income on financial instruments	27	(17,819)	12,287	(a)
		65,995	**374,836**	
Income tax	9	(154,073)	(135,829)	
Extraordinary Contribution on energy sector	9	(30,453)	-	
Profit before non-controlling interests:		**(118,531)**	**239,007**	
Profit attributable to non-controlling interests	21	(54,863)	(50,346)	
Consolidated net profit for the year		**(173,394)**	**188,661**	(a)
Earnings per share (in euros)	10	**(0.21)**	**0.23**	

(a) These amounts were restated taking as a result of changes in classification described in Note 2.23.
The accompanying notes form an integral part of the consolidated income statement for the year ended December 31, 2014.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated statement of changes in equity for the years ended 31 December 2014 and 2013

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

Changes in the period	Notes	Share capital	Share premium	Translation reserve (Note 20)	Other reserves (Note 20)
Balance as of January 1, 2013		**829,251**	**82,006**	**(47,624)**	**2,684,537**
Consolidated net profit for the period	10	-	-	-	-
Changes in scope of consolidation		-	-	-	-
Other gains and losses recognised in Equity		-	-	(236,494)	-
Comprehensive income for the period		-	-	(236,494)	-
Dividends distributed/Interim dividends		-	-	-	-
Increase of equity in subsidiaries		-	-	-	(4,098)
Appropriation of profit to reserves		-	-	-	-
Balance as of December 31, 2013		**829,251**	**82,006**	**(284,118)**	**2,680,439**
Balance as of January 1, 2014		**829,251**	**82,006**	**(284,118)**	**2,680,439**
Consolidated net profit for the period	10	-	-	-	-
Other gains and losses recognised in Equity		-	-	301,787	-
Comprehensive income for the period		-	-	301,787	-
Dividends distributed/Interim dividends	30	-	-	-	-
Increase of equity in subsidiaries	3 and 20	-	-	-	3,975
Appropriation of profit to reserves		-	-	-	-
Balance as of December 31, 2014		**829,251**	**82,006**	**17,669**	**2,684,414**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended December 31, 2014.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated statement of comprehensive income for the years ended 31 December 2014 and 2013

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

	Notes	December 2014	December 2013
Consolidated net profit for the period	10	**(173,394)**	**188,661**
Other comprehensive income of the period:			
Actuarial Gains and losses - pension fund		(36,116)	22,369
Tax related to actuarial gains and losses - pension fund	9	9,421	3,259
		(26,695)	**25,628**
Other comprehensive income which will be recycled in the future for net profits of the period:			
Differences arising on translation of foreign currency financial statements (Group companies)	20	272,450	(167,208)
Differences arising on translation of foreign currency financial statements (Associated/jointly controlled companies)	4 and 20	68,273	(23,846)
Differences arising on translation of foreign currency – Goodwill	11 and 20	1,158	1,091
Differences arising on translation of foreign currency – Financial allocations ("quasi equity")	20	(60,504)	(70,799)
Deferred tax related to components of differences arising on translation of foreign currency – Financial allocations ("quasi equity")	9 and 20	20,410	24,268
		301,787	**(236,494)**
Other increases/(decreases) in hedging reserves (Group companies)	27 and 20	1,282	6,789
Deferred tax related to components of hedging reserves (Group companies)	9 and 20	(324)	(1,985)
Increases/(decreases) of hedging reserves (Associated/jointly controlled companies)	27 and 20	(283)	222
Deferred tax related to components of hedging reserves (Associated/jointly controlled companies)	9 and 20	(11)	(69)
		664	**4,957**
Other comprehensive income for the period net of tax		**275,756**	**(205,909)**
Comprehensive income for the period assignable to shareholders:		**102,362**	**(17,248)**
Comprehensive income for the period assignable to non-controlling interests		**173,424**	**(38,237)**
Total compheensive income		**275,786**	**(55,485)**

The accompanying notes form an integral part of the consolidated comprehensive income statement for the year ended December 31, 2014.

Hedging reserves (Note 20)	Retained earnings – Actuarial Gains and Losses (Note 23)	Retained earnings	Consolidated net profit for the period	Sub-Total	Non-controlling interests (Note 21)	Total
(6,365)	**(98,503)**	**1,614,572**	**343,300**	**5,401,174**	**1,304,800**	**6,705,974**
-	-	-	188,661	188,661	50,346	239,007
-	-	-	-	-	(1,139)	(1,139)
4,957	25,628	-	-	(205,909)	(87,444)	(293,353)
4,957	25,628	-	188,661	(17,248)	(38,237)	(55,485)
-	-	(218,922)	-	(218,922)	(4,004)	(222,926)
-	-	-	-	(4,098)	(7,665)	(11,763)
-	-	343,300	(343,300)	-	-	-
(1,408)	**(72,875)**	**1,738,950**	**188,661**	**5,160,906**	**1,254,894**	**6,415,800**
(1,408)	**(72,875)**	**1,738,950**	**188,661**	**5,160,906**	**1,254,894**	**6,415,800**
-	-	-	(173,394)	(173,394)	54,863	(118,531)
664	(26,695)	-	-	275,756	118,561	394,317
664	(26,695)	-	(173,394)	102,362	173,424	275,786
-	-	(262,706)	-	(262,706)	(14,779)	(277,485)
-	-	-	-	3,975	6,645	10,620
-	-	188,661	(188,661)	-	-	-
(744)	**(99,570)**	**1,664,905**	**(173,394)**	**5,004,537**	**1,420,184**	**6,424,721**

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated statement of cash flows for the years ended 31 December 2014 and 2013

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

	Notes	December 2014	December 2013 restated	
Operating activities:				
Cash receipts from customers		20,475,148	20,504,123	(a)
Cash paid to suppliers		(14,610,738)	(14,712,211)	(a)
Cash paid to employees		(162,564)	(234,211)	
Cash (paid)/received relating to tax on oil products		(2,489,107)	(2,418,105)	
Cash (paid)/received relating to income tax		(159,342)	(153,589)	
Contributions to the pension fund	23	(2,649)	(2,398)	
Cash paid to early retired and pre-retired employees	23	(21,426)	(18,666)	
Cash paid relating to insurance costs of retired employees	23	(11,826)	(11,857)	
Other (payments)/receipts relating to operating activities		(2,237,749)	(2,151,310)	(a)
Net cash provided by operating activities (1)		**779,747**	**801,776**	(a)
Investing activities:				
Cash receipts relating to:				
Investments	4	800	129,459	
Tangible assets		2,126	901	
Government grants	13	2	550	
Interest and similar income		39,244	45,071	
Dividends	4	73,805	64,400	
Loans granted		101,404	40,125	
		217,381	**280,506**	
Cash payments relating to:				
Investments	4	(231,288)	(215,693)	
Tangible assets		(799,043)	(706,007)	(a)
Intangible assets		(32,793)	(52,016)	
Loans granted		(976)	(1,031)	
		(1,064,100)	**(974,747)**	(a)
Net cash used in investing activities (2)		**(846,719)**	**(694,241)**	(a)
Financing activities:				
Cash receipts relating to:				
Borrowings		750,767	2,250,729	
Interest and similar income		1,755	2,159	
Discounted notes		5,194	10,237	
		757,716	**2,263,125**	
Cash payments relating to:				
Borrowings		(819,656)	(2,114,094)	
Interest on borrowings		(94,924)	(151,901)	(a)
Dividends	30	(274,857)	(221,956)	
Repayment of discounted notes		(2,625)	(2,004)	
Payment of finance lease contracts and respective interests		(3)	(5)	
Interest on bonds		(64,347)	(71,464)	
		(1,256,412)	**(2,561,424)**	(a)
Net cash (used in) / provided by financing activities (3)		**(498,696)**	**(298,299)**	(a)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(565,668)	(190,764)	(a)
Effect of foreign exchange rate changes		182,892	(134,927)	
Cash and cash equivalents at the beginning of the period	18	1,406,172	1,733,987	(a)
Change in scope of consolidation		-	(2,124)	
Cash and cash equivalents at the end of the period	18	1,023,396	1,406,172	(a)

(a) These amounts were restated taking as a result of changes in classification described in Note 2.23.

The accompanying notes form an integral part of the consolidated statement of cash flows as December 31, 2014.

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Notes to the consolidated financial statements 31 December 2014

(Amounts expressed in thousands of Euros - €k)

1. INTRODUCTION

A) PARENT COMPANY:

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

The shareholder structure of the Company as of 31 December 2014 is shown in Note 19.

The Company is listed in the Euronext Lisbon stock exchange.

B) THE GROUP:

As of 31 December 2014 the Galp Group ("the Group") was made up of Galp and its subsidiaries, which include, among others: (i) Petróleos de Portugal – Petrogal, S.A. ("Petrogal") and its subsidiaries, which operate upstream and downstream in the crude oil and related derivatives sector; (ii) GDP – Gás de Portugal, SGPS, S.A. (GDP) and its subsidiaries, which operates in the natural gas, electricity and renewable energy sector; and (iv) Galp Energia, S.A. which integrates the corporate support services.

b1) Crude oil upstream operations

The Exploration and Production business segment ("E&P") 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 and Mozambique.

b2) Crude oil downstream operations

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

b3) Natural Gas activity and Energy Production and Commercialisation

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

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

The Purchasing and Commercialisation of Natural Gas area supplies Natural Gas to large industrial customers with annual consumptions of more than 2 million m3, power generating companies, and natural gas distribution companies and AGU ("Autonomous Gas Unit"). So as to meet the demand of its customers, Galp Energia has long term purchase contracts with companies in Algeria and Nigeria.

The Natural Gas Distribution area includes the natural gas distribution companies in which Galp Energia has a significant participation. Its purpose is to sell natural gas to those residential, commercial and industrial customers with annual consumptions of less than 2 million m3. Galp is also a player in the Spanish regulated market, supplying low pressure natural gas, through its subsidiaries to 38 adjacent municipalities of the city of Madrid. This activity includes the sale of natural gas to final customers, both regulated and non-regulated, in the area covered described above.

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

The accompanying financial statements are presented in 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 2014 there were changes in the accounting policies, stated in section 2.23, in relation to those used to prepare the financial information for the preceding year. No significant prior year material errors were recognised.

2.1. BASIS OF PRESENTATION

Galp Energia's consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value (Note 2.16), on the accounting records of the companies included in the consolidation (Notes 3 and 4) maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the year beginning 1 January 2014. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standing Interpretation Committee ("SIC"), adopted by the European Union. These standards and interpretations are hereinafter referred to as "IFRS".

The IFRS standards approved and published in the Official Journal of the European Union ("OJEU") during 2014 applicable to subsequent years are as follows:

IAS Standard Standards and interpretations to be applied in subsequent years, if applicable:	Publication date in OJEU	Date of accounting application	Period to which it applies	Comments
Amendments to IAS 19: Employee Benefits	9 January 2015	After 1 February 2015	2015	No accounting impacts are expected
IFRS annual improvements cycle 2010 - 2012	9 January 2015	After 1 February 2015	2015	No accounting impacts are expected
IFRIC annual improvements cycle 2011-2013	19 December 2014	After 1 January 2014	2015	No accounting impacts are expected
IFRIC 21 Levels	14 June 2014	After 14 June 2014	2015	No accounting impacts are expected

The approved and published IFRS standards in the Official Journal of the European Union ("OJEU") applicable to 2014 are as follows:

Standards and Interpretations adopted, if applicable:

IAS Standard	Publication date in OJEU	Date of accounting application	Period to which it applies	Comments
Amendments to IAS 36: Disclosures on recoverable amounts for non-financial assets	20 December 2013	After 1 January 2014	2014	Under analysis for impacts on required disclosures a)
Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting	20 December 2013	After 1 January 2014	2014	No accounting impacts are expected
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities	21 November 2013	After 1 January 2014	2014	Not applicable
Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated financial statements, Joint agreements and Disclosures of Investments - Transition Guide	5 April 2013	After 1 January 2014	2014	No accounting impacts are expected
Amendments to IAS 32 Financial Instruments: Disclosures - Offsetting a financial asset and a financial liability	29 December 2012	After 1 January 2014	2014 Depending on the regulation articles	No accounting impacts are expected
IFRS 10 Consolidated Financial Statements	29 December 2012	After 1 January 2014	2014	No accounting impacts are expected
IFRS 11 Joint Arrangements	29 December 2012	After 1 January 2014	2014	No significant impact. See in note b)
IFRS 12 Disclosure of interests in other entities	29 December 2012	After 1 January 2014	2014	Under analysis for additional disclosure requirements c)
IAS 27 Separate Financial Statements	29 December 2012	After 1 January 2014	2014	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

a) Disclosure of the amounts recoverable at the registry of a loss or reverse of an impairment.
b) Sigás ACE, a jointly controlled company, will be integrated into individual accounts of the parent company, on the percentage held.
c) More detail in the disclosure of Investments in associates (Notes 3,4 and 21)

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

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

2.2. CONSOLIDATION METHODS

The following consolidation methods were used by the Group:

a) Investments in Group companies

Investments in companies in which the Group holds, directly or indirectly, more than 50% of the voting rights in Shareholders' General Meetings and/or has the power to control the 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 in the income statement, respectively in 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.

When the Group acquires a control position, if it already holds a previously acquired interest, its fair value is used to determine Goodwill or Badwill.

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.

When control is acquired for a percentage below one hundred per cent, non-controlling interests may be measured at fair value or at the ratio between acquired assets fair value and acquired liabilities fair value when applying the purchase method, which is the option defined for each transaction.

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.

Subsequent disposal or acquisition transactions of financial investments on non-controlling interests, which do not involve changes in control, do not result in recognition of gains, losses or Goodwill, being any resulting difference between the transaction amount and the carrying amount of the transacted investment recognised in Equity.

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.

Group consolidation includes one company whose statutory year end is 30 September, namely Galp Trading SA based in Switzerland. Although the statutory year end of this company differs from other companies in the Galp Energia Group, transactions that occurred in the last quarter of each year are incorporated in the consolidated accounts.

Where the Group has, in substance, control over other structured 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, joint operations and joint assets

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. Impairment losses are recorded in the income statement. 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 favour of the jointly controlled entity, 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 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 Exploration and Production (E&P) activity of the Group is carried out mainly through joint ventures with other entities reflected in the consolidated statement of financial position and consolidated income statement in accordance with the percentage held by the Group in these consortia.

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 associates 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 in associates 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 the investment may be impaired, being recorded as impairment losses. When impairment losses recognised in prior years no longer exist, they are reversed.

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

Unrealised gains and losses on transactions with associated companies are eliminated in proportion to the Group's interest in the associated company, 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 translated 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 "Translation 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 and are recorded against the income statement caption share of results of investments in associates and jointly controlled entities, included in financial results.

In initial recording of a business combination, if at the end of the period, in which the concentration occurred, the fair value attributed to the identifiable assets, liabilities and contingent liabilities of the acquired entity can only be determined provisionally, Galp Group records the business combination using provisional amounts. The amounts determined provisionally are adjusted when the fair value of the assets and liabilities are accurately determined, up to a period of 12 months after the acquisition date. Goodwill or any other recognised gain 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 initially recorded. This includes any depreciation, amortisation or other additional gain or loss recognised as result of completing the initial recording.

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

e) Translation of foreign entities' financial statements

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

Foreign entities' assets and liabilities are translated 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 translation differences arising after 1 January 2004 (date of transition to IFRS) are recognised in the equity caption "Translation reserve". Exchange rate differences arising up to 1 January 2004 (date of transition to IFRS) were written-off against "Retained earnings" (Note 20).

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

When a foreign entity is disposed, the accumulated translation 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 translation differences arising in translating the balances of shareholders' loans to the company's reporting functional currency that are not cancelled out in the consolidation process 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 translated to Euros at the following exchange rates:

	Year end		Average for the year	
Currency	**2014**	**2013**	**2014**	**2013**
Gambian Dalasi	51.3	51.69	52.19	45
Moroccan Dirhams	10.94	11.23	11.12	11.14
US Dollars	1.21	1.38	1.33	1.33
Cape Verde Escudos	110.27	110.27	110.27	110.27
CFA Francs	655.96	655.96	655.96	655.96
Swazi Lilangeni	13.97	14.4	14.4	12.95
Mozambican Meticais	40.36	41.53	41.13	39.71
Angolan Kwanzas	125.11	134.47	129.88	127.97
Brazilian Reais	3.22	3.26	3.12	2.87

2.3 TANGIBLE ASSETS

General

Tangible assets acquired up to 1 January 2004 (date of transition to IFRS) are measured according with IFRS 1 option, at deemed cost, which corresponds to cost, revalued, when 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 refer to tangible assets in construction and are recorded at cost less cumulative impairment losses. Tangible assets are depreciated as from date the assets are substantially completed or the assets are ready for use.

Deemed cost (for acquisitions up to 1 January 2004) or acquisition cost depreciation is calculated on a straight-line basis (on a monthly basis), as from the year the assets are available for use, as intended by 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 2014	Rates 2013
Land and natural resources	0.10%	0.14%
Buildings and other constructions	3.32%	3.37%
Machinery and equipment	5.10%	4.91%
Transport equipment	5.21%	5.28%
Tools and utensils	3.74%	4.12%
Administrative equipment	8.14%	8.93%
Reusable containers	2.43%	2.73%
Other tangible assets	2.86%	3.87%

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 gains/losses are recorded in the consolidated income statement “Other operating income” or “Other operating costs” captions, respectively.

Recurring repair and maintenance costs are expensed in the year 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 to best reflect this activity’s expenditures. These policies are based on “The Successful Efforts Method”. Although expenses incurred in wells with no commercial viability are recorded as costs, other expenditures incurred during research/exploration phase are capitalised. Galp uses a variant of this method through which costs incurred in the exploratory phase (research) are capitalised, as it is too early in the process to assess whether the areas of development or exploratory wells will be commercially viable or not.

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, including overheads incurred up to the beginning of production and are recorded in tangible assets in progress. When the oil field begins production, these costs are transferred from tangible assets in progress to tangible assets and depreciated at the Unit of Production method (“UOP”) according to the asset’s use.

Assets that are jointly controlled under an oil exploration consortium are recognised in accordance with the established agreements. Therefore, these jointly controlled assets are recorded in the proportion of the interest 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 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 period in relation to the total proved reserves at the end of the period plus production for the period.

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

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

All costs incurred in the exploration phase related with unsuccessful oil fields are recorded as costs in the income statement for the year except if it relates to unsuccessful oil wells expected to be used as injector well or 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 works.

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 commercializing or using it, and it is probable that the asset created will generate future economic benefits. If the development costs do not fulfil these requirements, they are 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 products and rights on land use costs, which are amortised over the period of the respective contracts (which ranges from ten to twenty years).

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

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

Oil exploration and production operations

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

Natural Gas operations

As result of IFRIC 12, Galp Energia, recognises natural gas assets included in the concession arrangements whose remuneration is defined by ERSE in accordance with the intangible assets model. Consequently, the tangible assets of regulated activities are 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 the regulator (ERSE) for effects of establishing the regulated tariffs and consequently the Group regulated revenue.

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if it is expected that their book value will be recovered through a sale transaction rather than through continuing use. This condition is considered to exist when the sale is highly probable and the asset is available for immediate sale under current conditions. Additionally, should be in place actions that allow to be expected that the sale will be held within 12 months after the date of the reclassification.

Non-current assets held for sale are measured at the lower of book value and fair value less costs to sell. However these assets are not amortised.

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 of tangible assets".

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

Impairment losses 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 marketing segment, the Group has identified and considered as cash generating unit the service station network of each country. This is based on the fact that 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 Weighted Average Cost of Capital ("WACC") discount rate of that business segment, according to its specific risk.

Impairment tests are also performed on other assets of the refining and marketing segment, 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 licence is not expected to be renewed;
- When an acquired area is returned or abandoned; and
- 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 ("EMV model"), comparing the carrying amount of the investments with the present value of the expected future cash flows using the Weighted Average Cost of Capital ("WACC") discount rate, calculated considering the estimates of:

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

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

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

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

2.6 LEASING
Lease contracts are classified as:

- 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 instalments) is recorded in tangible assets, the corresponding liability is recorded and interest included in the lease instalments 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 instalments 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 consolidated financial statements are not presented.

Galp is charged in the proportion of its interest in each consortium for the FPSO (floating production storage and offloading) rents arising from its utilisation in the consortia.

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

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

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

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

The Petrogal Group includes, in the caption finished and semi-finished products, the Tax on Oil Products ("Imposto sobre Produtos Petrolíferos – ISP") relating to finished goods dispatched for consumption which are subject to that tax, and is stated at cost (since it is 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 inventories caption, Tax on Oil Products relating to merchandise already dispatched which are subject to that tax.

Raw materials supplies and goods in transit are not available for consumption or sale and are segregated from other inventories and valued 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 Production Sharing Agreement is not subject to price risk since the operation is for use of the contractors and the settlement of the under and overlifting is made through physical delivery (Barrels of crude).

2.8 GOVERNMENT GRANTS AND OTHER GRANTS
Government grants are 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 consolidated 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 operating 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, contractual 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 consolidated balance sheet date so as to reflect the best estimate at that date.

Exploration and production operations (Block abandonment)
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.

Provisions are based on the operator's estimate of total abandonment costs. The estimated expenditure's net present value is calculated at a risk-free interest rate and a corresponding amount capitalised in tangible assets. The provision for abandonment is subsequently increased by the risk-free interest rate and increased or decreased by changes in the operator's estimates. Changes to estimates affect assets.

Estimated expenditure to be incurred and capitalised in tangible assets is depreciated using the Unit of Production ("UOP") Method, in which that expenditure is 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.

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 correspond to the employee's wage. When applicable, these commitments also include the payment of Social Security of pre-retired personnel, voluntary social insurance of early retirees and retirement bonuses payable upon normal retirement.

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

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

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

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

Net interest related with retirement benefits is reflected on the income statement caption "Interest on retirement benefits and other benefits".

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; and
- 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;
- Early retirement;
- Pre-retirement; and
- Defined contribution minimum benefit plan.

On 31 December 2002 the Portuguese Insurance Institute authorised the creation of the Galp Energia defined contribution Pension Fund. In 2003 Galp Energia, SGPS, S.A. created a defined contribution Pension Fund for its employees and allowed employees of other Group companies to join this fund. Petróleos de Portugal – Petrogal, S.A., GDP – Gás de Portugal, SGPS, S.A., Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. and Galp eNova S.A. (on 17 December 2003 Galp eNova S.A. was merged into Galp Energia, S.A.) as associates of the Fund, allowed their employees to elect between this new defined contribution pension plan and the previous defined benefits plan. When the new plan is chosen, Group companies contribute with an annually defined amount to the fund, corresponding to a percentage of the salary of each employee, which is 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 Projected Unit Credit Method and compare the amount of their liabilities with the market value of the funds and with the balance of the liabilities, in order to determine the additional liabilities to be recorded.

Actuarial gains and losses determined in each 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 translated 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 translated 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 "Translation gain/(loss)", except for those relating to non-monetary items, that are recorded directly in equity.

Translation 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 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 tax on oil products 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 revenues or expenses will only occur in future periods, as well as revenues or expenses 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 Entidade Reguladora do Sector Energético ("ERSE"), so that they allow the recovery of the estimated regulated revenue for each gas year calculated for each regulated activity. Regulated revenue includes, in addition to operating costs for each activity, the following remuneration: (i) 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) activities of receipt, transport and storage of natural gas, remuneration of 8% of the fixed assets net of depreciation and grants relating to these activities, (iii) activity of distribution of natural gas, remuneration of 9% of the fixed assets net of depreciation and grants relating to these activities. The regulated revenue of the pass-through activities/functions assumes recovery of the costs incurred. Consequently, each activity is compensated for the costs incurred, when applicable, and its remuneration.

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

Given the regulatory framework and legislation, the differences between regulated revenues meet 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 differences in regulated revenue in the "Gas Year n-2". This rationale is also applied to the negative differences in regulated revenue, which are recorded as liabilities and costs.

In previous years, differences 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 deferred income the difference 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 deferred income 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 meter 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 according to 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 construction contracts under IFRIC12, 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 capitalised 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 fulfil 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 Petroleum Income Tax (PIT) to the Angolan Government, accounting the amount actually paid in income statement caption "Income tax". However, not all of the tax paid represent tax expense for the year as the Group borrows 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 borrowed barrels, so that there is a direct relationship between the activity's margin and its tax expense. As such, tax expense only relates to sold barrels which are property of the Group. The deferred tax asset is reversed in direct proportion of recognition of the margin through the group production.

When the Group grants loans ("Underlifting"), PIT 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; and
- 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 2014 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 substance of the contractual arrangement, 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 and 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 and commodities 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 or commodities contracts), 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 LICENCES
CO2 emitted by the Group's industrial plants and the "CO2 emission licences" attributed to it under the National CO2 Licence Allotment Plan do not give rise to any financial statement recognition provided that: (i) it is not estimated that there will probably be a need for costs to be incurred by the Group to acquire emission licences in the market, which would be recognised by the booking of an accrual or (ii) it is not estimated that such licences are sold. In the event that these excessive licences are sold, income would be recognised.

2.18 STATEMENT OF FINANCIAL POSITION CLASSIFICATION
Assets realizable and liabilities payable in more than one year from the consolidated 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 SEGMENT REPORTING

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 inter-segmental revenues are at market prices and are eliminated in the consolidation process.

Financial information related to 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, investments in associates and goodwill impairment tests; (iii) provision for contingencies and environmental liabilities; (iv) demographic and financial assumptions used to calculate retirement benefits; v) impairment of accounts receivable; (vi) tangible and intangible assets useful lives and residual values; (vii)deferred taxes and viii) 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 "Unit of Production" method, as well as to value impairment of investment in assets relating to that activity. Estimated proved crude oil reserves are also used to recognise annual abandonment costs.

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

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

Goodwill impairment

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.

Impairment of tangible and intangible assets and investments

Identifying impairment indicators, estimating future cash flows and determining asset fair value imply a high judgment level from the Board of Directors in respect to the identification and evaluation of the different impairment indicators, expected cash flows, applicable discount rates, useful lives and residual amounts.

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 such as CO2. Every year Galp is entitled to free licences (EUA – Emission Unit Allowances) from the Portuguese Environment Agency in order to address greenhouse gas emissions. In case the free licences are insufficient to address greenhouse gas emissions, Galp goes to the market to acquire the EUAs or other equivalent/complementary allowances green certificates (ERU – Emission Reduction Units), assuming the cost which is recorded in caption "Other operational costs". However, if greenhouse gas emissions are above licences and green certificates in portfolio at the end of the year, costs are accrued based on the best estimate of the expense to be incurred at the market spot rate of the licences and/or certificates. The current portfolio of allowances is referred in Note 34.

Galp also makes judgments and estimates to calculate its known obligations 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.

Impairment of accounts receivable

The credit risk of the accounts receivable balances is evaluated at each reporting date, taking into consideration historical client information and its risk profile. Accounts receivable are adjusted by the evaluation made by management of the estimated collection risks existing at the date of the statement of financial position, which may differ from the actual risk for impairment to be incurred.

Tangible and Intangible assets
Determining the assets useful lives, as well as the method of depreciation to apply, is essential to determine the depreciation amount to recognise in each period's consolidated statement of comprehensive income. These two parameters are defined accordingly to the best judgment made by the Board of Directors for the assets and businesses in question, and also considering the practices adopted by companies in the sector internationally.

Deferred tax assets
Deferred tax assets are recognised only when there is strong assurance that future taxable profits will be available for use of the temporary differences or when there are deferred tax liabilities for which a reversal is expected within the same period that the deferred tax assets are reversed. Evaluation of deferred tax assets is made by management at the end of each period, taking into account expectations for the Group's future performance.

Provision for abandonment
See Note 2.9.

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.

2.23 CHANGES IN ACCOUNTING POLICIES
As of 1 January 2014, mandatory application of IFRS 11 - Joint Arrangements , the group identified Sigás – Armazenagem de Gás, A.C.E. and Multiservicios Galp Barcelona, UTE as entities in which the shareholders have operational and financial control about the assets and liabilities of the company. Therefore, the assets, liabilities, profits and losses were incorporated in the consolidated accounts for the percentage held in that entity, 60% and 50%, respectively.

In the year ended 31 December 2014, the Group reclassified the costs and profits relating to the energy trading operations, from other financial profits and costs, to other financial instruments.

The financial statements were restated as of 31 December 2013, with the effects on the statement of financial position, income statement and statement of cash flows presented below:

STATEMENT OF FINANCIAL POSITION:

Assets	Notes	December 2013	Sigás - Armazenagem de Gás, A.C.E. (60.00%)	UTE Multiservicios Galp BCN (50.00%)	eliminations/ reclassifications	December 2013 restated
Non-current assets:						
Tangible assets	12	4,565,289	6,491	919	-	4,572,699
Goodwill	11	233,137	-	-	-	233,137
Intangible assets	12	1,544,901	467	-	-	1,545,368
Investments in associates and jointly controlled entities	4	515,565	-	-	(1,148)	514,417
Assets held for sale	4	2,863	-	-	-	2,863
Trade receivables	15	24,322	-	-	-	24,322
Loans to Sinopec	14	706,993	-	-	-	706,993
Other receivables	14	212,968	-	30	(7,873)	205,125
Deferred tax assets	9	271,074	-	-	-	271,074
Other investments	17	24,530	-	-	-	24,530
Total non-current assets:		**8,101,642**	**6,958**	**949**	**(9,021)**	**8,100,528**
Current assets:						
Inventories	16	1,845,607	-	-	-	1,845,607
Trade receivables	15	1,326,563	595	165	(283)	1,327,040
Loans to Sinopec	14	164,500	-	-	-	164,500
Other receivables	14	732,706	8	1	(212)	732,503
Other investments	17	10,128	-	-	-	10,128
Current income tax recoverable	9	32,788	-	-	-	32,788
Cash and cash equivalents	18	-	693	241	-	934
Total current assets:		**-**	**1,296**	**407**	**(495)**	**4,113,500**
Total assets:		**-**	**8,254**	**1,356**	**(9,516)**	**12,214,028**

Equity and liabilities	Notes	December 2013	Sigás - Armazenagem de Gás, A.C.E. (60.00%)	UTE Multiservicios Galp BCN (50.00%)	eliminations/ reclassifications	December 2013 restated
Equity:						
Share capital	19	829,251	-	1,500	(1,500)	829,251
Share premium	19	82,006	-	-	-	82,006
Reserves	20	2,394,913	-	-	-	2,394,913
Retained earnings		1,666,075	-	(156)	156	1,666,075
Consolidated net profit for the period		188,661	-	(196)	196	188,661
Equity attributable to equity holders of the parent:		-	**-**	**1,148**	**(1,148)**	**5,160,906**
Non-controlling interests	21	1,254,894	-	-	-	1,254,894
Total equity:		**-**	**-**	**1,148**	**(1,148)**	**6,415,800**
Liabilities:						
Non-current liabilities:						
Bank loans	22	1,464,910	-	-	-	1,464,910
Bonds	22	1,838,812	-	-	-	1,838,812
Other payables	24	544,904	6,911	-	(6,911)	544,904
Retirement and other benefits liabilities	23	338,495	-	-	-	338,495
Deferred tax liabilities	9	128,577	-	-	-	128,577
Other financial instruments	27	1,538	-	-	-	1,538
Provisions	25	154,149	-	-	-	154,149
Total non-current liabilities:		**-**	**6,911**	**-**	**(6,911)**	**4,471,385**
Current liabilities:						
Bank loans and overdrafts	22	226,542	-	-	-	226,542
Bonds	22	146,778	-	-	-	146,778
Trade payables	26	1,509,633	253	222	(486)	1,509,622
Other payables	24	936,716	1,090	(14)	(971)	936,821
Other financial instruments	27	10,470	-	-	-	10,470
Total current liabilities:		**-**	**1,343**	**208**	**(1,457)**	**2,830,233**
Total liabilities:		**-**	**8,254**	**208**	**(8,368)**	**7,301,618**
Total equity and liabilities:		**-**	**8,254**	**1,356**	**(9,516)**	**13,717,418**

INCOME STATEMENT

	Notes	December 2013	Sigás - Armazenagem de Gás, A.C.E. (60.00%)	UTE Multiservicios Galp BCN (50.00%)	eliminations/ reclassifications	December 2013 restated
Operating income:						
Sales	5	19,100,871	-	487	(65)	19,101,293
Services rendered	5	519,469	3,461	-	(1,972)	520,958
Other operating income	5	144,026	-	313	(1,734)	142,605
Total operating income:		**19,764,366**	**3,461**	**800**	**(3,771)**	**19,764,856**
Operating costs:						
Cost of sales	6	17,208,242	-	39	-	17,208,281
External supplies and services	6	1,069,024	1,953	520	(3,418)	1,068,079
Employee costs	6	346,677	74	341	-	347,092
Amortisation, depreciation and impairment loss	6	585,262	962	90	-	586,314
Provision and impairment loss on receivables	6	54,968	-	-	-	**54,968**
Other operating costs	6	98,940	471	6	(354)	99,063
Total operating costs:		**19,363,113**	**3,460**	**996**	**(3,772)**	**19,363,797**
Operating profit:		**401,253**	**1**	**(196)**	**1**	**401,059**
Financial income	8	110,130	(1)	-	(48,274)	61,855
Financial costs	8	(255,315)	-	-	47,888	(207,427)
Exchange (loss) gain		(8,790)	-	-	-	(8,790)
Share of results of investments in associates and jointly controlled entities	4	115,656	-	-	196	115,852
Income on financial instruments	27	13,250	-	-	(963)	12,287
Other profits and costs		(1,348)	-	-	1,348	-
Profit before income tax:		**374,836**	**-**	**(196)**	**196**	**374,836**
Income tax	9	(135,829)	-	-	-	(135,829)
Profit before non-controlling interests:		**239,007**	-	**(196)**	**196**	**239,007**
Profit attributable to non-controlling interests	21	(50,346)	-	-	-	(50,346)
Consolidated net profit for the year	10	**188,661**	-	**(196)**	**196**	**188,661**
Earnings per share (in Euros)	10	**0.23**				**0.23**

STATEMENT OF CASH FLOWS:

	Notes	December 2013	Sigás - Armazenagem de Gás, A.C.E. (60.00%)	UTE Multiservicios Galp BCN (50.00%)	eliminations/ reclassifications	December 2013 restated
Operating activities:						
Cash receipts from customers		20,505,082	4,066	109	(5,133)	20,504,124
Cash paid to suppliers		(14,714,036)	(3,308)	-	5,133	(14,712,211)
Cash paid to employees		(234,211)	-	-	-	(234,211)
Cash (paid)/received relating to tax on petroleum products		(2,418,105)	-	-	-	(2,418,105)
Cash (paid)/received relating to income tax		(153,589)	-	-	-	(153,589)
Contributions to the pension fund	23	(2,398)	-	-	-	(2,398)
Cash paid to early retired and pre-retired employees	23	(18,666)	-	-	-	(18,666)
Cash paid relating to insurance costs of retired employees	23	(11,857)	-	-	-	(11,857)
Other (payments)/receipts relating to operating activities		(2,150,845)	(466)	-	-	(2,151,311)
Net cash provided by operating activities (1)		**801,375**	**292**	**109**	**-**	**801,776**
Investing activities:						
Cash receipts relating to:						
Investments		129,459	-	-	-	129,459
Tangible assets		901	-	-	-	901
Intangible assets		-	-	-	-	-
Government grants	13	550	-	-	-	550
Interest and similar income		45,071	-	-	-	45,071
Dividends	4	64,400	-	-	-	64,400
Unbundling		-	-	-	-	-
Loans granted		40,125	-	-	-	40,125
		280,506	**-**	**-**	**-**	**280,506**
Cash payments relating to:						
Investments		(215,693)	-	-	-	(215,693)
Tangible assets		(705,753)	(254)	-	-	(706,007)
Intangible assets		(52,016)	-	-	-	(52,016)
Loans granted		(1,031)	-	-	-	(1,031)
		(974,493)	**(254)**	**-**	**-**	**(974,747)**
Net cash used in investing activities (2)		**(693,987)**	**(254)**	**-**	**-**	**(694,241)**
Financing activities:						
Cash receipts relating to:						
Borrowings		2,250,729	-	-	-	2,250,729
Capital increase, Supplementary capital contributions e Share Premium	20	-	-	-	-	-
Interest and similar income		2,159	-	-	-	2,159
Discounted notes		10,237	-	-	-	10,237
		2,263,125	**-**	**-**	**-**	**2,263,125**
Cash payments relating to:						
Borrowings		(2,114,094)	-	-	-	(2,114,094)
Rapayment of Borrowing of EIB under Unbundling contract	31	-	-	-	-	-
Interest on borrowings		(151,900)	(1)	-	-	(151,901)
Interest and similar costs		-	-	-	-	-
Dividends	30	(221,956)	-	-	-	(221,956)
Repayment of discounted notes		(2,004)	-	-	-	(2,004)
Payment of finance lease contracts and respective interests		(5)	-	-	-	(5)
Interest on lease contracts		-	-	-	-	-
Interest on bonds		(71,464)	-	-	-	(71,464)
		(2,561,423)	**(1)**	**-**	**-**	**(2,561,424)**
Net cash (used in) / provided by financing activities (3)		**(298,298)**	**(1)**	**-**	**-**	**(298,299)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(190,910)	37	109	-	(190,764)
Effect of foreign exchange rate changes		(134,927)	-	-	-	(134,927)
Cash and cash equivalents at the beginning of the period	18	1,733,199	656	132	-	1,733,987
Change in scope of consolidation	3	(2,124)	-	-	-	(2,124)
Cash and cash equivalents at the end of the period	18	1,405,238	693	241	-	1,406,172

The accompanying notes form an integral part of the consolidated statement of cash flows as December 31, 2014.

3. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their head offices, percentage of interest held and their main activities at 31 December 2014 and 2013 are as follows:

		Head office		Percentage interest held		
Companies		**City**	**Country**	**2014**	**2013**	**Main activity**
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 Energia, S.A.		Lisbon	Portugal	100%	100%	Business management and consultancy services.
Next Priority, S.A.		Lisbon	Portugal	100%	100%	Management of equity participations.
Galp Energia E&P:sub-group						
Galp Energia E&P, B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Subsidiaries:						
Galp Sinopec Brazil Services B.V. and subsidiary:		Rotterdam	The Netherlands	70%	70%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp Sinopec Brazil Services (Cyprus), Limited		Nicosia	Cyprus	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp E&P Brazil B.V. and subsidiary:		Rotterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Brasil, S.A.		Recife	Brazil	100%	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; marketing of natural gas and biofuels, as well as any other activities related to the main activity, and may also participate in consortia of companies that may be necessary for the development of its objectives.
Petrogal Brasil B.V. and subsidiary:		Rotterdam	The Netherlands	100%	100%	Management of investments in other companies and financing of businesses and other companies dedicated to exploraton and pridtction of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products.
Petrogal Brasil, S.A. and subsidiary:	e10)	Recife	Brazil	70%	70%	Refining of crude oil and its derivatives, their transport, distribution and commercialisation and research and exploration of petroleum and natural gas.
Fundo Vera Cruz		Recife	Brazil	100%	100%	Exclusive open investment fund.
Galp Exploração Serviços do Brasil, Lda.	e9)	Recife	Brazil	100%	100%	Business management and consultancy services.
Galp East Africa B.V.	e2)	Rotterdam	The Netherlands	100%	100%	Management of investments in other companies and financing of businesses and other companies dedicated to exploraton and pridtction of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products.
Galp Energia Rovuma B.V.	e2)	Amsterdam	The Netherlands	100%	100%	
Galp Energia Rovuma B.V. (Branch in Mozambique)	e2)	Maputo	Mozambique	-	-	Exploration and production of oil and natural gas.
Galp Bioenergy B.V.		Amsterdam	The Netherlands	100%	100%	Pursuit of activities related with 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 Tarfaya B.V.		Roterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Tarfaya B.V. (Branch in Marrocos)		Rabat	Marocco	-	-	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; and development of commercial activities related to exploration and production of petroleum and natural gas.
Wiindhoek PEL 23 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.

Companies		Head office		Percentage interest held		Main activity
		City	Country	2014	2013	
Wiindhoek PEL 24 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Wiindhoek PEL 28 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp Trading, S.A.	(*) e6)	Geneva	Switzerland	100%	100%	Development of physical trading activity of crude oil, petroleum products, petrochemicals and natural gas; ship chartering activities for maritime transport of the products that the company trades.
Tagus Re, S.A.	e5)	Luxembourg	Luxembourg	100%	100%	Reinsurance of all products, excluding direct insurance.
Galp Alentejo E&P, S.A.	a2)	Lisbon	Portugal	100%	-	Research and oil exploration, distribution , transport, storage and commercialization of liquid and gaseous fuels, base oils and lubricants and other petroleum products.
ISPG – Centro Tecnológico, S.A.	b2)	Rio de Janeiro	Brazil	100%	-	Management of equity participations.
Petrogal sub-group:						
Petróleos de Portugal – Petrogal, S.A.		Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. (Branch in 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.
Petróleos de Portugal – Petrogal, S.A. (Branch in Spain) 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, energetic services and complementary activities.
Galp Energia España, S.A. and subsidiaries:		Madrid	Spain	100%	100%	Storage, transport, import, export and sale of all petroleum products, chemical products, gas and its derivatives.
Galpgest – Petrogal Estaciones de Servicio, S.L.U.		Madrid	Spain	100%	100%	Management and operation of service stations.
Madrileña Suministro de Gas, S.L.		Madrid	Spain	100%	100%	Commercialisation of natural gas, electricity and other energy resources, energetic services and complementary activities.
Multiservicios Galp Barcelona	d)	Barcelona	Spain	50%	-	Managing the supply of aviation business Barcelona Airport.
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 petroleum derivatives.
Saaga – Sociedade Açoreana de Armazenagem de Gás, S.A.		Ponta Delgada	Portugal	67.65%	67.65%	Construction and operation of filling stations and related storage facilities of LPG and other fuel in the Autonomous Region of the Azores.
Galp Madeira - Distribuição e Galp Madeira - Distribuição e Comercialização de Combustíveis e Lubrificantes, S.A. and subsidiaries:		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives.
CLCM – Companhia Logistica de Combustíveis da Madeira, S.A.		Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities.
Gasinsular – Combustíveis do Atlântico, S.A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the direct and indirect operation fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Sacor Marítima, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Marine transport in own and chartered vessels.
Tripul – Sociedade de Gestão de Navios, Lda.	f4)	Lisbon	Portugal	-	100%	Technical management of ships, crews and supply.

Companies		Head office City	Head office Country	Percentage interest held 2014	Percentage interest held 2013	Main activity
Gasinsular – Combustíveis do Atlântico, S.A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the direct and indirect operation fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Sacor Marítima, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Marine transport in own and chartered vessels.
Tripul – Sociedade de Gestão de Navios, Lda.	f4)	Lisbon	Portugal	-	100%	Technical management of ships, crews and supply.
C.L.T. – Companhia Logística de Terminais Marítimos, S.A.		Matosinhos	Portugal	100%	100%	Operation of marine terminals and related activities.
Galp Energia Portugal Holdings B.V.		Amsterdam	The Netherlands	100%	100%	Management of participations in other companies of the energy sector as an indirect form of economic activity.
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.
Tanquisado – Terminais Marítimos, S.A.		Setubal	Portugal	100%	100%	Development and operation of Marine Terminals.
Galp Exploração e Produção (Timor Leste), S.A.		Lisbon	Portugal	100%	100%	Commerce and industry of petroleum, including prospecting, research and exploration of hydrocarbons in East Timor.
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.
Sigás – Armazenagem de Gás, A.C.E.	d)	Sines	Portugal	60%	-	Design and construction of underground LPG storage, the additional surface facilities needed to move products. Management and cave operational use including surface facilities, tanks and LPG spheres .
Enerfuel, S.A.	e3)	Lisbon	Portugal	100%	100%	Studies, projects, installation, production and marketing of biofuels, treatment, recovery and waste recovery, purchase and sale of equipment.
Portcogeração, S.A.	e4)	Lisbon	Portugal	-	100%	Production, transport and distribution of electric and thermal energy from co-generating systems and renewal energy.
Galp Logística de Aviação, S.A.	c5)	Lisbon	Portugal	-	100%	Services rendered related to storage and supply of petroleum products to aircraft.
Petrogal Trading Limited	(*) c1)	Dublin	Ireland	-	100%	Crude oil and petroleum product trading.
Probigalp – Ligantes Betuminosos, S.A.	c6)	Rio Maior	Portugal	-	100%	Purchase, sale, manufacture, transformation, import and export of bituminous products of additives that transform or modify such products.
Fast Access – Operações e Serviços de Informação e Comércio Electrónico, S.A.	c7)	Lisbon	Portugal	-	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.
Sopor – Sociedade Distribuidora de Combustíveis, S.A.	c8)	Lisbon	Portugal	-	51%	Distribution, sale and storage of liquid and gas fuel, lubricants and other petroleum derivatives; service stations and repair workshops, including related businesses, namely restaurants and hotels.
Soturis – Sociedade Imobiliária e Turística, S.A.	f1)	Lisbon	Portugal	-	100%	Real estate activities, namely the management, purchase, sale and resale of real estate.
Sinecogeração – Cogeração da Refinaria de Sines, S.A.	e4) f3)	Lisbon	Portugal	-	100%	Production, transport and distribution of electric and thermal energy produced by co-generating and renewal energy systems, including the conception, construction and operation of systems or installations.
Galp Exploração e Produção Petrolifera, SGPS, S.A. and subsidiaries:		Funchal	Portugal	100%	100%	Management of equity participations in other companies as an indirect exercise of economic activity.
Galp Energia Overseas B.V. and subsidiaries:		Amsterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas B.V. (Branch in Angola)		Luanda	Angola	-	-	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Overseas Block 14 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 14 B.V. (Branch in Angola)		Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.

Companies		Head office City	Head office Country	Percentage interest held 2014	Percentage interest held 2013	Main activity
Galp Energia Overseas Block 32 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 32 B.V. (Branch in Angola)		Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 33 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 33 B.V. (Branch in Angola)		Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas LNG B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas LNG B.V. (Branch in Angola)		Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Marketing Internacional, S.A.	a1) e1)	Lisbon	Portugal	100%	-	Research and oil exploration, distribution, transport, storage and commercialization of liquid and gaseous fuels, lubricants and base oils and other petroleum products and the operation of service stations and vehicle assistance service stations, as well as any industrial activities, business, marketing, research or provision of services related to this subject.
Petrogal Guiné-Bissau, Lda. and subsidiaries:	e1)	Bissau	Guinea-Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the operation of fuel stations and vehicle assistance stations.
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda.	e1)	Bissau	Guinea-Bissau	80%	80%	Commerce of marine banks.
Petrogás – Importação, Armazenagem e Distribuição de Gás, Lda.	e1)	Bissau	Guinea-Bissau	65%	65%	Import, storage and distribution of LPG.
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.
Galp Gambia, Limited		Banjul	Gambia	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Petrogal Moçambique, Lda.		Maputo	Mozambique	100%	100%	Storage, commercialisation and distribution, import, export and transport of petroleum and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Moçambique, Lda.		Maputo	Mozambique	100%	100%	Storage, commercialisation and distribution, import, export and transport of petroleum and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Moçambique, Lda. (Branch in Malawi)		Blantyre	Malawi	-	-	Storage, commercialisation and distribution, import, export and transport of petroleum and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Swaziland (PTY) Limited		Matsapha	Swaziland	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Petrogal Angola, Lda.		Luanda	Angola	100%	100%	Distribution, storage and commercialisation of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations.
Petrogal Cabo Verde, Lda.	c2)	Sao Vicente	Cape Verde	-	100%	Distribution and sale of liquid and gas fuel, base oils and lubricants as well as the operation of fuel stations and service stations.
Subgroup GDP:						
GDP – Gás de Portugal, SGPS, S.A.	e7) f2)	Lisbon	Portugal	100%	100%	Management of equity investments.
Subsidiaries:						
GDP Serviços, S.A.		Lisbon	Portugal	100%	100%	Business management services.

Companies		Head office City	Head office Country	Percentage interest held 2014	Percentage interest held 2013	Main activity
Lisboagás Comercialização, S.A.		Lisbon	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Lusitaniagás Comercialização, S.A.		Aveiro	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Setgás Comercialização, S.A.		Setubal	Portugal	66.95%	66.95%	Commercialisation of retail last resort natural gas.
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A.	e7) f2)	Lisbon	Portugal	65%	65%	Production, in the form of co-generation, and sale of electric and thermic energy.
Galp Power, S.A.	e7) f2)	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.
Agroger – Sociedade de Cogeração do Oeste, S.A.	e7) f2)	Lisbon	Portugal	100%	100.00%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Spower, S.A.	c3)	Lisbon	Portugal	-	100.00%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Powercer – Sociedade de Cogeração da Vialonga, S.A.	c4)	Lisbon	Portugal	-	70%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Galp Gás Natural Distribuição, S.A. and subsidiaries:	e8) g)		Portugal	100%	100%	
Beiragás – Companhia de Gás das Beiras, S.A.	e8)	Viseu	Portugal	59.51%	59.51%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Dianagás – Sociedade Distribuidora de Gás Natural de Évora, S.A.	e8)	Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Duriensegás – Sociedade Distribuidora de Gás Natural do Douro, S.A.	e8)	Vila Real	Portugal	100%	100%	Operation, construction and maintenance of regional natural gas distribution networks.
Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	e8)	Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás – Companhia de Gás do Centro, S.A.	b1) e8)	Aveiro	Portugal	96.84%	96.81%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Medigás – Sociedade Distribuidora de Gás Natural do Algarve, S.A.	e8)	Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Paxgás – Sociedade Distribuidora de Gás Natural de Beja, S.A.	e8)	Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.	e8)	Setubal	Portugal	66.88%	66.88%	Natural gas distribution 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 Distribution, 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 capacity of telecommunications network installed.
Galp Gás Natural, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Import of natural gas, storage, distribution through high pressure networks, construction and maintenance of networks.
Transgás Armazenagem – Soc. Portuguesa de Armazenagem de Gás Natural, S.A.		Lisbon	Portugal	100%	100%	Storage of natural gas on a public service sub-concession basis, including the construction, maintenance, repair and operation of all the related infrastructure and equipment.
Transgás, S.A.		Lisbon	Portugal	100%	100%	Wholesale commercialization or last resort of natural gas.

(*) 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 that occurred in the last quarter of each year are incorporated in the consolidated accounts.

(**) Although Galp Group holds through its subsidiaries Petróleos de Portugal - Petrogal, S.A. and Petrogal Cabo Verde, Lda. only 48,29% equity of Empresa Nacional de Combustíveis - Enacol S.A.R.L, the Group controls its financial and operational policies, and is expected to continue to do so by means of a representative majority of votes at the Board of Directors meetings. Due to this fact, the subsidiary is consolidated using the full consolidation method.

Empresa Nacional de Combustíveis - Enacol S.A.R.L. holds interests in the following subsidiaries: i) Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. (100%); ii) EnacolGest, Ld.ª (100%); and iii) Sodigás-Sociedade Industrial de Gases, S.A.R.L. (30%).

Interests held at Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. and at EnacolGest, Ld.ª are consolidated using the full consolidation method and Sodigás - Sociedade Industrial de Gases, S.A.R.L. is included in the caption “Investments in associates” (Note 4.2).

During the year ended 31 December 2014 the scope has changed over the preceding year as follows:

a) Companies established:

a1) Petróleo de Portugal – Petrogal S.A. subscribed to and paid for 100% of Galp Marketing Internatcional S.A., which was created in February 2014.

a2) Galp Energia E&P, B.V., subscribed to and paid for 100% of Galp Alentejo E&P, S.A., which was created in December 2014 and has not performed any operations in the year ended 31 December 2014.

b) Acquired companies:

b1) In May 2014, through its subsidiary GDP - Gás de Portugal, SGPS, S.A., the Group acquired a 0.032% interest in the subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A. for an amount of €23 k. With this acquisition the Group now holds a 96.8429% interest in the subsidiary.

The subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A. was already controlled by the Group and consolidated using the full consolidation method (owned 96.8109%). The difference between the amount paid and equity book value at the acquisition date was recognised in the consolidated income statement in results of investments in associates and jointly controlled entities by €2 k. (Note 4.2).

b2) In 4 June 2014, the subsidiaries Galp Energia Brasil S.A. and Galp Exploração Serviços do Brasil, Lda acquired, each one, 50% interest in the ISPG – Centro Tecnológico, S.A. (previously named Companhia Ciclopar Participação, S.A.).

c) Dissolved and liquidated companies:

c1) In 27 June 2014, Petrogal Trading Limited, subsidiary of Petróleos de Protugal – Petrogal, S.A., was dissolved. The Group recognised a loss in the consolidated income statement in the amount of € 260 k (Note 4.2) related with exchange differences from the conversion of the Financial Statements of subsidiary Petrogal Trading Limited, denominated in foreign currency (USD) that was recognised in equity in conversion reserves.

c2) During the period ended September, 2014, the subsidiary Petrogal Cabo Verde, Lda., which is 95% owned by Petróleos de Portugal – Petrogal, S.A. and in 5% by Galp Exploração e Produção Petrolífera,S.A. was dissolved.

c3) In 23 December 2014 the subsidiary Spower,S.A., which is 100% owned by Galp Power, SGPS,S.A., was dissolved.

c4) In 31 December 2014 the subsidiary Powercer – Sociedade de Cogeração da Vialonga,S.A., which is 100% owned by Galp Power, SGPS,S.A., was dissolved.

c5) In 23 December 2014 the subsidiary Galp Logística de Aviação, S.A., which is 100% owned by Petróleos de Portugal – Petrogal,S.A., was dissolved.

c6) In 30 December 2014 the subsidiary Prodigalp – Ligantes Betuminosos,S.A., which is 100% owned by Petróleos de Portugal – Petrogal,S.A., was dissolved. As result of this operation, the Group recognised in the consolidated income statement the amount of €4,648 (Note 4.2), which represents 530 k of the Goodwill disposal (Note 11) and €3,975 k related to Reserves – Increase of 40% in the investment of the interest of the subsidiary Prodigalp – Ligantes Betuminosos, S.A., that were recognised in equity in others reserves (Note 20).

c7) In 30 December 2014 the subsidiary Fast access – Operações e Serviços de Informação e Comércio Electrónico, S.A., which is 100% owned by Petróleos de Portugal – Petrogal, S.A. was dissolved.

c8) In 30 December 2014 the subsidiar Sopor – Sociedade Distribuidora de Combustíveis, S.A., which is 51% owned by Petróleos de Portugal – Petrogal, S.A., was disolved.

d) IFRS 11 - Joint Arrangements:

With the application of IFRS 11 – Joint Arrangements, Sigás – Armazenagem de Gás, A.C.E and Multiservicios Galp Barcelona became integrated in the individual company accounts of the holding companies by the percentage owned. With this, Sigás – Armazenagem de Gás A.C.E and Multiservicios Galp Barcelona became to be integrated in the consolidated financial statements (Note 4.1).

In 31 December 2013, the impact of changes in accounting policies is presented in Note 2.23.

e) Corporate Restructuring:

The Group is organised into four business segments which were set based on the portfolio of products and services sold, with the following business units (Gas and Power, Refining and marketing of oil products, Exploration and production and Other). In order to obtain a structure over-simplified, the Group wants that companies would be grouped by business under one holding company. Arising from restructuring the Group's organic in the year ended 31 December 2014 were performed the following operations:

e1) The subsidiary Petróleos de Portugal - Petrogal, S.A., holds stakes in companies based on the African continent that operate in the field of Oil distribution. In the context of restructuring the Group's intends to allocate these shares in a new company owned 100% by Petróleos de Portugal - Petrogal S.A.. For this purpose the Petróleos de Portugal - Petrogal, S.A., subscribed and held 100% of the share capital of Galp Marketing Internacional, S.A., which was constituted in February 2014.

e2) Taking into account the organisational structure of the group for the business of the E&P, was formed the Galp East Africa B.V., subsidiary of the Galp Energia E&P B. V., in order to take the investments made in Mozambique (Area 4)In the year ended 31 December 2014 through capital increase carried out by Galp East Africa B.V., the subsidiary Galp Energia Rovuma B.V. , went on to be owned 75% by the subsidiary Galp East Africa B.V. and reduce to 25% the participation held by Galp Portugal Holding B.V..

e3) In December 2013 Galp Energia SGPS had 100% participation in the subsidiary Enerfuel S.A.. Taking into consideration the business of the subsidiary and its interconnection with Petróleos de Portugal -Petrogal S.A. the group felt that it was more appropriate the subsidiary be held by Petróleos de Portugal – Petrogal S.A.. In the period ended 31 December 2014 by means of a capital increase carried out by Petróleos de Portugal -Petrogal S.A., the subsidiary Enerfuel S.A. began to be held at 94.4444% by Petrogal and 5.5556% by Galp Energia SGPS, S.A..

e4) In 1 October 2014, Galp Power SGPS, S.A. sold to subsidiary Petróleos de Portugal - Petrogal S.A, 100% of the capital held in Portcogeração, S.A and 100% of the capital in Sinecogeração - Cogeração da Refinaria de Sines, S.A.. In 30 December 2014 the Sinecogeração - Cogeração da Refinaria de Sines, S.A. subsidiary, was merged into Petróleos de Portugal -Petrogal S.A, without any impact on the financial statements of the group.

e5) In 20 June 2014, Petróleos de Portugal - Petrogal S.A,. sold to subsidiary Galpgeste - Gestão de Areas de Serviço, S.A. , 4% of capital held in Tagus Re, S. A. , and in 15 December 2014 disposed of the Galp Energia E&P B. V. the remaining 94% of shares held.
With this operation the subsidiaries, Galp Energia E&P B. V. and Galpgeste - Gestão de Areas de Serviço, S.A. started to hold respectively, 94% and 6% of the share capital and voting rights in the subsidiary Tagus Re, S.A..

e6) In December of 2013 Galp Energia Portugal Holding B.V. had 100% participation in the subsidiary Galp Trading, SA, which has as its object the development of trading activity of crude oil, petroleum products, petrochemicals and natural gas; activity of chartering of vessels for the shipping of the products object of the activity of trading. Considering the activity of the company and the currency in which operations was performed and its model of operation, the group believes that it is more appropriate to positioning it along the upstream companies. Thus, in 15 April 2014, Galp Energia Portugal Holding B.V. sold to subsidiary Galp Energia E&P B.V., 100% of the capital held in subsidiary Galp Trading, S.A..

e7) On 31 December 2013 the sub-holdings, GDP-Gas de Portugal, SGPS, S.A. and Galp Power, SGPS, S.A. devoted themselves, respectively, to the management of subsidiaries of business of gas electricity independently. The group Galp has evolved in such a way to promote a joint management of these areas of business, it was considered more appropriate to establish a single sub-holding company. In view of the above, in 30 December 2014, the group held the merger by incorporation of Galp Power, SGPS, S.A. at GDP-Gas de Portugal, SGPS, S.A., the jointly management of the business of gas and electricity. With the merger, GDP-Gas de Portugal, SGPS, S.A. now holds the shares in subsidiaries Galp Power, S.A. and Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A. and Agroger - Sociedade de Cogeração do Oeste, S.A.

e8) Taking into account the organisational structure of the Group for the business of distribution of natural gas, the Group believes that it is more appropriate that the subsidiary Galp Gas Natural Distribuição, S. A., gather the stakes in operators of distribution network. For this purpose the following transactions were carried out:

i) In 4 September 2014 the subsidiary Petróleos de Portugal - Petrogal, S.A. sold Galp Gás Natural Distribuição, SGPS, S.A., 11.554% of capital held in Setgás - Sociedade de Produção e Distribuição de Gás, S.A.;

ii) In 22 December 2014 the subsidiary Petróleos de Portugal - Petrogal, S.A. sold 3.67391% of capital held in Lusitaniagás - Companhia de Gás do Centro, S.A. and Galp Gás Natural Distribuição, S.A. acquired 3.67276% and the AICP-Associação Industrial do concelho de Pombal the remaining 0.00115 %;

iii) GDP - Gás de Portugal, SGPS, S.A., held capital increases, through contributions in kind, in Galp Gás Natural Distribuição, S.A., as follows:

- In 5 September 2014 the increase in kind was carried out through the delivery of shares representing the capital held in subsidiaries Lusitaniagás - Companhia de Gás do Centror, S.A. , Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S. A. and Setgás - Sociedade de Producão e Distribuição de Gás, S.A.;

- In 3 December 2014, the increase in kind was carried out through the delivery of shares representing the capital held in subsidiaries Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S. A., Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S. A., Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A. and Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A..

iv) In 22 December 2014 Galp Gás Natural Distribuição, S.A. acquired to GDP - Gás de Portugal, SGPS, S.A., 59.505% of capital held in the subsidiary Beiragás - Companhia de Gás das Beiras, S.A. and 41.33% of the capital held in associated Tagusgás - Empresa de Gás do Vale do Tejo, S.A. (Note 4.2);

e9) Galp Exploração Serviços do Brasil, Lda. is engaged in providing of support services to business management in activities related to the research of crude oil, natural gas and their derivatives. In December 2013, the subsidiary was 95% owned by Galp Exploração e Produção Petrolífera, S.G.P.S. and 5 % by Petróleos de Portugal - Petrogal S.A.. Given its activity the Group considers to be most appropriate a positioning of the companies within the exploration and production sector.
In 7 August 2014, Galp Exploração e Produção Petrolífera, S.G.P.S. and Petróleos de Portugal - Petrogal, S.A. sold the participation Petrogal Brasil, S.A. and Petrogal Brasil, BV acquired, respectively, 99.99714 % and 0.002 % share capital in subsidiary Galp Exploração Serviços do Brasil, Lda.. The remaining 0.00086 % was acquired by Sinopec Exploration and Production (Brazil) LTDA. (Sinopec Group).

e10) Petrogal Brasil, S.A.. is engaged in the research and exploration of crude oil and natural gas. In December 2013 the subsidiary was owned 49.09 % by Petróleos de Portugal - Petrogal SA and 20.91 % by Petrogal Brasil, BV. Given its activity the Group considers to be most appropriate a positioning of the companies within the exploration and production sector. In 14 August 2014 Petroleos de Portugal – Petrogal, S.A. sold the stake held to the subsidiary Petrogal Brazil, BV, which now owns 70% of Petrogal Brasil, S.A. equity.

Once the transactions were between Group companies there was no impact on the consolidated financial statements.

f) Merged companies

f1) In September, 2014, Soturis – Sociedade Imobiliária e Turística,S.A. was merged into Petróleos de Portugal – Petrogal, S.A..

f2) In 30 December 2014, Galp Power, SGPS, S.A was merged into GDP – Gás de Portugal, SGPS, S.A..

f3) In 30 December 2014, Sinecogeração – Cogeração da Refinaria de Sines, S.A. was merged into Petróleos de Portugal – Petrogal, S.A..

f4) In19 December 2014, Tripul Sociedade de Gestão de Navios, Lda was merged into Sacor Marítima, S.A..

All the transactions were between Group companies, so there was no impact on the consolidated financial statements.

g) Other changes:

In 24 January 2014, Galp Gás Natural Distribuição, SGPS, S.A. was renamed to Galp Gás Natural Distribuição, S.A..

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 2014 and 2013 are as follows:

(€ k)

Companies		Head office City	Head office Country	Percentage interest held 2014	Percentage interest held 2013
Tupi, B.V.	(e)(k)	Rotterdam	The Netherlands	10.00%	10.00%
Belem Bioenergia Brasil, S.A.	(d)	Belem	Brazil	50.00%	50.00%
Belem Bio Energy, B.V.	(d) (i)	Rotterdam	The Netherlands	-	50.00%
C.L.C. – Companhia Logística de Combustíveis, S.A.	(b)(j)	Aveiras de Cima	Portugal	65.00%	65.00%
Galp Disa Aviación, S.A.	(f)	Santa Cruz de Tenerife	Spain	50.00%	50.00%
Parque Eólico da Penha da Gardunha, Lda.	(a)	Oeiras	Portugal	50.00%	50.00%
Moçamgalp Agroenergias de Moçambique, S.A.	(g)(h)	Maputo	Mozambique	50.00%	50.00%
Galpbúzi – Agro-Energia, S.A.	(g)(i)	Beira	Mozambique	-	89.97%
Asa – Abastecimento e Serviços de Aviação, Lda.	(b)	Lisbon	Portugal	50.00%	50.00%
Ventinveste, S.A.	(a)(k)	Lisbon	Portugal	35.00%	34.00%
Ventinveste Eólica, SGPS, S.A.	(l)	Lisbon	Portugal	-	34.00%
Parque Eólico da Serra do Oeste, S.A.	(m)	Lisbon	Portugal	35.00%	34.00%
Parque Eólico de Torrinheiras, S.A.	(m)	Lisbon	Portugal	35.00%	34.00%
Parque Eólico do Cabeço Norte, S.A.	(m)	Lisbon	Portugal	35.00%	34.00%
Parque Eólico de Vale Grande, S.A.	(m)	Lisbon	Portugal	35.00%	34.00%
Parque Eólico do Pinhal Oeste, S.A.	(m)	Lisbon	Portugal	35.00%	34.00%
Parque Eólico do Planalto, S.A.	(m)	Lisbon	Portugal	35.00%	34.00%
Âncora Wind-Energia Eólica,S.A.	(n)	Lisbon	Portugal	17.00%	-
Parque Eólico do Douro Sul, S.A.	(n)	Lisbon	Portugal	17.00%	34.00%
Parque Eólico de Vale do Chão, S.A.	(n)	Lisbon	Portugal	17.00%	34.00%
Caiageste – Gestão de Áreas de Serviço, Lda.	(c)	Elvas	Portugal	50.00%	50.00%
less: Provision for joint liabilities (Note 25)	(o)				

(€ k)

Book value 2014	Book value 2013	Financial information from jointly controlled companies: Assets	Liabilities	Income	Result for the year	Main activity
591,859	316,785	6,092,669	(353,331)	(423,317)	137,899	Management, construction, purchase, sale and rental of materials and equipment for exploration, development and production of hydrocarbons, including platforms, ships, FPSOs (floating production, storage, and off-loading), ships to transport crude, supply vessels and other types of vessels.
45,838	43,492	171,728	(80,052)	5,061	(9,987)	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.
-	-	-	-	-	(47)	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.
23,412	25,022	118,719	(82,698)	27,674	6,021	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.
8,891	7,399	14,135	-	(2,834)	(2,828)	Serivice rendered of aviation oil service supply, either directly or through participation in companies with the same business.
1,628	1,648	1,045	(1,667)	-	25	Production of electrical and wind energy.
315	690	1,350	(758)	(98)	978	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.
-	351	-	-	-	49	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.
23	21	391	(346)	1,720	2	Aircraft fuel services.
-	-	42,143	(85,361)	806	625	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farms.
-	-	-	-	-	-	Management of equity investments in other companies as an indirect form of carrying out economic activities and the construction and operation of wind farms.
-	-	2,183	(2,310)	-	(25)	Construction and operation of wind farms.
-	-	876	(850)	-	(4)	Construction and operation of wind farms.
-	-	515	(793)	-	(24)	Construction and operation of wind farms.
-	-	17,694	(19,445)	2,616	(135)	Construction and operation of wind farms.
-	-	1,563	(2,927)	-	(69)	Construction and operation of wind farms.
-	-	1,218	(1,315)	-	(31)	Construction and operation of wind farms.
-	-	42,228	(42,079)	-	(491)	The production, distribution and sale of electricity using wind power , through the construction and operation of wind farms and electricity transmission lines , as well as carrying out any other activity related to the use of renewable wind energy
-	-	38,181	(3,652)	2	(97)	Construction and operation of wind farms.
-	-	8,228	(679)	-	(22)	Construction and operation of wind farms.
-	-	126	(156)	1,335	(45)	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.
671,966	**395,408**					
(1,467)	(1,780)					
670,499	**393,628**					

(a) Participation held by GDP – Gás de Portugal, SGPS, S.A.
(b) Participation held by Petróleos de Portugal - Petrogal, S.A.
(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) Participation held by Galp Exploração e Produção Petrolífera, S.G.P.S., S.A.
(h) Control over Moçamgalp Agroenergias de Moçambique, S.A., is shared between: Galp Exploração e Produção Petrolífera, S.G.P.S., S.A., Ecomoz – Energias Alternativas Renováveis, Lda. and Petromoc SARL, holding respectively 50%, 49% and 1% of share capital.
(i) The subsidiary was liquidated during the year ended 31 December 2014.
(j) Although the Group holds more than 50% interest, 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.
(k) Although the Group holds less than 50% interest, the subsidiary is classified as jointly controlled entity once there are Shareholder agreements that provide shared control of financial and operational management of the company.
(l) During the year ended 31 December 2014, the entity was merged in the company Ventiveste, S.A.
(m) During the year ended 31 December 2014 Ventiveste Eólica, S.G.P.S was merged in Ventiveste,S.A., and consequently their subsidiaries are now held by Ventinveste, S.A.
(n) Through the jointly controlled company Ventinveste, S.A, and under the existing wind farm project, Galp Energia Group established a set of agreements with suppliers and financial entities for the construction of four wind farms. "Âncora", is a project that will be developed under a partnership between Ventiveste, S.A. and Ferrostaal GmbH and will be financed through a project finance.
(o) As at 31 December 2014 and 2013, the provision for the capital of associated companies, reflects Group's commitment with its associates that presented negative equity.

The changes in investments in jointly controlled entities for the year ended 31 December 2014 which are reflected by the equity method are as follows:

(€ k)

Companies		Beginning balance	Increase in participation	Disposal of participation	Gain/ Loss	Translation adjustment	Hedging reserves adjustment	Dividends	Transfers/ adjustments	Ending balance
Investments										
Tupi B.V.	(a)	316,785	226,798	-	(11,459)	59,735	-	-	-	591,859
Belem Bioenergia Brasil, S.A.	(b)	43,492	4,720	-	(2,389)	15	-	-	-	45,838
C.L.C. Companhia Logística de Combustíveis, S.A.		25,022	-	-	3,913	-	-	(5,523)	-	23,412
Galp Disa Aviacion, S.A.		7,399	-	-	1,492	-	-	-	-	8,891
Parque Eólico da Penha da Gardunha, Lda.		1,648	-	-	(20)	-	-	-	-	1,628
Galpbúzi Agro-Energia, S.A.	(c) (f)	351	70	-	(57)	(85)	-	-	(279)	-
Moçamgalp Agroenergias de Moçambique, S.A.		690	186	-	(442)	(119)	-	-	-	315
Asa - Abastecimento e Serviços de Aviação, Lda.		21	-	-	2	-	-	-	-	23
Belem Bio Energy B.V.	(f)	-	34	-	158	(192)	-	-	-	-
Multiservicios Galp Barcelona	(d)	-	-	-	-	-	-	-	-	-
Sigás – Armazenagem de Gás, A.C.E.	(d)	-	-	-	-	-	-	-	-	-
		395,408	**231,808**	**-**	**(8,802)**	**59,354**	**-**	**(5,523)**	**(279)**	**671,966**
Provisions for investments in jointly controlled entities (Note 25)										
Ventinveste, S.A.	(g)	(1,746)	806	(52)	(94)	-	(366)	-	-	(1,452)
Caiageste – Gestão de Áreas de Serviço, Lda.	(e)	(34)	42	-	(23)	-	-	-	-	(15)
		(1,780)	**848**	**(52)**	**(117)**	**-**	**(366)**	**-**	**-**	**(1,467)**
		393,628	**232,656**	**(52)**	**(8,919)**	**59,354**	**(366)**	**(5,523)**	**(279)**	**670,499**

(a) The amount of €226,798 k corresponds to the capital increase in Galp Sinopec Brazil Services B.V. The control of the subsidiary 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% and 25% of share capital.

(b) The amount of €4,720 k corresponds to the capital increase in Belém Bioenergia Brasil, S.A. Control over subsidiary Belém Bioenergia Brasil, S.A. shared between Galp Bioenergy B.V. and Petrobrás Biocombustíveis SA., each holding a 50% interest.

(c) The amount of €70 k corresponds to the supplementary capital contributions paid by Galp Exploração e Produção Petrolífera, SGPS, S.A.. Control over subsidiary Galpbúzi - Agro-Energia, S.A. was shared between Galp Exploração e Produção Petrolífera, S.G.P.S., S.A., Companhia do Búzi, S.A. and Jorge Manuel Catarino Petiz, holding respectively 89.97%, 10.02% and 0.01% of share capital. During the year ended 31 December 2014, the society was liquidated.

(d) With the application of IFRS 11 – Joint Arrangements, Sigás – Armazenagem de Gás, A.C.E and Multiservicios Galp Barcelona became integrated in the individual company accounts of the holding companies by the percentage owned (Note 3 d).
Control over subsidiary Sigás – Armazenagem de Gás, A.C.E is shared between Petróleos de Portugal – Petrogal, S.A., BP Portugal, S.A. and Repsol Polímeros, S.A., holding respectively 60%, 35% and 5% of share capital.
Control over subsidiary Multiservicios Galp Barcelona is shared between Galp Energia España, S.A. and Multiservicios Aeroportuarios, S.A., each holding 50% of share capital.

(e) The amount of €42 k corresponds to the supplementary capital contributions paid by Galpgeste – Gestão de Áreas de Serviço,S.A.. Control over subsidiary Caiageste – Gestão de Áreas de Serviço, Lda is shared between Galpgeste – Gestão de Áreas de Serviço, S.A. and Gespost -. Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda., each holding 50% of share capital.

(f) The subsidiary was liquidated during the year ended 31 December 2014.

(g) In May 2014, through subsidiary GDP – Gás de Portugal SGPS, S.A., the Group acquired 1% interest in Ventiveste, S.A., by the amount of €500. With this acquisition the Group has 35% interest in Ventiveste, S.A..

The difference between the amount paid and the book value of share capital at the acquisition date was recognised under consolidated income statement, in results of investments in associates and jointly controlled entities in the amount of €52 k. (Note 4.2)

4.2 INVESTMENTS IN ASSOCIATES

Investments in associates, their head offices and the percentage or interest held as of 31 December 2014 and 2013, had the following detail:

		Head office		Percentage interest held	
Company		**City**	**Country**	**2014**	**2013**
EMPL - Europe Magreb Pipeline, Ltd	(a)	Madrid	Spain	22.80%	22.80%
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	Spain	41.33%	41.33%
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	(e)	Luanda	Angola	49.00%	49.00%
Metragaz, S.A.	(a)	Tangier	Morocco	22.64%	22.64%
Terparque – Armazenagem de Combustíveis, Lda.	(d)	Angra do Heroísmo	Portugal	23.50%	23.50%
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	(c)	Bissau	Guinea-Bissau	45.00%	45.00%
IPG Galp Beira Terminal Lda	(f)	Maputo	Mozambique	45.00%	45.00%
Sodigás-Sociedade Industrial de Gases, S.A.R.L	(g)	Mindelo	Cape Verde	30.00%	30.00%
Galp IPG Matola Terminal Lda	(f)	Maputo	Mozambique	45.00%	45.00%
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.	(h)	Lisbon	Portugal	35.00%	35.00%
less: Provision for joint liabilities (Note 25)	(i)				

(a) Participation held by Galp Gás Natural, S.A.
(b) Participation held by Galp Gás Natural Distribuição, SGPS, S.A.
(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 Petrogal Moçambique, Lda.
(g) Participation held by Empresa Nacional de Combustíveis - Enacol, S.A.R.L
(h) Participation held by GDP – Gás de Portugal, SGPS, S.A.
(i) As of 31 December 2014, the provision for the capital of associated companies reflected the Group's commitment with its associates that presented negative equity.

Book value		Associates financial information				
2014	2013	Assets	Liabilities	Income	Result for the year	Main activity
52,668	59,795	276,965	(45,967)	(241,818)	(190,783)	Construction and operation of the natural gas pipeline between Morocco and Spain.
18,354	18,480	63,887	(8,336)	(30,799)	(11,737)	Construction and operation of Tarifa–Córdoba gas pipeline.
15,278	15,586	36,612	(5,430)	(20,363)	(8,175)	Construction and operation of Córdoba-Campo Maior gas pipeline.
12,941	11,483	94,627	(63,307)	(24,728)	(3,085)	Production and distribution of Natural Gas and other piped combustible gases
10,875	9,352	77,042	(48,519)	(190,111)	(91)	Distribution and Commercialisation of liquid fuel, lubricants and other petroleum derivatives, operation of service stations and automobile assistance and related services.
1,124	1,204	11,517	(6,557)	(15,808)	(525)	Construction, maintenance and operation of the Maghreb-Europe gas pipeline.
795	942	20,317	(11,977)	(3,647)	(168)	Construction and/or operation of storage facilities for combustibles
811	798	3,141	(1,338)	(766)	(27)	Management and operation of the liquid fuel storage facilities and of the Bandim Petroleum Terminal
1,011	640	2,293	(1,041)	(1,552)	1,787	Develop and operate a storage terminal for petroleum products, including with limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
197	346	1,135	(478)	-	-	Production and sale of oxygen, acetylene, nitrogen and other industrial gases.
682	320	2,828	(993)	(717)	4,252	Develop and operate a storage terminal for petroleum products, including with limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
-	63	864	(1,046)	(85)	40	Services rendered related to storage and supply of petroleum products to aircraft.
-	-	4,786	(14,173)	(2,418)	3,388	Co-generation and sale of electric and thermic power.
114,736	**119,009**					
(2,487)	(1,350)					
112,249	**117,659**					

Changes in "Investments in associates" in the year ended 31 December 2014, were as follows:

(€ k)

Companies	Beginning balance	Gain/Loss	Exchange conversion adjustment	Hedging reserves adjustment	Dividends	Transfers/ adjustments	Ending balance
Investments							
EMPL – Europe Magreb Pipeline, Ltd	59,795	43,499	6,841	-	(57,467)	-	52,668
Gasoduto Al-Andaluz, S.A.	18,480	3,878	-	-	(4,004)	-	18,354
Gasoduto Extremadura, S.A.	15,586	4,006	-	-	(4,314)	-	15,278
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	11,483	1,443	-	15	-	-	12,941
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	9,352	306	1,379	-	(162)	-	10,875
Metragaz, S.A.	1,204	119	31	-	(230)	-	1,124
Terparque – Armazenagem de Combustíveis, Lda.	942	48	-	-	(195)	-	795
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	798	(49)	-	-	-	62	811
IPG Galp Beira Terminal Lda	640	-	371	-	-	-	1,011
Sodigás-Sociedade Industrial de Gases, S.A.R.L	346	-	(65)	-	-	(84)	197
Galp IPG Matola Terminal Lda	320	-	362	-	-	-	682
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	63	(20)	-	-	-	(43)	-
	119,009	**53,230**	**8,919**	**15**	**(66,372)**	**(65)**	**114,736**
Provision for investment in associates (Note 25)							
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	(1,350)	(1,047)	-	-	-	-	(2,397)
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	-	-	-	-	-	(90)	(90)
	117,659	**52,183**	**8,919**	**15**	**(66,372)**	**(155)**	**112,249**

The consolidated income statement caption "Share of results of associates and jointly controlled entities" for the year ended 31 December 2014, is made up as follows:

(€ k)

Effect of applying the equity method:	
Associates	52,183
Jointly controlled entities	(8,919)
Effect of the disposal of assets available for sale / Investments in associates:	
Gain on sale of PME Ventures (Note 4.3)	446
Differences of equity acquisitions of subsidiaries and associates (Note 3 b1):	
Acquisition of 0.32 % of the share capital of Lusitaniagás - Companhia de Gás do Centro, S.A.	2
Effect of the acquisition in jointly controlled companiess (Note 4,1):	
Acquisition of 1 % of the share capital of Ventinveste, S.A.	(52)
Effect of Subsidiaries' liquidation:	
Reversal of the exchange differences relating to conversion of financial statements expressed in foreign currency of the subsidiary Petrogal Trading Limited , which were recorded in equity under the caption Hedging reserve (Note 3 c).	(260)
Reversal of reserves for the 40% increase in the share capital of the subsidiary Probigalp - Bituminous Binders , SA , which were recorded in equity under other reserves (Nota 3 c).	(4,648)
Goodwill impairment of Group subsidiaries:	
Goodwill impairment of the subsidiary Galp Gambia Limited, which is recognized in Goodwill (Note 11).	(4,754)
Goodwill impairment of the subsidiary Galp Distribuición Oil España, S.A.U., which is recognized in Goodwill (Note 11).	(2,388)
Goodwill impairment of the subsidiary Galp Comercializacion Oil España, S.L., which is recognized in Goodwill (Note 11).	(1,183)
Goodwill impairment of the subsidiary Petróleos de Valência, S.A. Sociedad Unipersonal , which is recognized in Goodwill (Note 11).	(79)
Others	(6)
	30,342

Dividends received in 2014 amounted to €73,805 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 €71,895 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 €1,910 k refers to: i) €458 k of unfavourable translation differences that occurred at the time of payment and that were reflected in gains (losses) in the income statement and ii) €1,452 k of dividends received from assets available for sale.

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 2014 and 2013 was:

		(€ k)
	2014	2013
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939
	1,939	**1,939**

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 2014 and 2013 were as follows:

		Head office		Percentage of interest held		Book Value	(€ k)
Company		**City**	**Country**	**2014**	**2013**	**2014**	**2013**
Corporación de Reservas Estratégicas de Productos Petrolíferos		Madrid	Spain	n.d.	n.d.	1,808	1,808
Portugal Ventures		Oporto	Portugal	1.25%	1.82%	505	499
PME Ventures	a)	Lisbon	Portugal	-	1.82%	-	499
Adene – Agência para a Energia, S.A.		Amadora	Portugal	10.98%	10.98%	114	114
Omegás – Soc. D'Étude du Gazoduc Magreb Europe		Tangier	Morocco	5.00%	5.00%	35	35
Ressa – Red Española de Servicios, S.A.		Barcelona	Spain	n.d.	n.d.	23	23
Clube Financeiro de Vigo		Vigo	Spain	-	-	19	19
P.I.M.– Parque Industrial da Matola, SARL		Maputo	Mozambique	1.50%	1.50%	16	16
ADEPORTO Agência de Energia do Porto		Oporto	Portugal	-	-	13	13
Imopetro – Importadora Moçambicana de Petróleos, Lda.		Maputo	Mozambique	15.38%	15.38%	10	10
OIL Insurance Limited		Hamilton	Bermuda	1.00%	1.00%	8	7
Other Associates		-	-	n.d.	n.d.	29	32
						2,580	**3,075**
Impairment of other companies							
Portugal Ventures						(52)	(52)
PME Ventures	a)					-	(144)
P.I.M.-Parque Industrial da Matola, SARL						(16)	(16)
						(68)	(212)
						2,512	**2,863**

a) The company PME Ventures was disposed during the year ended 31 December 2014. With this operation was recognised a capital gain in the amount of €466 k in results of investments in associates and jointly controlled entities (Note 4.2).

Investments were recorded at cost of acquisition as explained in Note 2.2 paragraph c). The net book value of these investments amounts to €2,512 k.

5. OPERATING INCOME

The Group's operating income for the years ended 31 December 2014 and 2013 had the following detail:

Captions	**2014**	**2013**	(€ k)
Sales:			
Merchandise	7,909,892	7,711,581	(a)
Products	9,568,707	11,389,712	
	17,478,599	**19,101,293**	(a)
Services rendered	**542,395**	**520,958**	(a)
Other operating income:			
Supplementary income	48,901	49,912	(a)
Revenues arising from the construction of assets under IFRIC12	25,896	53,447	
Operating government grants	66	122	
Internally generated assets	-	197	
Investment government grants (Note 13)	10,631	10,351	
Gain on fixed assets	2,286	1,348	
Other	17,697	27,228	(a)
	105,477	**142,605**	(a)
	18,126,471	**19,764,856**	(a)

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

Sales of fuel include the Tax on Petroleum Products (ISP).

The variation in Sales is mainly due to the decrease in quantities and prices.

Services Rendered and sales includes the amount of negative €20,519 k relating to the activity of distribution and storage of natural gas including (Note 14):

- €8,311 k of positive adjustment between estimated regulated revenue and the amount invoiced relating to distribution, commercialisation and storage (Note 14);
- Negative €2,471 k relating to the adjustment made by ERSE in setting of tariff deviations – Corporate regulated revenue (Note 14);
- Negative €10,747 k for the amortisation of regulated revenue from 2011 (Note 14).
- Negative €15,612 k for the amortisation of regulated revenue from 2012 (Note 14).

As referred in Note 2.13 the total amount to be recovered was included by ERSE in the regulated revenue to refund in 2014-2015 Gas year, and so the Group is recognizing the reversal of the amount of tariff deviation approved in the income statement.

The caption Other for the year ended 31 December 2014 includes an amount of €3,457 k relating to compensations:
- € 1,335 k related with decontamination
- € 1,084 k related with ship Jonh Miller that sank
- € 1,038 k related to other situations.

Regarding construction contracts subject to IFRIC 12, the construction of concession assets is outsourced 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:

		(€ k)
	2014	**2013**
Costs arising from the construction of assets under IFRIC12 (Note 6)	(25,896)	(53,447)
Revenues arising from the construction of assets under IFRIC12	25,896	53,447
Margin	-	-

6. OPERATING COSTS

The results for the years ended 31 December 2014 and 2013 were affected by the following items of operating costs:

(€ k)

Captions	2014	2013	
Cost of sales			
Raw and subsidiary materials	8,887,841	9,252,759	
Merchandise	3,936,672	5,281,712	(a)
Tax on Petroleum Products	2,551,153	2,516,737	
Variation in production	207,765	163,581	
Decrease (impairment) in inventories (Note 16)	102,385	(5,928)	
Financial derivatives (Note 27)	15,556	(580)	
	15,701,372	**17,208,281**	**(a)**
External supplies and services:			
Subcontracts - network usage	328,644	295,054	
Subcontracts	11,834	4,358	(a)
Transport of merchandise	168,901	132,618	
Storage and filling	66,997	68,682	(a)
Rental costs	84,020	82,223	(a)
Blocks production costs	99,695	77,804	
Maintenance and repairs	57,134	54,075	(a)
Insurance	43,212	50,956	(a)
Royalties	48,571	33,408	
IT services	24,717	24,632	
Commissions	17,670	19,418	
Advertising	13,362	10,289	
Electricity, water, steam and communications	19,422	38,073	(a)
Technical assistance and inspection	12,876	10,829	
Port services and fees	8,263	8,617	
Other specialized services	64,868	68,339	(a)
Other external supplies and services	25,289	25,092	
Other costs	62,229	63,612	(a)
	1,157,704	**1,068,079**	**(a)**
Employee costs:			
Statutory boards remuneration (Note 29)	9,157	8,736	
Employee remuneration	236,815	229,498	(a)
Social charges	54,892	54,285	(a)
Retirement benefits - pensions and insurance (Note 23)	52,858	38,801	
Other insurance	9,507	10,895	
Capitalisation of employee costs	(9,357)	(7,582)	
Other costs	15,682	12,459	(a)
	369,554	**347,092**	**(a)**
Amortisation, depreciation and impairment:			
Amortisation and impairment of tangible assets (Note 12)	537,235	488,176	(a)
Amortisation and impairment of intangible assets (Note 12)	34,358	57,447	(a)
Amortisation and impairment of concession arrangements (Note 12)	42,005	40,691	
	613,598	**586,314**	**(a)**
Provision and impairment of receivables:			
Provisions and reversals (Note 25)	(3,887)	4,458	
Impairment loss on trade receivables (Note 15)	34,224	50,366	
Impairment loss (gain) on other receivables	373	144	
	30,710	**54,968**	
Other operating costs:			
Other taxes	14,195	15,908	(a)
Costs arising from the construction of assets under IFRIC12 (Note 5)	25,896	53,447	
Loss on tangible assets	5,592	1,242	
Donations	2,491	5,939	
CO_2 Licenses	5,394	7,339	
Other operating costs	19,736	15,188	(a)
	73,304	**99,063**	**(a)**
	17,946,242	**19,363,797**	**(a)**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

The variation in caption Cost of sales is mainly due to the decrease in quantities sold.

The caption Subcontracts – gas network usage refers to charges for the use of:
- Distribution network usage (URD);
- Transportation network usage (URT); and
- Global System usage (UGS).

The amount of €328,644 k recorded in this caption includes, mainly, an amount of €154,729 k charged by Madrileña Red de Gas, €91,334 k charged by EDP Distribuição Energia and €74,083 k charged by Ren Gasodutos.

7. SEGMENT REPORTING

Business segments

The Group is organised into four business segments which were defined based on the type of products sold and services provided, with the following business units:
- Exploration & Production;
- Refining & Marketing;
- Gas & Power; and
- Other.

For the business segment "Other", the Group considered the holding company Galp Energia, SGPS, SA, and companies with different activities including the Tagus Re SA 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 2014 and 2013:

	Exploration & Production		Refining & Marketing	
	2014	**2013**	**2014**	**2013**
Income				
Sales and services rendered	695,578	553,711	14,124,752	16,170,939
Inter-segments	216,677	153,621	2,275	8,962
External	478,901	400,090	14,122,477	16,161,977
Ebitda (1)	**443,427**	**395,838**	**(82,426)**	**214,358**
Non cash costs				
Amortisation, depreciation and impairment losses	(251,845)	(249,188)	(294,297)	(272,802)
Provisions and impairments	(129)	(3,717)	(23,495)	(35,461)
Segment results	**191,453**	**142,933**	**(400,218)**	**(93,905)**
Results of investments in associates	(11,958)	2,556	(9,375)	61,509
Other non-operating results	63,850	56,474	(160,724)	(173,599)
Income tax	(181,639)	(104,013)	94,914	61,319
Extraordinary Contribution on energy sector	-	-	(18,386)	-
Non Controlling Interest	(48,866)	(42,840)	(2,192)	**(1,653)**
Consolidated net profit	**12,840**	**55,110**	**(495,981)**	**(146,329)**
In December 31, 2014 and 2013				
Other information				
Assets by segment (2)				
Investment (3)	592,173	317,824	94,870	91,082
Other assets	5,099,522	4,746,423	5,954,129	6,683,726
Total consolidated assets	**5,691,695**	**5,064,247**	**6,048,999**	**6,774,808**
Total consolidated liabilities	**870,045**	**750,619**	**3,713,456**	**5,983,382**
Investment in tangible and intangible assets	**817,801**	**592,999**	**102,994**	**135,820**

(1) EBITDA = Segment results/EBIT + Amortisation+Provisions
(2) Net amount
(3) In accordance with the equity method
Note: Has changed the determination process of segment results and consequently assets and liabilities, have been restated in respect of 2013.

(€ k)

Inter-segmental sales and services rendered Segments	Exploration & Production	Refining & Marketing	Gas & Power	Other	Total
Gas & Power	-	869	-	24,664	25,533
Refining & Marketing	216,677	-	277,232	66,517	560,426
Exploration & Production	-	806	-	9,510	10,316
Other	-	600	-	-	600
	216,677	**2,275**	**277,232**	**100,691**	**596,875**

Gas e Power		Other		Eliminations		Consolidated	
2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
3,676,194	3,322,823	121,345	119,987	(596,875)	(545,209)	18,020,994	19,622,251
277,232	284,269	100,691	98,357	(596,875)	(545,209)	-	-
3,398,962	3,038,554	20,654	21,630	-	-	18,020,994	19,622,251
444,629	**414,215**	**18,907**	**17,930**	**-**	**-**	**824,537**	**1,042,341**
(63,864)	(61,148)	(3,592)	(3,176)	-	-	(613,598)	(586,314)
(10,316)	(15,843)	3,230	53	-	-	(30,710)	(54,968)
370,449	**337,224**	**18,545**	**14,807**	-	**-**	**180,229**	**401,059**
51,675	51,787	-	-	-	-	30,342	115,852
(44,174)	(18,870)	(3,528)	(6,080)	-	-	(144,576)	(142,075)
(69,952)	(94,856)	2,604	1,721	-	-	(154,073)	(135,829)
(12,067)	-	-	-	-	-	(30,453)	-
(3,805)	**(5,853)**	**-**	**-**	**-**	**-**	**(54,863)**	**(50,346)**
292,126	**269,432**	**17,621**	**10,448**	**-**	**-**	**(173,394)**	**188,661**
102,001	108,205	170	169	-	-	789,214	517,280
2,722,801	3,037,792	2,168,099	3,806,730	(3,518,348)	(5,074,533)	12,426,203	13,200,138
2,824,802	**3,145,997**	**2,168,269**	**3,806,899**	**(3,518,348)**	**(5,074,533)**	**13,215,417**	**13,717,418**
2 .065,143	**2,046,388**	**3,660,400**	**3,595,763**	**(3,518,348)**	**(5,074,534)**	**6 .790,696**	**7,301,618**
29,481	**87,671**	**7,294**	**1,497**	**-**	**-**	**957,570**	**817,988**

The main inter-segmental transactions of sales and services rendered are primarily related to:

- Gas & Power: natural gas sales to the refining process of Matosinhos and Sines refineries (refining and marketing of oil products);
- Refining & Marketing: supply of fuel to all Group companies vehicles;
- Exploration & Production: crude sales to the Refining & Marketing 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.

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 2014 and 2013 are made up as follows:

(€ k)

Captions	December 2014	December 2013	
Financial income:			
Interest on bank deposits	32,863	40,672	(a)
Interest and other income - related companies (Note 28)	15,216	17,624	(a)
Other financial income	3,820	3,559	(a)
	51,899	**61,855**	**(a)**
Financial costs:			
Interest on bank loans, overdrafts and other	(140,575)	(160,219)	
Interest - related companies (Note 28)	(7,103)	(7,042)	(a)
Interest capitalized in fixed assets (Note 12)	46,192	45,083	
Interest on retirement benefits and other benefits (Note 23)	(11,691)	(13,959)	
Interest - other shareholders	(23,318)	(54,188)	(a)
Other financial costs	(15,557)	(17,102)	(a)
	(152,052)	**(207,427)**	(a)
	(100,153)	**(145,572)**	(a)

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

During the year ended 31 December 2014, the Group capitalised in fixed assets in progress, the amount of €46,192 k relating to interests on loans to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

9. INCOME TAX

The companies with head offices in continental Portugal in which the Group has an interest equal or greater than 75% 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..

Spanish tax resident companies 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.

However, estimated income tax of the Company and its subsidiaries is recoverable based on their tax results which, for the year ended 31 December 2014, amounted to recoverable income tax of €154,073 k.

The following conditions may affect income taxes payable in future:

i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years except when there are carried forward tax losses, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended.

ii) From 2001 to 2014, the subsidiary Petrogal, S.A. had several inspections by the tax authorities relating to the fiscal years 1997 to 2010, which in accordance with the Company assessment are following its normal course. Paragraphs v) and xii) below detail the open inspections.

iii) During 2009, the tax authorities concluded the 2005 and 2006 inspections of Galp Energia, SGPS, S.A. and its subsidiary GDP - Gás de Portugal SGPS, S.A.. Tax returns which resulted in additional assessments are summarised in paragraph vii) below.

iv) The Group's tax returns for the years 2010 to 2014 are still subject to review. Galp's Board of Directors believes that any corrections arising from inspections by the tax authorities of these tax returns will not have a significant impact on the consolidated financial statements as of 31 December 2014 and 2013.

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, 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 recorded a provision to cover such settlements totalling €7,394 k (Note 25).

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 – Gás de Portugal, SGPS, S.A., 2005. income tax returns were inspected by the tax authorities, which resulted in additional assessment of €23,587 k and for which during January 2010 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 with the reasons for disputing the tax Administration's position. Galp Energia SGPS, S.A. recorded a provision of €3,230 k and its subsidiary GDP SGPS recorded an amount of €2,092 for this purpose regarding previous years. In 2014, and given favourable developments, the company decided to reverse the provision made.

viii) Additionally, during 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 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 filed a contest in the administrative jurisdiction, which is still under consideration.

x) The tax inspection at the subsidiary Petrogal, S.A. regarding the year 2009 resulted in corrections to Income Tax that correspond to a tax payable from which the company chose to contest the amount of €375 k, filing an administrative complaint that is running its natural course of action.

xi) During 2014, the tax inspection regarding the 2010 financial year of subsidiary Petrogal S.A., as well as the other companies members of the special tax regime of group taxation, was completed. With this inspection the Group had a tax refund in the amount of €1 k.

xii) In respect of the subsidiary Petrogal, S.A., as a result of the 2009 tax inspections the tax administrator concluded that a correction of €4,577 k in VAT is required. 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 did not include any provision for this contingency.

xiii) As a result of the exploration and oil production operations in Angola, the Group is subject to PIT based on the Angolan tax system applied to production sharing contracts where the Group participates. On 31 December 2014 an additional settlement of PIT, related to corrections to year 2009, has not been paid. This is in discussion with the Ministry of Finance of Angola. The Group has decided to provide for these amounts, as well as eventual additional liquidation of PIT for years 2010 to 2012. As of 31 December 2014, the provision had the amount of €10,049 k (Note 25).

xiv) Under current legislation, tax losses can be reported and carried forward during a period of: 6 years, from taxable income arising before 2010; 4 years, from taxable income arising in 2010 and 2011; 5 years, from taxable income arising in 2012 and 2013; and 12 years, from taxable income arising in 2014.

xv) 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 or 18 years, depending on whether they are generated before or during the year of 2014. 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 2014, the tax losses amounted to approximately €370,928 k, being €124,753 k related to companies based in Spain.

Income tax for the years ended 31 December 2014 and 2013 had the following detail:

(€ k)

Captions	**December 2014**		**December 2013**
Current income tax	169,104		116,987
PIT Provision - Tax on Oil income	13,871		(274)
Insuficiency / (excess) of income tax for the preceding year	20,039	(a)	5,718
Deferred tax	(48,941)		13,398
	154,073		**135,829**
Extraordinary Contribution on energy sector	30,453		-
	184,526		**135,829**

(a) This amount refers to temporary differences not accepted in 2013, but accepted in the future, for which deferred tax assets were recorded in the current year.

Group has accounted for in current income tax payable the amount of 19,085k.

Below is a reconciliation of the income tax for the years ended 31December 2014 and 2013, and details of deferred taxes:

(€ k)

	2014	Rate	Income Tax	2013	Rate	Income Tax
Profit Before Tax:	65,995	27.00%	17,819	374,836	29.00%	108,702
Adjustments to Tax income:						
Application of the equity method		-12.35%	(8,153)		-3.05%	(11,435)
Fiscal benefits		-1.09%	(718)		-0.37%	(1,381)
Income tax rates differences		167.51%	110,547		7.02%	26,329
Other deductions		0.00%	-		-0.02%	(79)
(Excess)/Insufficiency of income tax of the preceding year		30.37%	20,040		1.53%	5,718
Autonomous taxation		5.05%	3,333		0.58%	2,179
Other additions and deductions		16.98%	11,207		1.55%	5,797
Effective tax rate and Tax income		**233.46%**	**154,073**		**36.24%**	**135,829**

In the year ended 31 December 2014 Group paid Petroleum Income Tax ("PIT") by its subsidiaries Galp Energia Overseas Block, B.V and Galp Energia Overseas Block 14 B.V. and their respective branches in Angola, in the amount of €50,776 k relating to PIT on the sale and loans of crude oil, determined based on the Angolan tax regime applied to Production Sharing Agreements in which the Group participates.

Deferred taxes

The balance of deferred tax assets and liabilities as of 31 December 2014, had the following detail:

(€ k)

	Deferred tax December 2014 - Assets					
Captions	**Beginning balance**	**Effect in results**	**Effect in equity**	**Effect of foreign currency translation**	**Other adjustments**	**Ending balance**
Adjustments to accruals and deferrals	10,330	(2,006)	-	-	(40)	8,284
Adjustments to tangible and intangible assets	24,802	(762)	-	993	-	25,033
Adjustments to inventories	471	271	-	-	-	742
Overlifting adjustments	119	(1,671)	-	1,700	(1)	147
Retirement benefits and other benefits	89,442	1,975	9,421	-	9	100,847
Double economical taxation	12,171	(8,649)	-	-	-	3,522
Financial instruments	335	-	(335)	-	-	-
Tax losses carried forward	13,137	52,819	-	(6)	-	65,950
Regulated revenue	7,807	6,276	-	-	-	14,083
Provisions non deductible	27,087	(837)	-	6	1,118	27,374
Financial expenses non deductible	18,070	(18,070)	-	-	-	-
Potential Foreign exchange differences Brazil	51,513	(7,330)	29,198	6,013	129	79,523
Other	15,790	22,537	-	2	139	38,468
	271,074	**44,553**	**38,284**	**8,708**	**1,354**	**363,973**

	Deferred tax December 2014 - Liabilities					
Captions	**Beginning balance**	**Effect in results**	**Effect in equity**	**Effect of foreign currency translation**	**Other adjustments**	**Ending balance**
Adjustments to accruals and deferrals	(265)	200	-	8	4	(53)
Adjustments to tangible and intangible assets Fair value	-	(18,295)	-	(1,724)	-	(20,019)
Adjustments to inventories	(20,091)	3,595	-	-	-	(16,496)
Underlifting adjustments	-	(181)	-	-	-	(181)
Retirement benefits and other benefits	(4,816)	3,983	-	(280)	-	(1,113)
Dividends	(61,070)	21,097	-	-	-	(39,973)
Regulated revenue	(38,890)	(938)	-	-	-	(39,828)
Accounting revaluations	(3,076)	465	-	-	6	(2,605)
Other	(369)	(550)	-	1	(2)	(920)
	(128,577)	**9,376**	**-**	**(1,995)**	**8**	**(121,188)**

The changes in deferred tax reflected in Equity in the amount of: i) €9,421 k, includes €9,419 k relating to deferred taxes related to the component of actuarial gains and losses and €2 k relating to non-controlling interests (Note 21); and ii) € 335 k relating to changes in deferred taxes related to the components of hedging reserves.

Potential translation differences from Brazil result from a tax option to tax potential translation differences only when they are realised. The amount of €29,198 k reflected in equity includes, €20,410 k relating to deferred taxes resulting from translation differences of financial allocations that are similar to "quasi capital" (Note 20) and €8,788 k relating to non-controlling interests.

During 2014, the Group reversed the amount of €4,988 k (BRL 15,567,400) that was recognised as deferred tax assets in the year ended 31 December 2013, relating to Block BMS-11, arising from difference between the tax basis determined in accordance with tax calculation of the Special Interest and the accounting base of the abandonment provisions, amortisations and signing bonuses.

10. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2014 and 2013 were as follows:

(€ k)

	December 2014	December 2013
Net income		
Net income for purposes of calculating earnings per share (consolidated net profit for the year)	(173,394)	188,661
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):	**(0.21)**	**0.23**

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

11. GOODWILL

On 31 December 2014, the difference between the acquisition costs of investments and their equity book value can be detailed as follows:

(€ k)

				Proportion of equity acquired as of the acquisition date		Goodwill movement				
Subsidiaries		**Year of acquisition**	**Acquisition cost**	**%**	**Amount**	**2013**	**Exchange differences (d)**	**Transfers/ adjustments (e)**	**Impairments (f)**	**2014**
Galp Energia España, S.A.										
Galp Comercializacion Oil España, S.L.	(a)	2008	176,920	100.00%	129,471	47,449	-	-	(1,183)	46,266
Petróleos de Valência, S.A. Sociedad Unipersonal	(a)	2005	13,937	100.00%	6,099	7,838	-	-	(79)	7,759
Galp Distribuición Oil España, S.A.U.	(b)	2008	172,822	100.00%	123,611	49,211	-	-	(2,388)	46,823
						104,498	**-**	**-**	**(3,650)**	**100,848**
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	29,766	-	-	-	29,766
Galp Swaziland (PTY), Limited.		2008	18,117	100.00%	651	18,422	332	-	-	18,754
Madrileña Suministro de Gas SUR, S.L.		2010	12,523	100.00%	3,573	8,686	-	-	-	8,686
Galpgest – Petrogal Estaciones de Servício, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	-	-	5,568
Galp Gambia, Limited.		2008	6,447	100.00%	1,693	4,966	193	-	(4 754)	405
Empresa Nacional de Combustíveis – Enacol, SARL		2007 and 2008	8,360	15.77%	4,031	4,329	-	-	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	2,858	633	-	-	3,491
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.	(e)	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)		2012	3	100.00%	1	2	-	-	-	2
						233,137	**1.158**	**(530)**	**(8,404)**	**225,361**

(a) The subsidiaries Petróleos de Valência, S.A. Sociedad Unipersonal and Galp Comercializacion Oil España, S.L. were merged in the subsidiary Galp Energia España, S.A., through a process of incorporation during 2010.
(b) The subsidiary Galp Distribuición Oil España, SAU, was incorporated in Galp Energia España, SA through a merger by incorporation, during 2011.
(c) The subsidiary Galp Comercialização Portugal, S.A., was merged in the subsidiary Petróleos de Portugal - Petrogal, S.A., through a process of incorporation, during 2010.
(d) Differences arising from translation 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 (Notes 2.2 d) and 20.
(e) The subsidiary was liquidated (Note 3 and 4.2).
(f) Values calculated in accordance with Goodwill's impairment tests (Note 4.2).

Goodwill impairment analysis

When performing impairment tests, goodwill is allocated to the respective cash generating unit.

Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The discount rate used reflects Galp Energia Group's WACC (Weighted Average Cost of Capital) for the reporting segment and country of each cash generating unit.

		Assumptions		
Cash generating unit	**Evaluation method**	**Cash Flows**	**Growing factor**	**Discounted rates**
Investments (by business segment)	DCF (Discounted Cash Flow)	According to corporate business plan	Gordon growth model with a growing factor for perpetuity of 2%	WACC between: R&M [7.5%-9.7%] E&P [9.4%-11.1%] G&P [6.1%-6.5%]

E&P – Exploration & Production **R&M** – Refining & Marketing **G&P** – Gas & Power

According to the assumptions defined for the year ended 31 December 2014, the losses with goodwill impairment were in the amount of €8,404 k (Note 4).

Additionally sensibility analyses were performed to WACC and cash flows for 10% variances, which also did not result in any additional impairment.

12. TANGIBLE AND INTANGIBLE ASSETS

Movements in tangible assets at 31 December 2014:

(€ k)

	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils
Acquisition cost:					
Balance at 1 January 2014	286,219	939,574 (a)	6,611,984 (a)	33,677 (a)	4,629
Additions	333	2,075	35,681	182	185
Additions by financial costs capitalization (Note 8)	-	-	-	-	-
Write-offs/sales	(123)	(8,241)	(32,570)	(2,162)	(368)
Adjustments	559	962	91,260	(798)	-
Adjustments for currency differences in initial balance	6	465	80,268	65	-
Transfers	-	5,328	355,436	96	23
Changes in the consolidation perimeter (Note 3)	-	-	-	-	-
Gross acquisition cost at 31 December 2014	**286,994**	**940,163**	**7,142,059**	**31,060**	**4,469**
Accumulated impairments at 1 January 2014	**(11,143)**	**(12,341)**	**(24,726)**	**(108)**	**(106)**
Increase in impairments	-	(8,633)	(21,933)	-	-
Reversal of impairments	2,774	-	5,107	-	-
Adjustments for currency differences in initial balance	-	-	-	-	-
Utilisation/Transfers of impairments	(298)	125	2,289	108	45
Impairments balance at 31 December 2014	**(8,667)**	**(20,849)**	**(39,263)**	**-**	**(61)**
Balance at 31 December 2014	**278,327**	**919,314**	**7,102,796**	**31,060**	**4,408**
Accumulated depreciations and impairment losses:					
Balance at 1 January 2014	(2,062)	(629,160) (a)	(3,910,880) (a)	(28,094) (a)	(3,940)
Depreciations for the year	(288)	(30,514)	(357,975)	(1,617)	(165)
Write-offs/sales	1	6,786	30,013	1,825	351
Adjustments	358	(816)	(58,397)	696	(38)
Adjustments for currency differences in initial balance	(14)	(142)	(85,806)	(50)	-
Transfers	-	(522)	799	(68)	(123)
Changes in the consolidation perimeter (Note 3)	-	-	-	-	-
Accumulated balance at 31 December 2014	**(2,005)**	**(654,368)**	**(4,382,246)**	**(27,308)**	**(3,915)**
Net amount:					
at 31 December 2014	**276,322**	**264,946**	**2,720,550**	**3,752**	**493**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

Tangible assets and depreciations are recorded in accordance with the accounting policies explained in Note 2.3.

Adjustments for currency differences in tangible assets refer to revaluation of initial balance of the subsidiaries' tangible assets stated in foreign currency.

(€ k)

Tangible assets

	2014						2013
	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
	174,403 (a)	158,606	103,259	1,348,445 (a)	146	9,660,942	9,210,331 (a)
	858	156	913	844,798	-	885,181	674,898
	-	-	-	46,192	-	46,192	45,082
	(3,686)	(3,179)	(12,731)	(21,031)	-	(84,091)	(84,394)
	(2)	-	1	(1,510)	(118)	90,354	(951)
	77	131	30	70,549	-	151,591	(197,380)
	3,016	3,077	268	(379,983)	-	(12,739)	16,817
	-	-	-	-	-	-	(3,461)
	174,666	**158,791**	**91,740**	**1,907,460**	**28**	**10,737,430**	**9,660,942 (a)**
	(1,455)	**(1)**	**(3,359)**	**(80,416)**	**-**	**(133,655)**	**(122,927)**
	-	-	(7)	(103,503)	-	(134,076)	(68,341)
	49	-	-	-	-	7,930	762
	-	-	-	(5,888)	-	(5,888)	7,781
	224	-	982	31,744	-	35,219	49,070
	(1,182)	**(1)**	**(2,384)**	**(158,063)**	**-**	**(230,470)**	**(133,655)**
	173,484	**158,790**	**89,356**	**1,749,397**	**28**	**10,506,960**	**9,527,287**
	(148,804) (a)	(145,261)	(86,387)	-	-	(4,954,588)	(4,589,090) (a)
	(14,113)	(3,865)	(2,552)	-	-	(411,089)	(420,597) (a)
	3,577	3,156	9,961	-	-	55,670	36,555
	(214)	(8)	(29)	-	-	(58,448)	9,544
	(39)	(82)	(16)	-	-	(86,149)	32,423
	(95)	-	9	-	-	-	(24,998)
	-	-	-	-	-	-	1,575
	(159,688)	**(146,060)**	**(79,014)**	**-**	**-**	**(5,454,604)**	**(4,954,588) (a)**
	13,796	**12,730**	**10,342**	**1,749,397**	**28**	**5,052,356**	**4,572,699 (a)**

Movement in Intangible assets at 31 December 2014:

	Research and development costs	Industrial property and other rights	Goodwill	Reconversion of consumption to natural gas
Acquisition cost:				
Balance at 1 January 2014	**285**	**569,854** (a)	**19,750**	**551**
Additions	-	6,123	-	-
Write-offs/sales	-	(8,012)	(82)	-
Adjustments	-	-	-	-
Adjustments for currency differences in initial balance	-	5,968	-	-
Transfers	-	27,801	-	-
Transfers to assets held for sale	-	-	-	-
Changes in the consolidation perimeter	-	-	-	-
Gross acquisition cost at 31 December 2014	**285**	**601,734**	**19,668**	**551**
Accumulated impairments at 1 January 2014	**-**	**(26,222)**	**(236)**	**-**
Increase in impairments	-	795	(2,254)	-
Adjustments for currency differences in initial balance	-	(2,519)	-	-
Utilisation/Transfers of impairments	(5)	(12,016)	7	-
Impairments balance at 31 Decemder 2014	**(5)**	**(39,962)**	**(2,483)**	**-**
Balance at 31 December 2014	**280**	**561,772**	**17,185**	**551**
Accumulated depreciations and impairment losses:				
Balance at 1 January 2014	(266)	(271,566) (a)	(10,282)	(423)
Depreciations for the year	(9)	(32,882)	-	(8)
Write-offs/sales	-	5,072	82	-
Adjustments	4	89	(5)	-
Adjustments for currency differences in initial balance	-	(97)	-	-
Transfers	-	(7)	-	-
Transfers to assets held for sale	-	-	-	-
Changes in the consolidation perimeter	-	-	-	-
Accumulated balance at 31 December 2014	**(271)**	**(299,391)**	**(10,205)**	**(431)**
Net amount				
at 31 de December 2014	**9**	**262,381**	**6,980**	**120**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

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 for currency differences in initial balance" refers to revaluation of initial balance of the subsidiaries' tangible assets stated in foreign currency.

The amount of €67,273 k transferred to assets held for sale is related with part of underground storage of natural gas in Pombal owned by Transgás Armazenagem, Soc. Portuguesa de Armazenagem de Gás Natural, S.A. that will be sold to Rede Energética Nacional.

Non-current assets held for sale are recognised in accordance with the accounting policy (Note 2.4).

Amortisation for the years 2014 and 2013 were as follows:

(€ k)

	December 2014			December 2013		
	Tangible assets	Intangible assets	Total	Tangible assets	Intangible assets	Total
Amortisation and depreciation for the period	411,089	32,899	443,988	420,597 (a)	32,903 (a)	453,500 (a)
Amortisation for the period - Concession Arrangements	-	42,005	42,005	-	40,691	40,691
Increase in impairment	134,076	1,459	135,535	68,341	24,544	92,885
Decrease in impairment	(7,930)	-	(7,930)	(762)	-	(762)
Amortisation (Note 6)	**537,235**	**76,363**	**613,598**	**488,176 (a)**	**98,138 (a)**	**586,314 (a)**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

(€ k)

Intangible assets

2014					2013	
Other intangible Assets	Service Concession Arrangements	Intangible assets in progress	Intangible assets in progress of Service Concession Arrangements	Total intangible assets	Total intangible assets	
582	**1,766,149**	**34,971**	**3,340**	**2,395,482**	**2,228,125**	**(a)**
-	50	14,981	25,807	46,961	121,997	
-	(1,848)	-	-	(9,942)	(15,729)	
-	(1)	(68)	-	(69)	(266)	
-	-	627	-	6,595	(3,721)	
(84)	25,021	(14,978)	(25,021)	12,739	65,333	
-	(70,805)	-	(927)	(71,732)	-	
-	-	-	-	-	(257)	
498	**1,718,566**	**35,533**	**3,199**	**2,380,034**	**2,395,482**	**(a)**
-	**-**	**-**	**-**	**(26,458)**	**(14,493)**	
-	-	-	-	(1,459)	(24,544)	
-	-	-	-	(2,519)	459	
-	-	(3,316)	-	(15,330)	12,120	
-	**-**	**(3,316)**	**-**	**(45,766)**	**(26,458)**	
498	**1,718,566**	**32,217**	**3,199**	**2,334,268**	**2,369,024**	**(a)**
(505)	(540,614)	-	-	(823,656)	(755,008)	(a)
-	(42,005)	-	-	(74,904)	(73,594)	(a)
-	1,594	-	-	6,748	4,246	
-		-	-	88	455	
-	-	-	-	(97)	257	
7	-	-	-	-	(16)	
-	4,459	-	-	4,459	-	
-	-	-	-	-	4	
(498)	**(576,566)**	**-**	**-**	**(887,362)**	**(823,656)**	**(a)**
-	**1,142,000**	**32,217**	**3,199**	**1,446,906**	**1,545,368**	**(a)**

Main occurrences in 2014:
The increase in tangible and intangible assets in the amount of €978,334 k mainly includes:

i) Exploration & Production segment
- €500,570 k relating to research and development investments in blocks in Brazil;
- €96,096 k relating to research and development investments in Block 32 in Angola;
- €86,049 k relating to research and development investments in Block 14 in Angola;
- €62,742 k relating to research investments in blocks in Marocco;
- €56,563 k relating to research investments in Block 4 in Mozambique;
- €5,001 k relating to research investments on blocks 3 and 4 in Uruguay;
- €4,911 k relating to oil research investments in the Portuguese coast;
- €2,925 k relating to research investments in blocks in Namibia;
- €1,494 k relating to natural gas research investments in Angola;
- €618 k relating to research investments in Aljubarrota 3 concession in Portugal.

Regarding investments on research in the Aljubarrota 3 concession in Portugal, impairment totalling €618 k were recorded, as such at tangible and intangible assets related with the referred project were totally impaired in the amount of €8,826 k. The impairment increase relates to research and development investments in Brazil in the amount of €26,434 k. Impairment was recorded relating to research investments in blocks in Morocco (€ 64,438 k), Angola (€ 6,991 k), Mozambique (€5,264 k) and Namibia (€ 2,514 k).

ii) Gas & Power segment
- €25,896 k relating to natural gas infrastructure construction (networks, plots and other infrastructures) covered by IFRIC 12 (Note 5 and 6);
- €1,650 k relating to the conception and construction of cogeneration plants.

iii) Refining & Marketing segment
- €36,969 k relating to the planned outage of 2014 at Sines refinery;
- €18,617 k relating to industrial investments in Oporto and Sines refinery;
- €31,884 k related to wholesale business unit investments in its expansion, IT and improvements in service stations.

During the year ended 31 December 2014, Group disposed or wrote-off tangible and intangible assets, in the amount of €31,661 k as a result of the review of the Group's asset register, which includes:

i) €12,584 k relating to equipment, expenses and rights disposals in Brazil, with no economic viability;
ii) €6,343 k relating to disposals from the retail business unit, essentially due to improvements in service stations, convenience stores, investments in its expansion, and IT development, most of which were fully depreciated.

At 31 December 2014, Group has recorded impairment in tangible and intangible assets in the amount of €276,236 k which include:

- €67,329 k to face impairment in blocks in Namibia;
- €64,438 k to face impairment in research at Marocco;
- €43,270 k to face impairment in the retail network in Portugal and Spain;
- €32,985 k to face impairment in operated and non-operated blocks in Brazil;
- €8.826 k to face impairment in research at Aljubarrota;
- €5,760 k to face impairment in research at Mozambique;
- €4,558 k to face impairment in blocks in East Timor.

Tangible and intangible assets in progress (including advances on account of tangible and intangible assets less impairment losses) at the year ended 31 December 2014 were made up as follows:

(€ k)

	Assets in progress	Impairment	Net assets
Research and exploration of petroleum in Brazil	1,040,880	(32,715)	1,008,165
Research and exploration of petroleum in Angola and Congo	395,357	(9,833)	385,524
Research in Mozambique	191,944	(5,760)	186,184
Research in Morocco	64,438	(64,438)	-
Research in Portugal	59,314	(8,826)	50,488
Research of gas in Angola and Guinea	37,439	(1,336)	36,103
Industrial investment relating to refineries	34,716	-	34,716
Research in Namibia	34,395	(34,053)	342
Renewal and expansion of the network	28,207	(160)	28,047
Floating LNG-Brazil	21,858	-	21,858
Petroleum Exploration in Blocks 3 and 4 in Uruguay	7,599	(1,695)	5,904
Transportation and logistics	4,211	-	4,211
Research in East Timor	2,564	(2,564)	-
Conversion projects of the Sines and Oporto refineries	1,141	-	1,141
Underground storage of natural gas	246	-	246
Production of energy and steam	56	-	56
Other projects	21,856	-	21,856
	1,946,221	**(161,380)**	**1,784,841**

13. GOVERNMENT GRANTS

As at 31 December 2014 and 2013, the amount to be recognised in government grants was €266,066 k and €276,537 k, respectively (Note 24).

During the years ended 31 December 2014 and 2013 €10,631 k and €10,351 k, respectively were recognised in the income statement (Note 5).

14. OTHER RECEIVABLES

The non-current and current caption "Other receivables" as of 31 December 2014 and 2013 was made up as follows:

					(€ k)	
	December 2014		December 2013			
Captions	Current	Non-current	Current		Non-current	
State and Other Public Entities:						
Corporate Income Tax	3,127	-	6,833		-	
Value Added Tax - Reimbursement requested	240	-	667		-	
Others	7,944	-	122		-	
Loans to Sinopec Group (Note 3 and 28)	718,904	170,954	164,500		706,993	
Advances to suppliers of fixed assets	85,670	-	155,225		-	
Advances to suppliers	32,121	-	40,203		-	
Underlifting	22,137	-	31,071		-	
Subsoil Rates	18,801	34,044	18,728		32,771	
Over cash-call from partner Petrobrás in operated blocks	13,437	-	10,057		-	
Guarantees	11,091	-	11,090		-	
Other receivables - associated, related and participated companies (Note 28)	7,427	4,007	6,024	(a)	5,138	(a)
Means of payment	7,506	-	8,371		-	
Receivables from Block 14 consortium in Angola (excessive profit-oil receivable)	3,102	-	1,648		-	
Personnel	1,972	-	2,030		-	
Spanish Bitumen process	385	-	385		-	
Ceding rights contract to use telecommunications infrastructures	222	-	251		-	
Loans to clients	73	1,513	70		1,561	
Loans to associated, jointly controlled related and participated companies (Note 28)	-	28,433	-		27,878	
Other receivables	66,029	3,417	65,108	(a)	5,172	
	1,019,110	**242,368**	**533,731**	(a)	**779,543**	(a)
Accrued income:						
Sales and services rendered not yet invoiced	214,853	-	208,967		-	
Adjustment to tariff deviation - "pass through" - ERSE regulation	36,546	-	38,128		-	
Adjustment to tariff deviation - Regulated revenue - ERSE regulation	30,937	34,495	34,324		50,752	
Adjustment to tariff deviation - Energy tariff - ERSE regulation	17,499	-	28,025		-	
Financial neutrality - regulation ERSE	14,012	45,537	15,133		45,537	
Accrued management and structure costs	7,420	-	1,683		-	
Accrued interest	3,511	-	1,614		-	
Commercial discount on purchases	1,798	-	1,503		-	
Sale of finished goods to be invoiced by the service stations	1,786	-	1,100		-	
Compensation for the uniform tariff	1,205	-	917		-	
Other	6,195	63	7,623		31	
	335,762	**80,095**	**339,017**		**96,320**	
Deferred costs:						
Catalyser costs	10,130	-	6,223		-	
Costs relating to service station concession contracts	2,757	28,406	2,478		31,339	
Prepaid rent	2,578	-	601		-	
Prepaid insurance	1,073	-	797		-	
Interest and other financial costs	256	-	9,244		-	
Retirement benefits (Note 23)	-	10,635	-		4,916	
Other deferred costs	21,925	-	11,902		-	
	38,719	**39,041**	**31,245**		**36,255**	
	1,393,591	**361,504**	**903,993**		**912,118**	
Impairment of other receivables	(7,406)	(2,753)	(6,990)		-	
	1,386,185	**358,751**	**897,003**	(a)	**912,118**	(a)

(a) These amounts were restated to reflect the accounting classification changes described in Note 2,23.

The movements in the caption “Impairment of other receivables” for the year ended 31 December 2014 were as follows:

(€ k)

Caption	Beginning balance	Increase	Decrease	Utilisation	Adjustments	Ending balance
Other receivables	6,990	3,426	(286)	(9)	38	10,159

The increase and decrease of the caption “Impairment of other receivables” with the net amount of €3,140 k was booked in the caption provisions and impairment – other receivables, in the amount of €387 k, (Note 6) and in the caption costs of loans in financial costs, in the amount of €2,753 k.

Caption “Loans” includes the amount of €889,858 k (US$1,080,376,699.00) in respect of the loan granted to Tip Top Energy, SARL (company held by Sinopec Group) in 28 March 2012, which earns a three month LIBOR interest rate, plus a “spread”, for a period of 4 years and is classified as current, in the amount of €718,904 k (US$872,821,077.39), and non-current, in the amount of €170,954 k (US$207,555,621.64). In the year ended 31 December 2014 an amount of 14,120 k was recognised in caption interest on loans granted to related companies (Notes 8 and 28).

Caption “Subsoil rates” amounting €52,845 k refers to rates of subsoil occupation already paid to municipalities. In accordance with natural gas distribution concession agreement between the Portuguese Government and the Group companies, and with Cabinet Council Resolution No. 98/2008, dated 8 April, companies have the right to pass on to marketing entities or to final customers, the full amount of subsoil rates paid to the local authorities in the concession area.

The amount of €22,137 k recorded in “Other receivables - Underlifting” corresponds to amounts receivable by Group as a result of lifting crude oil barrels below the production quota (“underlifting”) and is measured at the lowest market price at the time the underlifting occurred or as of 31 December 2014.

Caption “carry State participations interests” amounting €18,922 k refers to amounts receivable from State partners during the exploration period. The Farm-in agreed with the partners predict that during the period of operation, Group is responsible for the investment paid with cash call and requested by the operator to the state in the amount of their participation.

Caption “Means of payment” amounts to €7,506 k refers to amounts receivable for sales made with Visa/debit cards, which as of 31 December 2014 were pending collection.

The amount of €16,929 k booked in caption Other receivables current and non-current - jointly controlled entities, related and participated companies refers to amounts receivables from companies which were not consolidated using the full consolidation method.

Caption “Guarantees” amounts to €11.091 k included €9,843 k from deliveries on account and trading guarantees to support the transactions and operations in the Spanish electricity and French market.

The caption “Other non-current receivables” includes €2,498 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 every six months until 3 December 2016.

Caption “Accrued income - sales and services not yet invoiced” mainly comprises December natural gas and electricity sales to be invoiced in January as follows:

(€ k)

Company	Total	Natural Gas	Power
Galp Gás Natural, S.A.	106,341	106,341	-
Galp Power, S.A.	20,882	10,688	10,194
Galp Energia España, S.A., Unipessoal	16,372	16,064	308
Madrileña Suministro de Gas	10,588	10,588	-
Madrileña Suministro de Gas SUR	10,353	10,353	-
Lusitaniagás Comercialização, S.A.	8,462	8,462	-
Lisboagás Comercialização, S.A.	6,420	6,420	-
Portcogeração, S.A.	6,413	-	6,413
Transgás, S.A.	5,477	5,477	-
Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, SA	3,179	3,179	-
Setgás Comercialização, S.A.	1,827	1,827	-
SETGÁS – Sociedade de Distribuição de Gás Natural, SA	1,061	1,061	-
Dianagás – Sociedade Distribuidora de Gás Natural de Évora, SA	561	561	-
Duriensegás – Sociedade Distribuidora de Gás Natural do Douro, SA	477	477	-
Agroger, S.A.	441	-	441
	198,854	**181,498**	**17,356**

The amount of €7,420 k in caption “Sale of finished goods to be invoiced by the service stations” relates to sales made up to 31 December 2014 through Galp Frota cards, which will be invoiced in the subsequent months.

Expenses recorded in caption “Deferred costs - Costs relating to service station concession contracts” in the amount of €31,163 k are booked as expenses during the corresponding concession period, which ranges from 17 up to 32 years.

Caption "Accrued income – Adjustment to tariff deviation – Energy tariff - ERSE regulation" is detailed as follows:

(€ k)

Wholesale gas commercialization activity - Energy Tariff (CURG)	2013	Recovery of Energy tariff deviation	Variation	Reclassifications	2014
Gas Year 2008-2009					
First half of Gas Year 2008-2009 (31,12.2008)	32,325	-	-	-	32,325
Second half of Gas Year 2008-2009 (30,06.2009)	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 - Amortization	(51,362)	(14,013)	-	-	(65,375)
	16,029	**(14,013)**	**-**	**-**	**2,016**
Second half of 2009					
Second half of 2009	8,314	-	-	-	8,314
	8,314	**-**	**-**	**-**	**8,314**
Fiscal Year of 2010					
First half of 2010	14,651	-	-	-	14,651
Second half of 2010	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 2012					
First half of 2012	(4,224)	-	-	-	(4,224)
Second half of 2012	562	-	-	-	563
	(3,661)	**-**	**-**	**-**	**(3,661)**
Fiscal Year of 2013					
First half of 2013	(657)				(657)
Second half of 2013	(5,820)		4,746		(1,074)
	(6,477)		**4,746**		**(1,731)**
Fiscal Year of 2014					
First half of 2014	-	-	(6,275)	-	(6,275)
Second half of 2014	-	-	(4,164)		(4,164)
	-	**-**	**(10,439)**	**-**	**(10,439)**
	63,424	**(14,013)**	**(5,693)**	**-**	**43,718**
Accrued Costs (Note 24)	(10,138)	-	(5,693)	-	(15,831)
Accrued income (Note 14)	73,562	(14,013)	-	-	59,549
	63,424	**(14,013)**	**(5,693)**	**-**	**43,718**

Caption "Adjustment to tariff deviation – Energy tariff" in the amount of €43,718 k refers to 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 through 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.

In 31 December 2014, Galp had recognised an amount of €45,537 k as non-current asset related to the energy tariff deviation. This amount intends to reflect the ERSE publication, with the estimated payback period of the tariff deviation being 6 years.

In 2014, Group recovered the energy tariff deviation relating to the 2008-2009 Gas Year, in the amount of €14,013 k. This deviation was included in portion II of the UGS tariff and was subsequently invoiced to the transportation network operator, REN Gasodutos, S.A., and companies Sonorgás, S.A., Tagusgás, S.A and EDP GÁS - Serviço Universal, S.A., in accordance with the tariff regulation.

Caption "Accrued income – regulated revenue – ERSE regulation" is detailed as follows:

(€ k)

	2013	Adjustment to regulated tariff - regulated revenue ERSE regulation (Note 5)	Regulated Revenue in respect of Gas year - Amortization/ Reversion (Note 5)	Adjustment between the estimated regulated revenue and the revenues invoiced (Note 5)	Other reclassifications	2014
Fiscal Year of 2011						
First half of 2011	(9,838)	-	-	-	-	(9,838)
Second half of 2011	37,385	-	-	-	-	37,385
Adjustment of 2011	(2,694)	(2,694)	-	-	-	(5,388)
Regulated Revenue Reversal of 2011	(11,412)	-	(10,747)	-	-	(22,159)
	13,441	**(2,694)**	**(10,747)**	**-**	**-**	-
Fiscal Year of 2012						
First half of 2012	17,495					
Second half of 2012	13,322	-	-	-	-	17,495
Adjustment of 2012	-	223	-	-	-	223
Regulated Revenue Reversal of 2012	(42)	-	(15,612)	-	-	(15,654)
	30,775	223	(15,612)	-	-	15,386
Fiscal Year of 2013						
First half of 2013	(821)					(821)
Second half of 2013	22,754	-	-	15	-	22,769
	21,933	-	-	15	-	21,948
Fiscal Year of 2014						
First half of 2014	-	-	-	(947)	-	(947)
Second half of 2014	-	-	-	9,244	-	9,244
	-	-	-	8,297	-	8,297
	66,149	**(2,471)**	**(26,359)**	**8,312**	**-**	**45,631**
Accrued Costs (Note 24)	(18,927)	175	5,196	(15,475)	9,230	(19,801)
Accrued income (Note 14)	85,076	(2,646)	(31,555)	23,787	(9,230)	65,432
	66,149	**(2,471)**	**(26,359)**	**8,312**	**-**	**45,631**

Caption "Adjustment to tariff deviation – regulated revenue" amounting €45,631 k relates to the difference between the estimated regulated revenue published for each regulated activity and the invoiced amount (Note 2.13). These amounts earn three months Euribor interest rate.

The amounts payable or receivable in respect of each Gas Year are presented for each activity on a net basis, depending on the nature in each Gas Year, since this is the ERSE approval method of the adjustments to regulated revenue.

Since 2010, ERSE regulated accounts – Regulatory Authority of Energy Sector began to be reported in accordance with the calendar year. As such, the initial balances were reclassified to a calendar year basis.

During the year ended 31 December 2014 the differences in respect of 2012 regulated revenue were fixed, in the receivable amount of €30,998 k. As the accrual accounted for was insufficient, the amount of €223 k was recorded in the caption "Sales".

As referred in Note 2.13 the total recoverable amount was included by ERSE in the recoverable regulated revenue in the Gas year 2014-2015. Galp Energia is recognizing in its consolidated income statements the reversal of the approved tariff deviation.

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 non-straightened capital cost recoverable, recoverable over 6 years. The accrued amounts refer to the recoverable tariff values for the gas year 14-15 and gas year 15-16.

The following is an aging schedule of other receivables as of 31 December 2014 and 2013:

(€ k)

Aging	Not overdue		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	
2014										
Gross	1,715,522		24,122	2,038	1,311	395	5,360	6,347	1,755,095	
Impairment	(2,753)		-	-	(142)	(438)	(544)	(6,282)	(10,159)	
	1,712,769		**24,122**	**2,038**	**1,169**	**(43)**	**4,816**	**65**	**1,744,936**	
2013										
Gross	1,801,567	(a)	1,437	766	5,319	126	676	6,220	1,816,111	(a)
Impairment	-		-	-	(154)	(148)	(564)	(6,124)	(6,990)	
	1,801,567	**(a)**	**1,437**	**766**	**5,165**	**(22)**	**112**	**96**	**1,809,121**	**(a)**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

Group considers as amounts not yet due, the balance of other receivables not overdue and the captions "Accrued income" and "Deferred costs" amounting to €493,617 k and €502,837 k in 2014 and 2013, respectively.

Overdue balances that were not adjusted comprise receivables for which there are payment agreements or a global or partial expectation of recovery.

Galp Energia holds collateral guarantees on accounts receivable, namely bank guarantees and security deposits, in the amount of €103,330 k, as of 31 December 2014.

15. TRADE RECEIVABLES

Caption "Trade receivables" as of 31 December 2014 and 2013 had the following detail:

	December 2014		December 2013	
Caption	**Current**	**Non-current**	**Current**	**Non-current**
Trade receivables - current accounts	1,082,235	24,242	1,318,268 (a)	24,322
Trade receivables - doubtful accounts	256,194	-	201,375	-
Trade receivables - notes receivable	5,686	-	7,075	-
	1,344,115	**24,242**	**1,526,718**	**24,322**
Impairment of trade receivables	(228,828)	-	(199,678)	-
	1,115,287	**24,242**	**1,327,040 (a)**	**24,322**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

Caption "Trade receivables – current accounts" under non-current debt, in the amount of €24,242 k and €24,322 k, for the years ended 31 December 2014 and 2013, respectively, refer to client debt settlement agreements with term exceeding one year.

Changes in caption "Impairment of trade receivables" for the year ended 31 December 2014 were as follows:

(€ k)

Caption	Opening Balance	Increases	Decreases	Utilisation	Adjustments	Ending Balance
Impairment of trade receivables	199,678	42,884	(8,660)	(5,001)	(73)	228,828

The increase and decrease in the caption "Impairment of trade receivables" in the net amount of €34,224 k was recorded in the caption "Provision and impairment loss on receivables" (Note 6).

The following is an aging schedule of Group trade receivables as of 31 December 2014 and 2013:

(€ k)

Aging of trade receivables	Not overdue	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
2014								
Gross	761,890	333,001	12,485	37,856	37,783	22,412	162,930	1,368 357
Adjustments	(451)	(1,445)	(1,646)	(17,651)	(35,744)	(19,717)	(152,174)	(228,828)
	761,439	**331,556**	**10,839**	**20,205**	**2,039**	**2,695**	**10,756**	**1,139,529**
2013								
Gross	1,164 249 (a)	121,386	41,061	45,824	38,665	20,067	119,788	1,551,040 (a)
Adjustments	-	(277)	(1,292)	(27,427)	(36,181)	(18,568)	(115,933)	(199,678)
	1,164 249 (a)	**121,109**	**39,769**	**18,397**	**2,484**	**1,499**	**3,855**	**1,351,362 (a)**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

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 2014 and 2013, had the following detail:

(€ k)

Captions	December 2014	December 2013
Raw, subsidiary and consumable materials:		
Crude oil	146,324	53,840
Other raw materials	45,216	41,980
Raw material in transit	179,138	622,017
	370,678	**717,837**
Impairment of raw, subsidiary and consumable materials	(44,466)	(11,019)
	326,212	**706,818**
Finished and semi-finished products:		
Finished products	156,997	244,254
Semi-finished products	238,199	325,271
Finished products in transit	6,394	12,083
	401,590	**581,608**
Impairment of finished and semi-finished products	(40,781)	(23)
	360,809	**581,585**
Work in progress	192	91
	192	**91**
Merchandise	551,876	558,784
Merchandise in transit	359	100
	552,235	**558,884**
Impairment of merchandise	(29,074)	(1,771)
	523,161	**557,113**
	1,210,374	**1,845,607**

Merchandise as of 31 December 2014, in the amount of €551,876 k mainly consist of natural gas in pipelines in the amount of €137,482 k, inventories of crude oil derivative products of subsidiaries Galp Energia España, S.A., Empresa Nacional de Combustiveis – ENACOL, S.A.R.L. and Petrogal Moçambique, Lda. in the amounts of €377,768 k, €13,561 k and €8,849 k, respectively.

As of 31 December 2014 and 2013, the Group's liabilities to competitors for strategic reserves, which are satisfied by advances on account of sales, amounted to €48,781 k and €149,312 k, respectively (Note 24). This reduction is explained by legislative amendment and the amendment of the National Entity acting for Fuel Market, E.P.E (ENMC), that assumed increased responsibilities for strategic reserves from other operators, having contracted with the Group the figure of "tickets" that allow to ensure the stocks with the Group.

The subsidiary Petróleos de Portugal – Petrogal, SA has a contract with "Entidade Nacional para o Mercado de Combustíveis, E.P.E." (ENMC) for the storage and exchange of crude and for the storage of refined products, from the national strategic reserve. 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 crude and refined products under this contract are not accounted for in Group financial statements.

Changes in caption "Impairment of inventories" for the year ended 31 December 2014 were as follows:

(€ k)

Captions	Begining balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Impairment of raw, subsidiary and consumable materials	11,019	33,447	-	-	-	44,466
Impairment of finished and semi-finished products	23	40,841	-	(134)	51	40,781
Impairment of merchandise	1,771	28,135	(38)	(27)	(767)	29,074
	12,813	**102,423**	**(38)**	**(161)**	**(716)**	**114,321**

The net increase in impairment, amounting to €102,385 k was recorded in caption "Cost of sales" in the income statement (Note 6).

17. OTHER INVESTMENTS

Caption "Other investments" as of 31 December 2014 and 2013, had the following detail:

(€ k)

	December 2014		December 2013	
Other investments	**Current**	**Non-current**	**Current**	**Non-current**
Financial instruments at fair value through profit and loss (Note 27)				
Swaps over Commodities	6,986	405	9,383	6,066
Swaps over interest rate	-	-	-	-
Swaps over currency	3,150	-	105	-
	10,136	**405**	**9,488**	**6,066**
Bank deposits (Note 18)				
Term deposits	-	-	640	-
	-	**-**	**640**	**-**
Other Financial Assets				
Other	-	20,973	-	18,464
	-	**20,973**	**-**	18,464
	10,136	**21,378**	**10,128**	**24,530**

As of 31 December 2014 and 2013, financial derivative instruments are recorded at their respective fair value, reported at those dates (Note 27).

18. CASH AND EQUIVALENTS

Caption "Cash and cash equivalents" as of 31 December 2014 and 2013, had the following detail:

(€ k)

Captions	December 2014	December 2013	
Cash	6,664	3,961	
Current account	111,453	155,569	(a)
Term deposits	1,419	5,394	
Other negotiable securities	35,020	72,100	
Other treasury applications	989,426	1,267,300	
Cash and cash equivalents in the consolidated statement of financial position	**1,143,982**	**1,504,324**	(a)
Other current investments (Note 17)	-	640	
Bank overdrafts (Note 22)	(120,586)	(98,792)	
Cash and cash equivalents in the consolidated statement of cash flow	**1,023,396**	**1,406,172**	(a)

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

Caption "Other negotiable securities" mainly includes:
- €28,001 k referring to bank deposit certificates;
- €7,156 k in electricity futures;
- Negatives €139 k in commodities futures (Brent).

These futures are recorded in this caption due to their high liquidity (Note 27).

Caption "Other treasury applications" includes applications of cash surplus, with less than three months maturities, within the following Group companies:

		(€ k)
Company	December 2014	December 2013
Galp Energia E&P, B.V.	940,549	1,146,987
Petróleos de Portugal – Petrogal, S.A.	13,590	67,435
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	8,450	8,550
Galp Gás Natural, S.A.	8,389	24,654
Galp Sinopec Brazil Services B.V.	7,001	-
Beiragás – Companhia de Gás das Beiras, S.A.	6,000	2,075
Galp Exploração Serviços do Brasil, Lda.	2,749	1,863
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.	2,200	700
Galp Energia Brasil S.A.	498	6,396
Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A.	-	6,300
Powercer – Sociedade de Cogeração da Vialonga, S.A.	-	2,340
	989,426	**1,267,300**

19. SHARE CAPITAL

Capital Structure

In 28 March 2014, Eni placed on the market, shares representing approximately 7% of Galp Energia's share capital through an accelerated book building. Meanwhile, Eni decided to sell in stock market 0.34% of Galp Energia's share.

In 23 June 2014, Eni announced the completion of the sale of Galp Energia's shares in the stock market. Eni sold shares representing approximately 1% of the share capital of Galp Energia. These shares correspond to the residual part of shares subject to the right of first offer of Amorim Energia under the agreement previously announced to the market, which was not exercised. Therefore, Eni now holds 66,337,592 shares representing approximately 8% of the share capital of Galp as underlying asset of exchangeable bonds issued by Eni on 30 November 2012

Following these changes in Galp Energia's capital structure, free float went from 38.32% by the end of 2013 up to 46.66% by the end of 2014.

Under the agreements signed by the Parties which, under the terms in paragraph 1.c) of article 20 of the Portuguese Securities Code ("Código dos Valores Mobiliários"), contemplated that the voting rights corresponding to shares held by each of those Parties were allocated to the remaining, this fact ceased its effects in relation to CGD when sold its 1% interest in Galp Energia's share capital. Regarding Amorim Energia and Eni, on 26 July 2013, the Italian company informed Galp Energia that the inherent voting rights from the qualified holding held by Amorim Energia, were not allocable to Eni, despite voting rights held by Eni were still allocable to Amorim Energia.

By the end of 2014, Eni held a qualified stake of 8.00% in Galp Energia's share capital, and the corresponding voting rights, while a total percentage of 46.34% of voting rights were allocable to Amorim Energia.

As a result of the above, the Company's fully subscribed and paid up share capital as of 31 December 2014 was held as follows:

	Nbr. of Shares	% of Capital	% of Voting Rights
Amorim Energia, B.V.	317,934,693	38.34%	46.34%
Eni, S.p.A.	66,337,592	8.00%	8.00%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free-float	386,898,836	46.66%	46.66%
Total	**829,250,635**	**100.00%**	-

20. RESERVES

As of 31 December 2014 and 2013, caption translation reserves and other reserves had the following detail:

		(€ k)
	December 2014	December 2013
Translation reserves:		
Reserves - financial allocations ("quasi equity")	(193,989)	(133,485)
Reserves - Tax on financial allocations ("quasi equity") (Note 9)	77,675	57,265
	(116,314)	**(76,220)**
Reserves - Conversion of financial statements	131,765	(208,958)
Reserves - Goodwill rate update	2,218	1,060
	17,669	**(284,118)**
Hedging reserves:		
Reserves - financial derivatives	(744)	(1,743)
Reserves - Deferred tax on financial derivatives (Note 9)	-	335
	(744)	**(1,408)**
Other reserves:		
Legal reserve	165,850	165,850
Free distribution reserves	27,977	27,977
Special reserves	(443)	(443)
Reserves - Capital increase in subsidiaries Petrogal Brazil, S.A. and Galp Sinopec Brazil Services B.V.	2,493,088	2,493,088
Reserves - Increase of 10,7532% in 2012 and of 0,3438% in 2013 of stake in the share capital of subsidiary Lusitaniagás - Companhia de Gas do Centro, S.A.	(2,027)	(2,027)
Reserves - Increase of 40% of stake in the share capital of Probigalp - Ligantes Betuminosos, S.A.	-	(3,975)
Reserves - Increase of 99% of stake in the share capital of subsidiary Enerfuel, S.A.	(31)	(31)
	2,684,414	**2,680,439**
	2,701,339	**2,394,913**

Translation reserve:
The movement in the year ended 31 December 2014, in caption "Translation reserve", was the following:

i) €131,765 k relating to positive translation differences resulting from the translation of the financial statements in foreign currency to Euro:

(€ k)

	Exchange rate on December 31, 2013	Initial balance	Variation	Ending balance	Exchange rate on December 31, 2014
Reserves of currency exchange conversion - By currency					
Gambian Dalasi	51.69	(743)	160	(583)	51.30
US Dollars	1.38	(122,330)	370,152	247,822	1.21
Cape Verde Escudos	110.27	(69)	-	(69)	110.27
CFA Francs	655.96	(202)	-	(202)	655.96
Angolan Kwanzas	134.47	(1,774)	79	(1,695)	124.57
Swazi Lilangeni	14.40	(436)	140	(296)	13.97
Mozambican Meticais	41.53	(5,525)	957	(4,568)	40.36
Brazilian Reais	3.26	(77,879)	(30,765)	(108,644)	3.22
	-	**(208,958)**	**340,723**	**131,765**	-

ii) €116,314 k relating to negative translation differences of the financial allocations of Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A. and Winland International Petroleum, SARL (W.I.P.) to Petrogal Brasil, Lda., in Euros and US Dollars, which are not remunerated and for which there is no intention of reimbursement similar to share capital ("quasi capital"), thus integrating the net investment in that foreign operational unit in accordance with IAS 21;

iii) €2,218 k relating to negative translation differences resulting from the 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 2014 the amount of €744 k relating to fair value of financial derivatives - hedging cash flow.

Other reserves:

Legal reserves
In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. Although legal reserve cannot be distributed to shareholders it may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been utilised. In 2014 the caption did not change as the legal reserves have already achieved 20% of share capital.

Special reserves
The amount of €443 k in caption special reserves includes €463 k relating to a deferred tax correction – revaluation of equity in the subsidiary Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A. and the negative amount of €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.
On 28 March 2012, company Winland International Petroleum, SARL (W.I.P.), subsidiary of Tip Top Energy, SARL. (Sinopec Group), subscribed and realised a capital increase in the amount of US$4,797,528,044.74 in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services B.V (previously named Galp Brazil Services, B.V.), with the former becoming the owner of 30% of the share capital and voting rights of both subsidiaries.

With the capital increase completed, Galp Group maintained operational and financial control of the companies, in which it now holds 70% of share capital and voting rights, and continues, in accordance with IAS 27, to consolidate its assets using the full consolidation method. Hence, the difference between the realised amount of capital increase and the book value of share capital at the date of the capital increase was recognised under "Share capital", in caption "Reserves" in the amount of €2,493,088 k.

Reserves – Increase by 11.097% of share capital of subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A
In July 2012, Group acquired 10.7532% of the share capital of subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A., which was previously controlled by the Group and consolidated using the full consolidation method. Hence, the difference between paid amount and the book value of share capital at the date of the acquisition was recognised under "Share capital", in caption "Reserves" in the amount of €1,935 k.

In May 2013, Group acquired 0.3438% of the share capital of subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A from Revigrés – Indústria de Revestimentos de Grés, Lda., having recognised under "Share capital", in caption "Reserves" the amount of €92 k, due to the difference between paid amount and book value.

Reserves – Increase by 99% of share capital of subsidiary Enerfuel, S.A
In July 2013, Group acquired 99% of the share capital of Enerfuel, S.A., under the agreement signed in August 2012 in which it committed to acquire the remaining stake on the final conclusion date of the industrial unit project. Because control was exercised by the Group, the company was already being consolidated using the full consolidation method. Hence, the difference between paid amount and the book value of share capital at the date of the acquisition was recognised under "Share capital", in caption "Reserves" in the amount of €31 k.

Reserves – Increase by 40% of share capital of subsidiary Probigalp - Ligantes Betuminosos, S.A
In September 2013, Group acquired 40% of the share capital of subsidiary Probigalp - Ligantes Betuminosos, S.A., which was previously controlled by the Group and consolidated using the full consolidation method. Hence, the difference between paid amount and the book value of share capital at the date of the acquisition was recognised under "Share capital", in caption "Reserves" in the amount of €3,975 k. In year ended 31 December 2014, the subsidiary was liquidated and the Group recognised in the income statement the amount of €3,975 k (Note 3 and 4.2).

21. NON-CONTROLLING INTERESTS

As of 31 December 2014 and 2013, equity caption "Non-controlling interests" refers to the following subsidiaries:

(€ k)

		Balance at December 2013	Capital and reserves	Dividends granted (f)	Prior year results	Translation reserves	Retained earnings-Actuarial Gains and Losses	Net result for the year	Balance at December 2014
Galp Sinopec Brazil Services B.V.		981,838	-	-	-	134,471	-	10,994	1,127,303
Petrogal Brasil, S.A.	(a)	205,356	9,302	(10,129)	12	(16,622)	-	37,871	225,790
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.		23,151	-	(1,159)	-	-	(2)	1,814	23,804
Empresa Nacional de Combustíveis – Enacol, S.A.R.L		19,222	-	-	(204)	-	-	1,229	20,247
Beiragás – Companhia de Gás das Beiras, S.A.		13,846	-	-	-	-	-	1,807	15,653
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda.		1,950	-	-	(279)	-	-	951	2,622
Lusitaniagás – Companhia de Gás do Centro, S.A.	(b)	2,362	(7)	(900)	(16)	-	-	332	1,771
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.		900	-	(16)	-	-	-	296	1,180
Saaga – Sociedade Açoreana de Armazenagem de Gás, S.A.		1,250	-	(314)	(7)	-	-	171	1,100
Setgás Comercialização, S.A.		884	-	-	-	-	-	115	999
CLCM – Companhia Logística de Combustíveis da Madeira, S.A.		1,004	-	(854)	-	-	-	493	643
Sopor – Sociedade Distribuidora de Combustíveis, S.A.	(c)	1,338	(2,632)	-	2,258	-	-	(964)	-
Powercer – Sociedade de Cogeração da Vialonga, S.A.	(d)	598	(18)	-	(1,048)	-	-	468	-
Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A.		1,428	-	(1,407)	-	-	-	(730)	(709)
Petrogás Guiné Bissau – Importação, Armazenagem e Distribuição de Gás, Lda.	(e)	(233)	-	-	(2)	-	-	16	(219)
		1,254,894	**6,645**	**(14,779)**	**714**	**117,849**	**(2)**	**54,863**	**1,420,184**

(a) On 29 January 2014, subsidiary Petrogal Brasil, B.V. and company Winland International Petroleum, SARL (W.I.P.), shareholders of Petrogal Brasil, S.A., subscribed a capital increase in the amount of €21,705 k and €9,302 k, respectively. The amount of €9,302 k corresponds to variation of non-contolling interests in caption "Share premiums".

(b) Subsidiary Lusitaniagás - Companhia de Gas do Centro, S.A., which was previously owned at 96.8109%, became owned at 96.84293% by the Group. Due to the increase of 0.032%, a negative amount of €23 k, relating to the variation in the percentage held by the Group, was recorded in Non-controlling interests (Note 3).
The negative amount of €7 k corresponds to the variation of non-controlling interests in captions "Share capital" and "Share premiums". The negative amount of €16 k corresponds to the variation of non-controlling interests in caption "Retained earnings" until the date interests were transferred.

(c) In 30 December 2014, the subsidiary Sopor – Sociedade Distribuidora de Combustíveis, S.A. was dissolved (Note 3).
The negative amount of €2,632 k corresponds to the variation of non-controlling interests in caption "Share capital". Legal Reserves and the negative amount of €2,258 k corresponds to the variation of non-controlling interests in caption "Retained earnings" until the date interests were liquidated.

(d) In 22 December 2014, the subsidiary Powercer – Sociedade de Cogeração da Vialonga, S.A. was dissolved (Note 3).
The negative amount of €18 k corresponds to the variation of non-controlling interests in captions "Share capital". Legal Reserves and the negative amount of €1,048 k corresponds to the variation of non-controlling interests in caption "Retained earnings" until the date interests were liquidated.

(e) As of 31 December 2014, the subsidiary has 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.

(f) From the amount of €14,779 k of attributed dividends, €12,150 k were paid in the year ended 31 December 2014.

22. LOANS

Loans detail

Loans obtained as of 31 December 2014 and 2013 had the following detail:

(€ k)

	December 2014		December 2013	
	Current	Non-current	Current	Non-current
Bank loans				
Loans	182,845	1,116,991	129,407	1,466,909
Bank overdrafts (Note 18)	120,586		98,792	-
Discounted Notes	3,668		5,118	-
	307,099	**1,116,991**	**233,317**	**1,466,909**
Origination fees	(3,856)	(3.590)	(6,777)	(2.193)
	303,243	**1,113,401**	**226,540**	**1,464,716**
Other loans obtained:				
IAPMEI	2	177	2	194
	2	**177**	**2**	**194**
	303,245	**1,113,578**	**226,542**	**1,464,910**
Bonds and Notes				
Bonds	-	1,270,000	150,000	1,350,000
Notes	-	1,000,000	-	500.000
	-	**2,270,000**	**150,000**	**1,850,000**
Origination fees	-	(22,459)	(3,222)	(11.188)
		2,247,541	**146,778**	**1,838,812**
	303,245	**3,361,119**	**373,320**	**3,303,722**

The current and non-current loans, excluding origination fees, bank overdrafts and discounted notes, as of 31 December 2014 had the following repayment plan:

(€ k)

	Loans		
Maturity	**Total**	**Current**	**Non-current**
2015	182,847	182,847	-
2016	456,036	-	456,036
2017	503,970	-	503,970
2018	804,739	-	804,739
2019	709,432	-	709,432
2020	306,999	-	306,999
2021	535,090	-	535,090
2022 and subsequent years	70,902	-	70,902
	3,570 015	**182,847**	**3,387,168**

Domestic and foreign loans as of 31 December 2014 and 2013 are expressed in the following currencies:

		December 2014		December 2013	
Currency		**Initial total amount**	**Amount due (€k)**	**Initial total amount**	**Amount due (€k)**
US Dollars	USD	326,000	268,512	456,673	329,737
Cape Verde Escudos	CVE	307,939	2,793	146,338	1,327
Euros	EUR	3,519,888	3,296,143	4,038,432	3,265,252
Mozambican Meticais	MZM	96,369	2,388	-	-
		-	-		
			3,569,836		**3,596,316**

The average interest rates on loans and bank overdrafts supported by Group, in the first nine months of 2014, amounted to 4.21% and 5.44% if we include exchange differences. These rates do not include commissions of early repayment of loans.

Description of the main loans

Underwriting of commercial paper

On 31 December 2014, the Group has contracted commercial paper underwritten totalling €965,000 k, which are divided into €865,000 k of medium and long term and €100,000 k of short term. Of these amounts, €290,000 k were used at medium and long term and €100,000 k at short term.

These underwritings bear interests at a Euribor rate for the respective period of issuance, plus variable spreads defined in the contractual terms of the commercial paper programs underwritten by the Group. The specified interest rate refers to the amount of each issue and remains unchanged during the respective period of the issue.

Bank Loans

As of 31 December 2014, bank loans have the following detail:

(€ k)

Entity	Amount due	Interest rate	Maturity	Reimbursement
Banco Itaú	103,781	Libor 6M + spread	April '17	50% @ April 16 50% @ April 17
ICBC	164,731	Libor 6M + spread	December '18	December 18

Additionally, the Group recorded the amount of €41,130 k in internal non-current loans obtained by: Agroger - Sociedade de Cogeração do Oeste S.A., Beiragás – Companhia de Gás das Beiras, S.A. and CLCM – Companhia Logística de Combustíveis da Madeira, S.A.

Main loans contracted with European Investment Bank (EIB), as of 31 December 2014, have the following detail:

Entity	Amount due	Interest rate	Maturity	Reimbursement
EIB (Oporto cogeneration)	50,000	Fixed rate	October '17	October '17
EIB (Installment A - Sines cogeneration)	25,678	Fixed rate	September '21	Semi-annual installments beginning in March '10
EIB (Installment B - Sines cogeneration)	13,239	Euribor 6M + Spread	March '22	Semi-annual installments beginning in September '10
EIB (Installment A - refinery conversion)	264,000	Revisable fixed rate	February '25	Semi-annual installments beginning in August '12
EIB (Installment B - refinery conversion)	176,000	Fixed rate	February '25	Semi-annual installments beginning in August '12

Additionally, the Group has two other loans contracted with EIB in the amount of €55,560 k.

The loans contracted with the European Investment Bank, with the purpose of financing the implementation of cogeneration projects at the Sines and Oporto refineries, and instalment A of the conversion of the Sines and Oporto refineries, are granted under a signed contract with Petrogal, S.A.

The remaining loan with the European Investment Bank, in the amount of €234,636 k, is granted under a signed contract with a Bank Syndicate.

Bonds

As of 31 December 2014, issued bonds had the following detail:

(€ k)

Issue	Amount due	Interest rate	Maturity	Reimbursement
GALP ENERGIA/2013-€600 M. FRN-2017	600,000	Euribor 6M + spread	May '17	50% @ May '16 50% @ May '17
GALP ENERGIA/2012-FRN-2018	260,000	Euribor 3M + spread	February '18	February '18
GALP ENERGIA/2013-2018	110,000	Euribor 3M + spread	March '18	March '18
GALP ENERGIA/2013-€200 M. - 2018	200,000	Euribor 6M + spread	April '18	April '18
GALP ENERGIA/2012-2020	100,000	Euribor 6M + spread	June' 20	June' 20

Issue of Notes

Galp Energia established, under its financing plan, an EMTN Programme ("EUR 5,000,000,000 Euro Medium Term Note Programme").

On 15 November 2013, under the EMTN Programme, Galp Energia issued notes in the amount of €500.000 k, due on 25 January 2019 with a coupon of 4.125%, which are admitted for negotiation at the London Stock Exchange.

On 7 July 2014, under the EMTN Programme, Galp Energia issued notes in the amount of €500.000 k, due on 14 January 2021 with a coupon of 3%, which are admitted for negotiation at the London Stock Exchange.

23. RETIREMENT AND OTHER EMPLOYEE BENEFITS

As mentioned in Notes 2.10 and 2.11, some Group companies assumed liabilities relating to retirement benefits and other employee benefits. In 2014, the Group companies did not make any contributions to their Pension Funds.

As of 31 December 2014 and 2013, the Petrogal Pension Fund, Sacor Marítima Pension Fund and GDP Pension Fund assets, measured at fair value, in accordance with the report of the fund management entity were as follows:

(€ k)

	December 2014	December 2013
Bonds	218,366	218,666
Shares	65,531	73,312
Other investments	11,304	10,360
Real estate	32,678	32,752
Liquidity	7,071	3,645
	334,950	**338,735**

As of 31 December 2014, the Group had recorded the following amounts relating to retirement and other benefit liabilities:

Captions	Assets (Note 14)	Liabilities	Equity (€ k)
Retirement benefits:			
Relating to the Pension Fund	10,635	(1,276)	26,742
Retired employees	-	(3,565)	1,614
Pre-retirement	-	(72,930)	9,239
Early retirement	-	(75,473)	3,042
Retirement bonus	-	(6,974)	(168)
Voluntary social insurance	-	(2,600)	3,473
Other	-	(384)	(122)
Other benefits:			
Healthcare	-	(236,627)	80,348
Life insurance	-	(2,919)	(204)
Defined contribution plan minimum benefit	-	(7,843)	(148)
	10,635	**(410,591)**	**123,816**

Caption "pre-retirement" in the amount of €72,930 k includes €9,402 k, €1,888 k, €737 k, and €388 k from Petrogal, S.A., Lisboagás, S.A., Galp Energia,S.A. and Sacor Marítima,S.A. respectively, to cover the early retirements already agreed which will only be effective in 2015.

Employee cost caption "retirement benefits" in the amount of €52,858 k (Note 6) mainly includes: (i) €1,569 k relating to benefits affected to the fund; (ii) €38,875 k relating to other retirement benefits; (iii) a loss of €4,878 k from other benefits; (iv) €2,456 k relating to the defined contribution plan; (v) a loss of €4,564 k relating to pre-retirements and early retirements not included in other benefits.

The difference of €24,246 k, in the detail of the Equity presented above and caption retained earnings – actuarial gains and losses in the consolidated statement of financial position relates to the amount of deferred tax.

The following table shows the number of participants and beneficiaries per each category:

	December 2014	December 2013
Assets	1,990	2,219
Pre-Retired	352	280
Early Retirements	305	255
Disability Retirements	84	90
Elderly Retirements	3,028	3,131
Pensioners - Widowood/Orphanhood	1,750	1,586
	7,509	**7,561**

In 2014 there were 94 new cases of pre-retirement, 58 new cases of early retirement and 11 leavers for termination by mutual agreement.

Average maturity of liabilities for the defined benefit plans is 10.4 years.

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 the respective liability for retirement benefits are as follows:

		(€ k)
	Group in Portugal	
	2014	2013
Assumptions		
Rate of return on assets	2.75%	3.75%
Technical interest rate	2.75%	3.75%
Rate of increase in salaries	1.00%	1.00%
Rate of increase in pensions	[0,00% - 2,00%]	[0% - 0.5%]
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011
Retired personnel mortality table	INE 2009-2011	INE 2009-2011
Disability table	50% EVK 80	50% EVK 80
Common age for retirement	65 or 66	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous period	333,875	376,571
Current service cost	1,260	2,773
Interest cost	12,043	16,360
Actuarial (gain)/loss	21,326	(38,129)
Benefit payments made by the Fund	(26,154)	(26,282)
Cut back - Early retirements	747	5,314
Cut back - Pre-retirement	(210)	(2,354)
Cut Back - Mutual termination agreement	(179)	-
Cut Back - Migration to CD	(17,194)	-
Liquidations	-	(381)
Other adjustments	1	3
PSL at the end of the current period	**325,515**	**333,875**
Changes in coverage of financial assets (pension fund)		
Assets at the end of the previous period	338,735	352,147
Expected return	12,226	15,261
Benefit payments	(26,154)	(26,282)
Cut Back - Migration to CD	(17,194)	-
Financial gains/(losses)	27,337	(2,391)
Assets at the end of the current period	**334,950**	**338,735**
Conciliation of gains and losses		
(Gain)/loss from actuarial experience	(6,504)	8,619
(Gain)/loss by actuarial assumptions change	27,830	(46,748)
Financial (Gain)/loss	(27,337)	2,391
Other impacts	6,011	35,738
(Gains)/losses to be recognized in the year-end	-	-
Conciliation to the Statement of Financial Position		
(Gains) / losses to be recognized at the beginning of the year	4,860	(24,424)
Net cost of the period	(1,435)	(6,451)
Gains / (losses) recognized - through Comprehensive Income	6,011	35,738
Other impacts	(1)	(3)
Total recognized at period end - Assets / (Liabilities)	**9,435**	**4,860**
Net cost of the year		
Current service cost	1,260	2,773
Interest cost	(183)	1,099
Net cost of the period before special events	**1,077**	**3,872**
Cut back impact - Early Retirement	747	5,314
Cut back impact - Pre-retirement	(210)	(2,354)
Liquidations impacts	(179)	(381)
Net cost of the year	**1,435**	**6,451**
Reconciliation of gains and loss recognized- through Comprehensive Income		
(Gains) / losses to be recognized at the beginning of period	30,415	66,151
Actuarial (Gains) and Losses from experience	(6,504)	8,619
(Gains) / losses from change in assumptions	27,830	(46,748)
Financial (Gains) / losses	(27,337)	2,391
Other impacts	-	2
(Gains) / losses to be recognized at the end of period	**24,404**	**30,415**

(€ k)

	Group in Spain	
	2014	**2013**
Assumptions		
Asset remuneration rate	2.30%	3.75%
Technical interest rate	2.30%	3.75%
Salary increase rate	2.50%	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	372	452
Current service cost	10	11
Interest cost	13	14
Actuarial (gain) / loss	74	(23)
Liquidations	21	(88)
Other Adjustments	(59)	6
PSL at the end of the current period	**431**	**372**
Changes in the coverage of financial assets (pension fund)		
Asset value at the end of the previous period	428	413
Expected return	15	13
Associate's Contribution	(26)	117
Liquidations	21	(88)
Financial Gains / (losses)	116	(27)
Asset value at the end of current period	**554**	**428**
Conciliation to the Statement of Financial Position		
Total recognized at the beginning of the period - Assets / (Liabilities)	56	(39)
Net cost of the period	52	(18)
Associate's Contribution	(26)	117
Gains / (Loss) recognized - through Comprehensive Income	41	(4)
Total recognized at period end - Assets / (Liabilities)	**123**	**56**
Net cost for the year		
Current service cost	10	11
Interest cost	(2)	1
Net cost of the period before special events	**8**	**12**
Settlements impacts	-	-
Other adjustments	(59)	-
Net cost for the year	(51)	18
Conciliation of gains and loss recognized- through Comprehensive Income		
(Gains) / losses to be recognized at the beginning of period	2,379	2,555
Actuarial (Gains) and Losses from experience	(17)	12
(Gains) / losses from change in assumptions	92	(35)
Financial (Gains) / losses	(116)	27
Adjustments from previous years	-	(180)
(Gains) / losses to be recognized at the end of period	**2,338**	**2,379**

Other retirement benefits not related with the pension fund:

(€ k)

	Group in 2014						
	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	N/A
Technical interest rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	
Salary increase rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
Pension increase rate	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.05% - 1.40%]	[0.05% - 1.40%]	0.00%	
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	3,754	37,945	60,388	7,919	1,666	554	112,226
Current service cost	-	7	470	293	-	14	784
Interest cost	129	1,234	2,094	289	57	20	3,823
Actuarial (gain)/loss for the year	253	8,596	8,359	(1,191)	912	39	16,968
Benefits paid by the company	(623)	(11,790)	(9,585)	(6)	(402)	(27)	(22,433)
Cut back - Early retirement	-	-	13,981	(238)	367	-	14,110
Cut back - Pre-retirement	-	24,523	(224)	(41)	-	-	24,258
Cut back - active employment	-	-	-	-	-	(216)	(216)
Liquidations	-	-	(10)	(51)	-	-	(61)
PSL at the end of the current period	**3,513**	**60,515**	**75,473**	**6,974**	**2,600**	**384**	**149,459**
Conciliation to the Statement of Financial Position							
Total recognized at the beginning of the period - Assets/(Liabilities)	(3,754)	(37,945)	(60,388)	(7,919)	(1,666)	(554)	(112,226)
Net cost of the period	(129)	(25,764)	(16,311)	(252)	(424)	182	(42,698)
Benefits paid directly by the company	623	11,790	9,585	6	402	27	22,433
Gains/(Loss) recognized - through Comprehensive Income	(253)	(8,596)	(8,359)	1,191	(912)	(39)	(16,968)
Total recognized at period end - Assets/ (Liabilities)	(3,513)	(60,515)	(75,473)	(6,974)	(2,600)	(384)	(149,459)
Net cost of the period							
Current service cost	-	7	470	293	-	14	784
Interest cost	129	1,234	2,094	289	57	20	3,823
Net cost of the period before special events	**129**	**1,241**	**2,564**	**582**	**57**	**34**	**4,607**
Cut back effect - Early Retirement	-	-	13,981	(238)	367	-	14,110
Cut back effect - Pre-retirement	-	24,523	(224)	(41)	-	-	24,258
Cut back - active employment	-	-	-	-	-	(216)	(216)
Liquidations impacts	-	-	(10)	(51)	-	-	(61)
Net cost of the period	**129**	**25,764**	**16,311**	**252**	**424**	**(182)**	**42,698**
Conciliation of gains and loss recognized- through Comprehensive Income							
(Gains)/losses to be recognized at the beginning of period	1,361	643	(5,317)	1,024	2,561	(120)	152
Actuarial (Gains) and Losses from experience	104	6,870	4,720	(1,787)	834	1	10,742
(Gains)/losses from change in assumptions	149	1,726	3,639	595	78	37	6,224
Other impacts	-	-	-	-	-	(37)	(37)
(Gains)/losses to be recognized at the end of period	**1,614**	**9,239**	**3,042**	**(168)**	**3,473**	**(119)**	**17,081**
Non-controlling interests	-	6	-	-	-	-	6
(Gains) / losses to be recognized at the end of period	**1,614**	**9,233**	**3,042**	**(168)**	**3,473**	**(119)**	**17,075**

(€ k)

	Group in 2013						
	Retired	Pre-retirement	Early Retirement	Retirement bonuses	Voluntary social insurance	Other	Total
Assumptions							
Asset remuneration rate	0	0	0	0	0	0	
Technical interest rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
Salary increase rate	[0.00% - 0.50%]	[0.00% - 0.50%]	[0.00% - 0.50%]	[0.00% - 0.50%]	[0.00% - 0.50%]	[0.00% - 0.50%]	
Pension increase rate	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
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	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	
Disability table	65	65	65	65	65	65	
Common age for retirement	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	
Method							
Changes in past service liability (PSL)							
PSL at the end of the previous period	4,852	27,000	55,707	7,325	1,881	655	97,420
Current service cost	-	8	531	231	-	20	790
Interest cost	200	1,023	2,336	322	78	29	3,988
Actuarial (gain) / loss for the year	32	(1,607)	(606)	728	5	(26)	(1,474)
Benefits paid by the company	(707)	(10,374)	(7,787)	(418)	(298)	(125)	(19,709)
Transfer of responsibility between companies	(623)	623	-	-	-	-	-
Cut back - Early retirement	-	-	10,839	(202)	-	-	10,637
Cut back - Pre-retirement	-	21,270	(632)	(14)	-	-	20,624
Liquidations	-	-	-	(53)	-	-	(53)
Other Adjustments	-	2	-	-	-	1	3
PSL at the end of the current period	**3,754**	**37,945**	**60,388**	**7,919**	**1,666**	**554**	**112,226**
Conciliation to the Statement of Financial Position							
Total recognized at the beginning of the period - Assets/(Liabilities)	(4,852)	(27,000)	(55,707)	(7,325)	(1,881)	(655)	(97,420)
Net cost of the period	(200)	(22,301)	(13,074)	(284)	(78)	(49)	(35,986)
Benefits paid directly by the company	707	10,374	7,787	418	298	125	19,709
Gains/(Loss) recognized - through Comprehensive Income	(32)	1,607	606	(728)	(5)	26	1,474
Transfer of responsibility between companies	623	(623)	-	-	-	-	-
Other adjustments	-	(2)	-	-	-	(1)	(3)
Total recognized at period end - Assets/ (Liabilities)	**(3,754)**	**(37,945)**	**(60,388)**	**(7,919)**	**(1,666)**	**(554)**	**(112,226)**
Net cost of the period							
Current service cost	-	8	531	231	-	20	790
Interest cost	200	1,023	2,336	322	78	29	3,988
Net cost of the period before special events	**200**	**1,031**	**2,867**	**553**	**78**	**49**	**4,778**
Cut back effect - Early Retirement	-	-	10,839	(202)	-	-	10,637
Cut back effect - Pre-retirement	-	21,271	(632)	(14)	-	-	20,625
Liquidations impacts	-	-	-	(53)	-	-	(53)
Net cost of the period	**200**	**22,302**	**13,074**	**284**	**78**	**49**	**35,987**
Conciliation of gains and loss recognized-through Comprehensive Income							
(Gains) / losses to be recognized at the beginning of period	1,329	2,264	(4,712)	295	2,555	(94)	1,637
Actuarial (Gains) and Losses from experience	(88)	(977)	241	1,501	(31)	2	648
(Gains) / losses from change in assumptions	120	(630)	(846)	(772)	36	(28)	(2,120)
Other impacts	-	(14)	-	-	1	-	(13)
(Gains) / losses to be recognized at the end of period	1,361	643	(5,317)	1,024	2,561	(120)	152
Non-controlling interests	-	(6)	-	-	-	-	(6)
(Gains) / losses to be recognized at the end of period	**1,361**	**649**	**(5,317)**	**1,024**	**2,561**	**(120)**	**158**

As mentioned in Note 2.10, on 31 December 2002, the Portuguese Insurance Institute authorised Galp Energia to create a defined contribution Pension Fund, giving the employees the possibility to choose between the new defined contribution pension plan and the existing defined benefits plan. In 2014, €2,456 k were recorded in the caption employee costs, relating to contributions for the year from companies associated with the Galp Energia defined contribution Pension Fund, in benefit of their employees, by transferring the amount to the fund manager.

Other Retirement Benefits – Healthcare, life insurance and defined contribution minimum benefit plan (disability and survivor):
As mentioned in Note 2.11, as of 31 December 2014, Group had a provision to cover its liability for healthcare, life insurance of current personnel past service and the total liability for the remaining population and with minimum benefit defined contribution plan. The present value of past service liability and actuarial assumptions used in the calculation are as follows:

(€ k)

	Group in 2014			
	Healthcare	**Life insurance**	**Defined contribution plan minimum benefit**	**Total**
Assumptions				
Technical interest rate	2.75%	2.75%	2.75%	
Salary increase rate	4.00%	1.00%	1.00%	
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	GKF95	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	66 *	66 *	66 *	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous period	211,532	3,615	4,872	220,019
Current service cost	3,736	118	1,024	4,878
Interest cost	7,734	131	182	8,047
Actuarial (gain) / loss	24,221	(742)	1,765	25,244
Benefits paid by the company	(10,596)	(203)	-	(10,799)
PSL at the end of the current period	**236,627**	**2,919**	**7,843**	**247,389**
Conciliation to the Statement of Financial Position				
Total recognized at the beginning of the period - Assets/(Liabilities)	(211,532)	(3,615)	(4,872)	(220,019)
Net cost of the period	(11,470)	(249)	(1,206)	(12,925)
Associated's contributions	-	-	-	-
Benefits paid directly by the company	10,596	203	-	10,799
Gains/(Loss) recognized - through Comprehensive Income	(24,221)	742	(1,765)	(25,244)
Other adjustments effect				
Effect of other adjustments	-	-	-	-
Total recognized at period end - Assets/(Liabilities)	**(236,627)**	**(2,919)**	**(7,843)**	**(247,389)**
Net cost of the period				
Current service cost	3,736	118	1,024	4,878
Interest cost	7,734	131	182	8,047
Net cost of the period	**11,470**	**249**	**1,206**	**12,925**
Conciliation of gains and loss recognized- through Comprehensive Income				
(Gains) / losses to be recognized at the beginning of period	56,127	538	(1,913)	54,752
Actuarial (Gains) and Losses from experience	(6,707)	(980)	1,328	(6,359)
Other impacts	30,928	238	437	31,603
(Gains) / losses to be recognized at the end of period	**80,348**	**(204)**	**(148)**	**79,996**
Non-controlling interests	1	(3)	14	12
(Gains) / losses to be recognized at the end of period	**80,347**	**(201)**	**(162)**	**79,984**

* For the Company Lisboagás retirement conditions are fulfilled when achieved 40 years on duty, 35 years on duty and age equal or higher than 60 years old or 65 years old with at least 43 years of discounts to social security at that age (first occurrence between the 4 conditions mentioned).

The “Current service cost” in the amount of €4.878 k was recorded in the consolidated income statement caption “Employee costs” (Note 6).

Net interest in the total amount of €8,047 k was recorded in the consolidated income statement caption “other interest paid” (Note 8).

(€ k)

	Group in 2013			
	Healthcare	**Life insurance**	**Defined contribution plan minimum benefit**	**Total**
Assumptions				
Technical interest rate	3.75%	3.75%	3.75%	
Salary increase rate	4.00%	1.00%	1.00%	
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	GKF95	
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	192,781	3,619	5,866	202,266
Current service cost	3,441	158	1,059	4,658
Interest cost	8,441	158	263	8,862
Actuarial (gain)/loss	17,407	(87)	(2,316)	15,004
Benefits paid by the company	(10,538)	(233)	-	(10,771)
Other Adjustments	-	-	-	-
PSL at the end of the current period	**211,532**	**3,615**	**4,872**	**220,019**
Conciliation to the Statement of Financial Position				
Total recognized at the beginning of the period - Assets/(Liabilities)	(192,781)	(3,619)	(5,866)	(202,266)
Net cost of the period	(11,882)	(316)	(1,322)	(13,520)
Benefits paid directly by the company	10,538	233	-	10,771
Gains/(Loss) recognized - through Comprehensive Income	(17,407)	87	2,316	(15,004)
Total recognized at period end - Assets/(Liabilities)	**(211,532)**	**(3,615)**	**(4,872)**	**(220,019)**
Net cost of the period				
Current service cost	3,441	158	1,059	4,658
Interest cost	8,441	158	263	8,862
Other Adjustments	-	-	-	-
Net cost of the period	**11,882**	**316**	**1,322**	**13,520**
Conciliation of gains and loss recognized- through Comprehensive Income				
(Gains)/losses to be recognized at the beginning of period	38,720	622	403	39,745
Actuarial (Gains) and Losses from experience	(2,154)	254	(703)	(2,603)
(Gains)/losses from change in assumptions	19,561	(335)	(1,613)	17,613
Other impacts	-	(3)	-	(3)
(Gains)/losses to be recognized at the end of period	**56,127**	**538**	**(1,913)**	**54,752**
Non-controlling interests (Note 21)	1	(3)	14	12
(Gains)/losses to be recognized at the end of period	**56,126**	**541**	**(1,927)**	**54,740**

According to actuarial studies made by a specialised entity, estimated contributions for the various defined benefit plans in 2014 amounts to €38,617.

Sensitivity analysis

A sensitivity analysis was made in order to measure the impact on liabilities caused by the change in the discount rate. For this purpose an decrease by 25 basis points in the discount rate was considered.

(€ k)

Liabilities	Discount rate 2.75%	Discount rate 2.50%	Variation
Retirement benefits:			
Relating to the pension fund	325,515	333,221	2.37%
Not relating to the pension fund	149,459	151,108	1.10%
	474,974	**484,330**	
Other benefits:			
Healthcare	236,627	245,621	3.80%
Life insurance	2,919	2,984	2.21%
Defined contribution plan minimum benefit	7,843	7,963	1.54%
	247,389	**256,568**	
	722,363	**740,898**	

Rate of medical cost trend

The long term medical cost growth rate considered by the Group, based on historical growth of premiums and claims rates, is 4%. The sensitivity analysis made to Petróleos de Portugal – Petrogal, S.A., which represents 88% of Group, reflects that an increase of 1% in growth of premiums rate causes an increase in liabilities by 13% (€30,861 k), while a decrease of 1% in growth of premiums rate causes a decrease by 16% in liabilities (€38,758 k).

Health insurance sensitivy analysis

(€ k)

Captions	3%	4%	5%
Impact on current service cost and interest cost	205,766	236,627	275,385
Impact on past service liabilities	(30,861)	-	38,758

Historical analysis of remeasurements

The historical analysis of gains and losses was performed with reference to the Petrogal Pension Fund, as it represents 90% of Galp Energia Group:

(€ k)

Discount rate	2.75%	3.75%	4.50%	5.25%	5.25%	5.25%	6.10%	5.45%
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Liabilities amount (a)	293,615	302,461	342,720	336,401	329,908	339,565	311,357	328,220
Value of the Fund (b)	304,127	306,892	320,518	288,047	304,235	308,472	302,572	333,403
Actuarial Gains (+) and Losses (-)	(19,062)	35,491	(6,483)	(8,694)	8,833	(32,210)	12,871	24,205
Gains (+) and Losses (-) for changes in assumptions	(24,452)	44,243	4,055	-	-	(27,009)	20,337	30,430
Actuarial Gains (+) and Losses (-) from experience (c)	5,390	(8,752)	(10,538)	(8,694)	8,833	(5,201)	(7,466)	(6,225)
Financial Gains (+) and Losses (-) (d)	26,365	(2,744)	20,213	(15,219)	1,706	11,013	(26,840)	(7,363)
(c)/(a)	2%	-3%	-3%	-3%	3%	-2%	-2%	-2%
(d)/(b)	9%	-1%	6%	-5%	1%	4%	-9%	-2%
Real Return on Plan Assets (%)	12.7%	3.6%	12.5%	0.3%	4.8%	8.9%	-2.9%	3.1%
Real Return on Plan Assets	37,426	11,128	36,200	125	15,857	25,535	(9,796)	9,694

Defined Benefit Pension Plans and Post-Employment Healthcare and Life are exposed to several risks, from which the following are highlighted:

a) Longevity Risk
Actual Longevity higher than projected may cause an increase in liabilities.

b) Bond Interest Rate Risk
A decrease in the reference interest rate used as discount rate, increases liabilities, which may be mitigated in case a fund is used as financing vehicle, by exposure of assets to the bond segment.

c) Investment Risk
The main investment risks are the interest rate, the credit, the stock market and the currency risks. Implications that the underlying risk of the Investment policy may have in fulfilling the fund's minimum solvency, result from fluctuations in interest rates and exposition to stock and secondary markets resulting in a performance lower than the discount rate. In this particular case, fluctuations in interest rates are the most relevant risk, since portfolios are mostly invested in this asset class. Together with the impact of non-mitigable risks (e.g. variations in population), this fact increases the probability of necessary extraordinary contributions (i.e. beyond the cost of current services) in order to maintain fund solvency.

d) Risk of unfavourable evolution of actual cost with Health and Life Insurances.

24. OTHER PAYABLES

The non-current and current caption "Other payables" as of 31 December 2014 and 2013, have the following detail:

(€ k)

Captions	December 2014 Current	December 2014 Non-current	December 2013 Current		December 2013 Non-current
State and other public entities:					
Value Added Tax payables	223,530	-	257,732		-
Tax on oil products	83,994	-	75,229		-
Personnel and Corporate Income Tax Withheld	9,127	-	8,250		-
Social Security contributions	6,672	-	6,530		-
Other taxes	22,213	-	27,261		-
Suppliers - tangible and intangible assets	114,001	94,728	139,329		98,938
Advances on sales (Note 16)	48,781	-	149,312		-
Overlifting	29,714	-	4,889		-
Other payables - Associated, participated and related companies (Note 28)	22,636	-	2,238		-
ISP - Congeners debit	10,324	-	1,409		-
Personnel	7,017	-	7,433		-
Trade receivables credit balances	6,529	-	2,989		-
Guarantee deposits and guarantees received	2,798	-	2,666		-
Other payables - Other shareholders	1,235	-	1,235		-
Trade receivables advances	477	-	978		-
Loans - Associated, participated and related companies (Note 28)	365	154,990	365		135,319
Loans - Other shareholders	-	12,446	-		12,648
Other creditors	37,480	4,570	31,186	(a)	3,717
	626,893	**266,734**	**719,031**	**(a)**	**250,622**
Accrued costs:					
External supplies and services	108,265	-	72,729		-
Accrued interest	46,077	-	23,276		-
Vacation pay, vacation subsidy and corresponding personnel costs	29,701	-	29,877		-
Productivity bonus	18,605	6,770	15,570		-
Adjustment to tariff deviation - Other activities - ERSE regulation	18,346	-	15,399		-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation (Note 14)	10,256	9,546	5,618		13,309
Fastgalp prizes	7,377	-	7,836		-
Interest on overdrafts	4,059	-	5,486		-
Accrued insurance premiums	1,673	-	2,510		-
Financial costs	933	-	940		-
Financial neutrality - ERSE regulation	462	-	394		-
Accrued personnel costs - other	106	-	74		-
Adjustment to tariff deviation - Energy tariff - ERSE regulation (Note 14)	-	15,831	-		10,138
Other accrued costs	21,641	-	11,593		2,814
	267,501	**32,147**	**191,302**		**26,261**
Deferred income:					
Investment government grants (Note 13)	10,694	255,372	10,384		266,153
Services rendered	4,964	-	5,016		-
Fibre optics	272	1,527	404		1,799
Other	10,735	60	10,684		69
	26,665	**256,959**	**26,488**		**268,021**
	921,059	**555,840**	**936,821**	**(a)**	**544,904**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

Caption "Advances on sales" includes the amount of €48,781 k relating to Group liability to competitors for strategic reserves (Note 16).

Caption "Suppliers – fixed assets and intangible assets" refers essentially to the surface rights.

The amount of €29,714 k in caption "Overlifting" represents the Group's liability for crude oil lifted in excess of its production quota and is measured as described in Note 2.7 e).

The amount of €2,798 k recorded in caption "Guarantee deposits and guarantees received" includes €2,123 k relating to Petrogal's liability as of 31 December 2014, for customer deposits received on gas containers in use which were recorded at acquisition cost, which is, approximately, its fair value.

The amount of €154,990 k recorded in caption "Loans - Associated, participated and related companies" refers to the following:

- In March 2012, Winland International Petroleum Company, SARL granted loans totalling €154,990 k (US$188,173,000). The amount recognised by subsidiary Petrogal Brazil SA, that bear interest at market rates and have defined maturity of 10 years, are recorded in caption loans -- Associated, participated and related companies (non-current). In year ended 31 December 2014 the amount of €7,103 k, relating to loans obtained concerning related companies, is recognised under interest caption (Notes 8 and 28).

The amount of €12,446 k in caption "Loans – Other shareholders" mainly refers to:

- €8,938 k recorded in non-current payable to ENAGÁS, S.G.P.S., S.A. for loans obtained by subsidiary SETGÁS - Sociedade de Distribuição de Gás Natural, S.A., included in the consolidation scope (Note 3), which bears interest at market rate and has no defined repayment date;

- €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 bears interest at market rate and has no defined repayment date;

- €2,280 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 has no defined repayment date.

The amount of €7,377 k recorded under accrued costs – Fast Galp prizes is Petrogal's liability for Fast Galp card points issued but not yet claimed until 31 December 2014, 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 is €266,066 k (Note 13).

Income from the Contract of Assignment of rights to use telecommunication infrastructures is recorded in caption deferred income - fibre optics and is recognised in earnings during the period of the contract. The balance of deferred income as of 31 December 2014, to be recognised in future periods amounts to €1,799 k.

25. PROVISIONS

The changes in provisions in the period ended 31 December 2014, were as follows:

(€ k)

Caption	Beginning balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in perimeter	Ending balance
Legal actions	14,256	995	(943)	(3,058)	-	2	-	11,252
Investments (Note 4)	3,130	1,164	-	-	-	(340)	-	3,954
Taxes	32,890	13,900	(5,322)	(21,708)	-	1,478	-	21,238
Environment	3,781	180	(180)	(1,760)	-	-	-	2,021
Abandonment Costs	88,227	23,094	-	(12,783)	-	12,822	-	111,360
Other risks and charges	11,865	26,586	(720)	(2,993)	-	(23)	-	34,715
	154,149	**65,919**	**(7,165)**	**(42,302)**	**-**	**13,939**		**184,540**

The increase in provisions, net of the decreases, was accounted for as follows:

	(€ k)
Provisions (Note 6)	(3,887)
Capitalization of costs of provision for abandonment blocks	23,094
Estimate for additional payments of PIT - Oil income tax (Angola) (Note 9)	13,871
Results in investments in associates and jointly controlled entities (Note 4)	1,164
Extraordinary Contribution on energy sector	24,512
	58,754

Legal processes
Provisions for current "legal processes" in the amount of €11,252 k mainly includes: €5,472 k relating to liabilities concerning subsoil occupation taxes of subsidiary Petróleos de Portugal – Petrogal, S.A., in respect of the process against Municipal Council of Matosinhos.

Financial investments
Provision for investments reflects the statutory commitment of the Group to its associates that present negative equity (Note 4).

Taxes
Caption tax provisions, in the amount of €21,238 k includes mainly:

(i) €10,049 k of additional liquidations of PIT (Petroleum Income Tax) (Note 9);
(ii) €7,394 k concerning a tax contingency, related with corrections to 2001 and 2002 corporate income tax of the subsidiary Petrogal (Note 9);
(iii) €3,377 k concerning the tax risk associated with the sale of the interests in ONI, SGPS, to Galp Energia, SGPS, S.A.

€5,322 k relating to corrections to Galp Energia, SGPS, S.A. and its subsidiary GDP – Gás de Portugal, SGPS, S.A. 2005 and 2006 corporate income tax as result of tax assessment to the respective income tax declaration. The tax contingency is related to the interpretation of the taxation rules for capital gains before 2000;

The amount of €21,708 k corresponds essentially to an additional liquidation of PIT in Angola (€21,679 k).

Environmental
The amount of €2,021 k accounted for in environmental provisions aims to meet the costs related with soil decontamination of some facilities occupied by the Group where there are already legal requirements. In 2014, an amount of €1,760 k was used to decontaminate soils in the refineries.

Abandonment of blocks
The amount of €111,360 k recorded under provisions for the abandonment of blocks is to meet the obligations related to facilities located in Blocks 1 and 14 in Angola in the amount of €84,021 k and the remaining amount of €27,339 k related to 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 2014, caption provisions – Other risks and charges, in the amount of €34,715 k, mainly comprises:

(i) €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;

(ii) €1,880 k concerning impairment of the assets of the subsidiary, Moçamgalp Agroenergias of Mozambique, SA;

(iii) €1,790 k concerning debits made by the Lisbon Port Authority, relating to 2012, for occupation of lands in Cabo Ruivo, contested by the Company;

(iv) €24,512 k related to the constitution of a provision to cover the extraordinary contribution of the energy sector.

26. TRADE PAYABLES

As of 31 December 2014 and 2013, the amounts recorded in caption "Suppliers" had the following detail:

Captions	December 2014	December 2013
Trade payables - current accounts	326,179	859,177 (a)
Trade payables - invoices pending	571,868	650,445
	898,047	**1,509,622 (a)**

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.23.

The balance of caption "Trade payables – invoices pending" corresponds mainly to purchases of crude oil raw materials, 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". Commodities 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 contracts with clients 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 13 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).

Derivative financial instruments showed the following evolution as of 31 December 2014 and 2013:

(€ k)

	Fair value at December 31, 2014				Fair value at December 31, 2013			
	Assets		Liabilities		Assets		Liabilities	
	current	non-current	current	non-current	current	non-current	current	non-current
Interest Rate Financial Derivatives								
Swaps	-	-	-	-	-	-	-	(1,241)
	-	-	-	-	-	-	-	**(1,241)**
Commodities Financial Derivatives								
Swaps	6,977	405	(14,513)	(838)	9,350	6,066	(456)	(297)
Options	9	-	(111)	-	33	-	(40)	-
Futures	7,156	-	(139)	-	6,947	-	-	-
	14,142	**405**	**(14,763)**	**(838)**	**16,330**	**6,066**	**(496)**	**(297)**
Currency Financial Derivatives								
Non-deliverable Forwards	218	-	-	-	20	-	-	-
Forwards	-	-	(521)	-	85	-	-	-
Currency Interest Rate Swaps	2,932	-	-	-	-	-	(9,974)	-
	3,150	-	(521)	-	105	-	(9,974)	-
	17,292	**405**	**(15,284)**	**(838)**	**16,435**	**6,066**	**(10,470)**	**(1,538)**

The accounting impact at 31 December 2014 and 2013 in the income statement is presented in the following table:

(€ k)

	Fair value at December 31, 2014				Fair value at December 31, 2013			
	Income Statement			Equity	Income Statement			Equity
Interest Rate Financial Derivatives	**Potencial (MTM)**	**Real**	**MTM+Real**	**Potencial (MTM)**	**Potencial (MTM)**	**Real**	**MTM+Real**	**Potencial (MTM)**
Swaps	-	(1,417)	(1,417)	1,241	(13)	(6,265)	(6,278)	6,789
	-	**(1,417)**	**(1,417)**	**1,241**	**(13)**	**(6,265)**	**(6,278)**	6,789
Commodities Financial Derivatives								
Swaps	(14,871)	1,678	(13,193)	-	14,485	6,235	20,720	-
Options	(95)	-	(95)	-	-	-	-	-
Futures	(2,970)	(22,631)	(25,601)	-	(757)	(16,034)	(16,791)	-
	(17,936)	**(20,953)**	**(38,889)**	-	**13,728**	**(9,799)**	**3,929**	-
Currency Financial Derivatives								
Non-deliverable Forwards	198	322	520	-	5,148	-	5,148	-
Forwards	(606)	(2,260)	(2,866)	-	85	-	85	-
Currency Interest Rate Swaps	10,312	3,848	14,160	-	(9,022)	(1,223)	(10,245)	-
	9,904	1,910	11,814	-	(3,789)	(1,223)	(5,012)	-
	(8,032)	**(20,460)**	**(28,492)**	**1,241**	**9,926**	**(17,287)**	**(7,361)**	**6,789**

Note: MTM -variation of the Mark-to-Market since January to the reporting date
Real – value of closed positions .

The potential value of MTM (Mark -to-Market) recognised in Income on Financial Instruments includes the potential value of the interest of derivatives on Currency Interest Rate Swaps and derivatives on commodities, amounting to negative € 18,106 k, as shown in following table:

	(€ k)
	December 2014
Income on Financial Instruments	
Commodities Financial Derivatives	
Swaps	(14,871)
Options	(95)
Futures	(2,970)
Currency Financial Derivatives	
Currency Interest Rate Swaps (Interest)	(170)
Other trading operations	287
	(17,819)

* Interest component amounting to negative € 170 k included in the positive variation of the MTM derivative foreign exchange amounting to € 10,312 k. The positive difference in the amount of € 10,482 k for the variation of MTM is reflected in exchange rate differences.

The real value of financial derivatives recognised in the cost of sales amounts to negative € 15,556 k comprising derivatives on commodities.

The changes in fair value reflected in Equity, resulting from cash flow hedges, are as follows:

		(€ k)
Fair Value Change in Equity	**December 2014**	**December 2013**
Subsidiaries	1,241	6,789
Non-controlling Interests	-	(8)
	1,241	**6,781**
Associates	(283)	222
	958	7,003

Financial Derivatives have the following nominal values:

			(€ k)
		December 31, 2014	
		Maturity	
Interest Rate Financial Derivatives		**< 1 year**	**> 1 year**
Swaps	Buy	-	-
	Sale	-	-
Commodities Financial Derivatives			
Swaps	Buy	71,529	4,819
	Sale	13,339	-
Options	Buy	4,034	-
	Sale	3,694	-
Futures	Buy	-	-
	Sale	9,592	-
Currency Financial Derivatives			
Non-deliverable Forwards	Buy	12,658	-
	Sale	-	-
Forwards	Buy	16,033	-
	Sale	21,966	-
Currency Interest Rate Swaps	Buy	202,935	-
	Sale	-	-
		355,780	**4,819**

Note: Nominal value equivalent in thousands of Euros.

Group Galp have commodities financial derivatives recognised as fair value hedge. These financial derivatives have been contracted for the reduction of risks associated with contracts signed with customers. Therefore, these contracts were also recognised at fair value on the amount of € 7.761k reflected in income statement as MTM (Mark -to- Market), under the caption of Financial Derivatives by counterpart accruals and deferred income.

Galp Energia Group 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 and electricity) are classified in caption “Cost of sales” and CO_2 futures are classified in caption “Financial income and costs”. As futures are traded in the market, subject to a Clearing House, gains and losses are continuously recorded in the income statement.

28. RELATED PARTIES

Balances and transactions with related parties in 2014 and 2013 were as follows:

Receivables

(€ k)

	December 2014						
		Non-current			Current		
	Total of related parties	Granted loans (Note 14)	Other receivables (Note 14)	Trade receivables	Granted loans (Note 14)	Other receivables (Note 14)	Accruals and deferrals
Associated companies							
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	9,787	4,358	3,916	609	-	281	623
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	8,688	-	-	7,747	-	941	-
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	5,557	2,753	-	-	-	2,779	25
Galp IPG Matola Terminal Lda	941	-	-	45	-	896	-
IPG Galp Beira Terminal Lda	935	-	-	45	-	890	-
Gasoduto Extremadura, S.A.	891	-	-	-	-	-	891
Gasoduto Al-Andaluz, S.A.	676	-	-	-	-	-	676
Metragaz, S.A.	244	-	-	-	-	65	179
EMPL – Europe Magreb Pipeline, Ltd	216	-	-	(3)	-	-	219
Terparque – Armazenagem de Combustíveis, Lda.	214	-	-	214	-	-	-
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	54	-	-	4	-	50	-
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	24	-	-	1	-	23	-
Tagusgás Propano, S.A.	3	-	-	3	-	-	-
	28,230	7,111	3,916	8,665	-	5,925	2,613
Jointly controlled entities							
Ventinveste, S.A.	20,553	20,474	-	45	-	4	30
C.L.C. – Companhia Logística de Combustíveis, S.A.	1,561	-	-	347	-	310	904
Parque Eólico da Penha da Gardunha, Lda.	849	848	-	-	-	-	1
Belem Bioenergia Brasil, S.A.	634	-	-	62	-	448	124
Moçamgalp Agroenergias de Moçambique, S.A.	619	-	-	4	-	615	-
Parque Eólico do Douro Sul, S.A.	11	-	-	10	-	1	-
Parque Eólico do Pinhal Oeste, S.A.	5	-	-	4	-	1	-
Caiageste – Gestão de Áreas de Serviço, Lda.	5	-	-	2	-	3	-
Parque Eólico da Serra do Oeste, S.A.	4	-	-	3	-	1	-
Parque Eólico do Planalto, S.A.	3	-	-	2	-	1	-
Parque Eólico de Vale do Chão, S.A.	2	-	-	1	-	1	-
Parque Eólico de Vale Grande, S.A.	2	-	-	1	-	1	-
Parque Eólico do Cabeço Norte, S.A.	1	-	-	-	-	1	-
Parque Eólico de Torrinheiras, S.A.	1	-	-	-	-	1	-
Âncora Wind-Energia Eólica,S.A	1	-	-	-	-	1	-
Asa – Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
Tupi B.V.	1	-	-	1	-	-	-
	24,253	21,322	-	482	-	1,390	1,059
Related parties and participated entities							
Tip Top Energy, SARL	889,858	170,954	-	-	718,904	-	-
Adene – Agência para a Energia, S.A.	63	-	91	(28)	-	-	-
Cooperativa de Habitação da Petrogal , CRL	53	-	-	-	-	53	-
SABA – Sociedade Abastecedora de Aeronaves, Lda.	29	-	-	19	-	10	-
Fundação Galp Energia	22	-	-	(9)	-	31	-
ENI, S.p.a.	19	-	-	92	-	-	(73)
Portugal Ventures	1	-	-	1	-	-	-
Outras Empresas Associadas	18	-	-	-	-	18	-
	890,063	170,954	91	75	718,904	112	(73)
	942,546	199,387	4,007	9,222	718,904	7,427	3,599

(€ k)

	December 2013 restated						
		Non-current		Current			
	Total of related parties	Granted loans (Note 14)	Other receivables (Note 14)	Trade receiables	Granted loans (Note 14)	Other receivables (Note 14)	Accruals and deferrals
Associated companies							
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	7,409	4,350	-	612	-	2,030	417
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	4,330	-	-	4,223	-	107	-
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	2,753	2,753	-	-	-	-	-
Gasoduto Extremadura, S.A.	885	-	-	-	-	-	885
Gasoduto Al-Andaluz, S.A.	643	-	-	-	-	-	643
Metragaz, S.A.	516	-	-	(3)	-	121	398
Terparque – Armazenagem de Combustíveis, Lda.	215	-	-	215	-	-	-
EMPL – Europe Magreb Pipeline, Ltd	154	-	-	(3)	-	4	153
Gásfomento – Sistemas e Instalações de Gás, S.A.	142	-	-	142	-	-	-
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	62	-	-	-	-	62	-
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	43	-	-	6	-	37	-
Tagusgás Propano, S.A.	22	-	-	22	-	-	-
	17,174	**7,103**	**-**	**5,214**	**-**	**2,361**	**2,496**
Jointly controlled entities							
Ventinveste, S.A.	19,987	19,955	-	-	-	-	32
C.L.C. – Companhia Logística de Combustíveis, S.A.	1,395	-	-	112	-	251	1,032
Parque Eólico da Penha da Gardunha, Lda.	821	820	-	-	-	-	1
Moçamgalp Agroenergias de Moçambique, S.A.	690	-	-	2	-	688	-
Caiageste – Gestão de Áreas de Serviço, Lda.	99	-	-	74	-	23	2
Galpbúzi – Agro-Energia, S.A.	90	-	-	-	-	90	-
Ventinveste Eólica, SGPS, S.A.	34	-	-	34	-	-	-
Parque Eólico do Douro Sul, S.A.	8	-	-	8	-	-	-
Parque Eólico do Pinhal Oeste, S.A.	2	-	-	2	-	-	-
Parque Eólico da Serra do Oeste, S.A.	2	-	-	2	-	-	-
Parque Eólico do Planalto, S.A.	1	-	-	1	-	-	-
Parque Eólico de Vale do Chão, S.A.	1	-	-	1	-	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
Tupi B.V.	1	-	-	1	-	-	-
	23,132	**20,775**	**-**	**237**	**-**	**1,053**	**1,067**
Related parties and participated entities							
Tip Top Energy, SARL	871,493	706,993	-	-	164,500	-	-
Adene - Agência para a Energia, S.A.	94	-	90	3	-	1	-
ENI, S.p.a.	81	-	-	143	-	11	(73)
Cooperativa de Habitação da Petrogal , CRL	53	-	53	-	-	-	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	24	-	-	24	-	-	-
InovCapital - Sociedade de Capital de Risco, S.A.	2	-	-	2	-	-	-
PME Investimentos - Sociedade de Investimento, S.A.	1	-	-	1	-	-	-
Fundação Galp Energia	1	-	-	1	-	-	-
Other related parties and participated entities	7,594	-	4,995	1	-	2,598	-
	879,343	**706,993**	**5,138**	**175**	**164,500**	**2,610**	**(73)**
	919,649	**734,871**	**5,138**	**5,626**	**164,500**	**6,024**	**3,490**

Current and non-current loans granted as of 31 December 2014, to associated, jointly controlled, participated companies and related parties refer essentially to the following loans:

(€ k)

	Current Assets – Granted loans (Note 14)	Non-current assets – Granted loans (Note 14)	Interest from granted loans (Note 8)
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	-	2,753	52
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	-	**-**	**310**
Parque Eólico da Penha da Gardunha, Lda.	-	848	28
Ventinveste, S.A.	-	20,474	698
through GDP - Gás de Portugal, SGPS, S.A.	-	24,075	1,088
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	-	**4,358**	**8**
through Galp Gás Natural Distribuição, SGPS, S.A.	-	4,358	8
Tip Top Energy, SARL	**718,904**	**170,954**	**14,120**
through Galp Sinopec Brazil Services (Cyprus) Limited	718,904	170,954	14,120
	718,904	**199,387**	**15,216**

The loan that Galp Energies Brazil Service (Cyprus) Limited granted to Tip Top Energy, SARL on 28 March 2012, bears interest at 3 months LIBOR rate plus "spread" for a maturity period of 4 years. In the year ended 31 December 2014, an amount of €14,120 k was recorded in caption interest on loans granted to related companies (Note 14).

The remaining loans bear interests at market rates and do not have a defined repayment plan.

Payables

(€ k)

	December 2014					
		Non-Current	Current			
	Total of related parties	**Loans obtained (Note 24)**	**Loans obtained (Note 24)**	**Trade payables**	**Other payables (Note 42)**	**Accruals and deferrals**
Associated companies						
EMPL – Europe Magreb Pipeline, Ltd	4,883	-	-	4,883	-	-
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	3,252	-	-	2,620	-	632
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	2,752	-	-	-	2,752	-
Gasoduto Extremadura, S.A.	2,057	-	-	2,057	-	-
Gasoduto Al-Andaluz, S.A.	2,012	-	-	2,012	-	-
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	48	-	-	-	48	-
Terparque – Armazenagem de Combustíveis, Lda.	4	-	-	4	-	-
	15,008	**-**	**-**	**11,576**	**2,800**	**632**
Jointly controlled entities						
C.L.C. – Companhia Logística de Combustíveis, S.A.	51,733	-	-	51,733	-	-
Tupi B.V.	18,613	-	-	-	18,613	-
Asa – Abastecimento e Serviços de Aviação, Lda.	113	-	-	113	-	-
Moçamgalp Agroenergias de Moçambique, S.A.	5	-	-	5	-	-
	70,464	**-**	**-**	**51,851**	**18,613**	**-**
Related parties and participated entities						
Winland International Petroleum, SARL (W.I.P.)	159,883	154,990	-	-	-	4,893
Amorim Energia,B.V.	271	-	-	-	-	271
ENI, S.p.a.	126	-	-	26	(11)	111
Central-E, S.A.	11	-	-	11	-	-
PME Ventures	(1)	-	-	-	(1)	-
Other related parties and participated entities	1,600	-	365	-	1,235	-
	161,890	**154,990**	**365**	**37**	**1,223**	**5,275**
	247,362	**154,990**	**365**	**63,464**	**22,636**	**5,907**

	December 2013 restated					
		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	5,945	-	-	5,945	-	-
Gasoduto Extremadura, S.A.	2,007	-	-	2,007	-	-
Gasoduto Al-Andaluz, S.A.	1,963	-	-	1,963	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	1,626	-	-	909	-	717
Gásfomento - Sistemas e Instalações de Gás, S.A.	1,100	-	-	124	976	-
Terparque - Armazenagem de Combustíveis, Lda.	47	-	-	47	-	-
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	27	-	-	-	27	-
	12,715	**-**	**-**	**10,995**	**1,003**	**717**
Jointly controlled entities						
C.L.C. – Companhia Logística de Combustíveis, S.A.	38,987	-	-	38,987	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	218	-	-	218	-	-
	39,205	**-**	**-**	**39,205**	**-**	**-**
Related parties and participated entities						
Winland International Petroleum, SARL (W.I.P.)	139,765	135,319	-	-	-	4,446
ENI, S.P.A.	137	-	-	26	-	111
SABA – Sociedade Abastecedora de Aeronaves, Lda.	63	-	-	63	-	-
Other related parties and participated entities	1,600	-	365	-	1,235	-
	141,565	**135,319**	**365**	**89**	**1,235**	**4,557**
	193,485	**135,319**	**365**	**50,718**	**2,238**	**5,274**

The amount of €154,990 k recorded as non-current payable to Winland International Petroleum, SARL (W.I.P.) is a loan obtained by subsidiary Petrogal Brasil, S.A. (Note 24), which bears interests at market rates with a defined 10 year repayment plan.

Transactions

(€ k)

	December 2014			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associated companies				
Galp IPG Matola Terminal Lda	-	(941)	-	-
IPG Galp Beira Terminal Lda	-	(935)	-	-
Terparque - Armazenagem de Combustíveis, Lda.	2,011	(740)	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	9,788	(725)	-	(318)
EMPL - Europe Magreb Pipeline, Ltd	68,861	(461)	-	-
Metragaz, S.A.	-	(458)	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	(86)	-	-
Gasoduto Al-Andaluz, S.A.	12,073	(33)	-	-
Gasoduto Extremadura, S.A.	12,341	(6)	-	-
Tagusgás Propano, S.A.	-	(6)	-	-
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	-	-	-	(52)
	105,074	**(4,391)**	**-**	**(370)**
Jointly controlled entities				
C.L.C. - Companhia Logística de Combustíveis, S.A.	15,951	(1,787)	-	-
Belem Bioenergia Brasil, S.A.	-	(740)	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	-	(229)	-	-
Ventinveste, S.A.	-	(111)	-	(698)
Parque Eólico do Douro Sul, S.A.	-	(42)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	(21)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	(17)	-	-
Parque Eólico do Planalto, S.A.	-	(9)	-	-
Parque Eólico de Vale do Chão, S.A.	-	(7)	-	-
Parque Eólico de Vale Grande, S.A.	-	(3)	-	-
Parque Eólico do Cabeço Norte, S.A.	-	(1)	-	-
Parque Eólico de Torrinheiras, S.A.	-	(1)	-	-
Âncora Wind-Energia Eólica,S.A	-	(1)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1,261	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	(28)
	17,212	**(2,969)**	**-**	**(726)**
Related parties and participated entities				
ENI, S.p.a.	-	(61,555)	-	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	486	(155)	-	-
Fundação Galp Energia	-	(67)	-	-
Portugal Ventures	-	(28)	-	-
Adene - Agência para a Energia, S.A.	-	(23)	-	-
PME Ventures	-	(11)	-	-
Tip Top Energy, SARL	-	-	-	(14,120)
Winland International Petroleum, SARL (W.I.P.)	-	-	7,103	-
Central-E, S.A.	137	-	-	-
Amorim Energia,B.V.	1,046	-	-	-
	1,669	**(61,839)**	**7,103**	**(14,120)**
	123,955	**(69,199)**	**7,103**	**(15,216)**

(€ k)

	December 2013			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associated companies				
Terparque - Armazenagem de Combustíveis, Lda.	2,253	(776)	-	-
Metragaz, S.A.	-	(650)	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	4,986	(648)	-	(296)
Gásfomento - Sistemas e Instalações de Gás, S.A.	1,099	(364)	-	-
EMPL - Europe Magreb Pipeline, Ltd	65,552	(310)	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	(98)	-	-
Tagusgás Propano, S.A.	-	(61)	-	-
Gasoduto Extremadura, S.A.	12,326	(30)	-	-
Gasoduto Al-Andaluz, S.A.	12,056	(22)	-	(25)
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	-	(1)	-	(64)
	98,272	**(2,960)**	**-**	**(385)**
Jointly controlled entities				
C.L.C. - Companhia Logística de Combustíveis, S.A.	-	-	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	15,566	(1,500)	-	-
Ventinveste Eólica, SGPS, S.A.	1	(308)	-	-
Moçamgalp Agroenergias de Moçambique, S.A.	-	(98)	-	-
Parque Eólico do Douro Sul, S.A.	5	(90)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	(41)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	(21)	-	-
Parque Eólico do Planalto, S.A.	-	(17)	-	-
Ventinveste, S.A.	-	(9)	-	-
Parque Eólico de Vale do Chão, S.A.	-	(8)	-	(646)
Parque Eólico de Vale Grande, S.A.	-	(6)	-	-
Multiservicios Galp Barcelona	-	(3)	-	-
Parque Eólico do Cabeço Norte, S.A.	-	(2)	-	-
Parque Eólico de Torrinheiras, S.A.	-	(1)	-	-
Galpbúzi - Agro-Energia, S.A.	-	(1)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	3	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	970	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	(28)
	16,545	**(2,105)**	**-**	**(674)**
Related parties and participated entities				
ENI, S.p.a.	470	(50,578)	-	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	522	(193)	-	-
Fundação Galp Energia	-	(136)	-	-
InovCapital - Sociedade de Capital de Risco, S.A.	-	(32)	-	-
Adene - Agência para a Energia, S.A.	1	(21)	-	-
PME Investimentos - Sociedade de Investimento, S.A.	-	(12)	-	-
Central-E, S.A.	166	-	-	-
Winland International Petroleum, SARL (W.I.P.)	-	-	7,042	-
Amorim Energia,B.V.	1,503	-	-	-
Tip Top Energy, SARL	-	-	-	(16,565)
	2,662	**(50,972)**	**7,042**	**(16,565)**
	117,479	**(56,037)**	**7,042**	**(17,624)**

29. REMUNERATION OF THE BOARD

The remuneration of Galp Energia corporate board members for the years ended 31 December 2014 and 2013 had the following detail:

(€ k)

	December 2014						December 2013					
	Salary	Pension Plans	Allowances for rent and travels	Bonuses	Other charges and adjusments	Total	Salary	Pension Plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total
Corporate boards of Galp Energia SGPS												
Executive management	3,711	803	292	2,783	178	7,767	3,482	810	149	2,020	23	6,484
Non-executive management	695	-	-	-	-	695	733	-	-	-	-	733
Supervisory board	92	-	-	-	-	92	92	-	-	-	-	92
Shareholder's Assembly	2	-	-	-	-	2	2	-	-	-	-	2
	4,500	**803**	**292**	**2,783**	**178**	**8,556**	**4,309**	**810**	**149**	**2,020**	**23**	**7,311**
Corporate boards of associate companies												
Executive management	1,886	-	4	(2)	-	1,888	2,345	-	7	13	-	2.365
Shareholder's Assembly	-	-	-	-	-	-	16	-	-	-	-	16
	1,886	**-**	**4**	**(2)**	**-**	**1,888**	**2,361**	**-**	**7**	**13**	**-**	**2,381**
	6,386	**803**	**296**	**2,781**	**178**	**10,444**	**6,670**	**810**	**156**	**2,033**	**23**	**9,692**

The amounts of €10,444 k and €9,692 k, recorded in the years ended 31 December 2014 and 2013, respectively, include €9,157 k and €8,736 k recorded as employee costs (Note 6) and €1,287 k and €956 k recorded as "External supplies and services".

Caption bonuses in 2013 include the amount of €2,000 k referring to the multi annual management premium accrual payable in the year 2015.

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 of Directors meet these features.

Charged fees by the statutory auditor amounted €120 k. Charged fees by the statutory and external auditor are disclosed in the Group governance report.

30. DIVIDENDS

Dividends attributed to the Group's shareholders amounted to €238,824 k, in accordance with the decision of the Shareholders Meeting of 28 April 2014, relating to net profit for the year ended 2013 and retained earnings, from which €119,412 k were paid in advance on 18 September 2013, and the remaining 119,412 k were paid on 22 May 2014.

Additionally, the Board of Directors approved the payment of an interim dividend, in the amount of €143,295 k. The amount was fully paid on 18 September 2014.

During the year ended 31 December 2014 dividends were paid in the amount of €12,150 k to minority shareholders (Note 21), regarding to Galp Energia Group subsidiaries.

As such, the Group paid a total amount of €274,857 k in dividends during the year ended 31 December 2014.

31. OIL AND GAS RESERVES

Information regarding oil and gas reserves in Galp is subject to independent assessment by a suitably qualified company with the methodology established in accordance with the Petroleum Resources Management System ("PMRS"), approved in March 2007 by the Society of Petroleum Engineers ("SPE"), the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

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 and of natural gas. The frequent fluctuations in the price of crude oil and refined products generate uncertainty and have a significant impact on operating results.

The Company controls and manages this risk through the derivative market for oil and natural gas, to protect the refining margin and inventories from adverse market changes.

In respect of the natural gas market, the Group controls and manages this risk through the establishment of purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

b) Exchange rate risk

The US dollar is the currency used as reference price in the oil and natural gas markets. Since Galp Energia's financial statements have the Euro as functional currency, this factor, among others, exposes its operations to exchange rate risk. Given that the operating margin is mainly related to US dollars, the Company is exposed to fluctuations in the exchange rates, which can contribute positively or negatively to income and margins.

Since this is a currency risk associated to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the balance sheet and cash flows. The level of exposure of cash flows is mainly in the balance sheet and results from the prices of oil and natural gas.

Therefore, Galp Energia controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The objective of risk management is to limit the uncertainty resulting from variations in exchange rates. Hedging debits and credits based on market speculation is not allowed.
As of 31 December 2014, 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.

<u>Sensitivity analysis is performed to market risks resulting from financial instruments, as required by IFRS 13.</u>

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 2014 and 2013. 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.

Fluctuations of cash balances in foreign currencies may directly affect caption "Translation reserves" comprised in Share Capital in Galp Group's consolidated accounts, if those cash balances are stated in the same functional currency of the individual company under analysis.

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:

(€ k)

		2014					2013				
			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%	1,377,725	223 (223)	- -	4,127 (4,127)	23 (23)	1,285,776	993 (993)	- -	11,754 (11,754)	111 (111)
Investments - Depreciation/(appreciation)of x% of the BRL versus USD and versus EUR (a)	+1% -1%	27,742	200 (200)	86 (86)	194 (194)	83 (83)	65,079	272 (272)	117 (117)	456 (456)	195 (195)
Loans - Depreciation/(appreciation) of x% of the EUR versus USD	+1% -1%	268,512	- -	- -	(2,685) 2,685	- -	331,000	- -	- -	(3,310) 3,310	- -
Derivatives - Depreciation/(appreciation) of x% of the EUR versis USD (a)	+1% -1%	4,990	50 (50)	- -	29 (29)	- -	5,217	152 (152)	- -	(100) 100	- -
Trade payables - Depreciation/(appreciation) of x% of the EUR versus USD	+1% -1%	136,741	(1,367) 1,367	- -	- -	- -	1,757	(18) 18	- -	- -	- -
Trade receivables - Depreciation/(appreciation) of x% of the EUR versus USD	+1% -1%	981,057	1,133 (1,133)	93 (93)	6,050 (6,050)	2,601 (2,601)	953,263	976 (976)	- -	5,989 (5,989)	2,751 2,751
Trade payables - Depreciation/(appreciation)of x% of the BRL versus USD and versus EUR (b)	+1% -1%	154,847	- -	- -	(1,084) 1,084	(465) 465	136,321	- -	- -	(954) 954	(409) 409

(a) Includes deriviatives drawn in USD. Exposure over exchange rate variability of Mark-to-Market.
(b) Includes 1% variation in the exchange rate of 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:

(€ k)

		2014					2013				
			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
Variation in the derivatives over commodities underlying price of Natural Gas (a)	+1% -1%	(11,702)	422 22	- -	- -	- -	(254)	645 (455)	- -	- -	- -
Variation in the derivatives over commodities underlying price of Oil	+1% -1%	4,640	(86) 85	-	-	-	20,497	(70) 70	- -	- -	- -
Variation in the derivatives over other commodities underlying price	+1% -1%	6,009	72 (72)	- -	- -	- -	6,511	67 (67)	- -	- -	- -

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:

		2014					2013				
			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
Loans - Parallel shift in interest rate	+0.5%	3,607,767	(11,216)	(124)	-	-	2,722,512	(13,039)	(258)	11	-
	-0.5%		11,216	124	-	-		13,039	258	(11)	-
Investments - Parallel shift in interest rate (a)	+0.5%	1,837,044	9,039	-	-	-	2,312,075	8,550	1,388	-	-
	-0.5%		(9,039)	-	-	-		(8,550)	(1,388)	-	-

(a) Includes outstanding balances with entity Tip Top (Sinopec).

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 1.2 billion Euros as of 31 December 2014, and 1.2 billion Euros as of 31 December 2013, are sufficient to meet any immediate demand. In addition to these credits, the Group has, as of 31 December 2014, cash and cash equivalents in an approximate amount of 1.1 billion Euros, and as of 31 December 2013, that amount was 1.5 billion Euros, which combined with the credits amount to 2.3 billion Euros of liquidity as of 31 December 2014, and 2.7 billion Euros of liquidity, as of 31 December 2013.

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 (on-shore), risks related to maritime activities (off-shore), 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

Regarding the contract termination process related to the construction of the"Sacor II" ship and following the decision of the arbitral court, the manufacturer was ordered to pay the sum of €3,904 k (€2,886 k plus interest). On 3 April 2013, the Insolvency Administrator filed for closure and liquidation of the manufacturing company. As of 31 December 2014, the effective liquidation from assets sale is pending. Due to uncertainty regarding the amount receivable resulting from liquidation, the amount receivable has not recorded in the financial statements for the year ended 31 December 2014.

Contingent liabilities

As of 31 December 2014, the Company and its subsidiaries had the following contingent liabilities:

i) Several municipal councils are demanding payments (liquidations and executions) amounting to €10,822 k, relating to licences for occupying the public thoroughfare with underground gas pipes (subsoil occupation) by the natural gas distribution and marketing concessions. As the Group companies do not agree with the municipal councils, they have contested the settlements required by municipal councils at the Fiscal Administrative Court, having the requests for suspension of the execution 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 marketing 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 marketing 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 liabilities concerning this issue.

As of 31 December 2014 the amounts paid to Municipal Councils related in respect of subsoil occupation taxes totalled €90,225 k and only €37,380 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) As of 31 December 2014, a judicial action concerning contractual breach has been filed by Dourogás Propano, S.A. against the Group, asking for compensation in the amount of approximately €1,576 k. The Board of Directors, supported by its legal advisors, believes that the process will not result in any liability for the Group, which is the reason why no provision was recorded. It should be noted that favourable decisions made in the lower court, as well as after appeal, reinforce probability of success.

iii) As of 31 December 2014, a judicial action was filed concerning unfair competition in natural gas in the amount of €4,008 k. The Board of Directors, supported by its legal advisors, believes that the process will not result in any liability for the Group.

iv) As of 31 December 2014 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.

v) Judicial action which was brought against the Group by a subcontractor in relation to the construction of ship "Sacor II" in total amount of €2,274 k, is currently suspended at the Lisbon Maritime Court, due to declaration of insolvency by the manufacturer on 6 February 2013. The Board of Directors, supported by its legal advisors believes that the process will not result in any liability for the Group.

vi) Additional Corporate Income Tax and PIT assessments total €35,962 k for which there are provisions of €21,238 k (Note 9 and 25).

vii) Related with the agreement celebrated with Matosinhos Municipality Council as of 14 June 2013, can arise some liabilities associated with the decontamination process of the soils. Up to this date no further information is known regarding the referred to above responsibilities.

Other financial commitments

The Group's financial commitments not included in the statement of financial position as of 31 December 2014 are:

i) € 304,128 k, €7,447 k and €23,375 k related to the liability covered by the Petrogal, Sacor Marítima and GDP Group Pension Funds, respectively (Note 23);

ii) €15,786 k related to purchase orders of tangible assets that have not yet been received;

iii) GDP – Gás de Portugal, 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, GDP – Gás de Portugal, 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.

iv) Galp 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 of 31 December 2014, the Medium/Long term debt totalled 3 billion euros. From this total, the contracts concerning "covenants" correspond to 1.2 billion euros. The existing covenants in Galp Group embody essentially in compliance with financial ratios that monitor the financial position of the Company, including its ability to repay the debt service. Total Net Debt to consolidated EBITDA ratio is the most frequently used and was 1.9x as of 31 December 2014. The ratio amount reached is a lower value than the one stipulated by all contracts, which in general terms is 3.5 – 3.75 x EBITDA;

v) Galp Group has non-current contracts with Gas suppliers and Gas clients, which guarantee a minimum of acquisitions and sales, guaranteeing a good operational performance.

Pledged guarantees

As of 31 December 2014, responsibilities with pledged guarantees amounted to €338,523 k being constituted essentially by:

(i) Guarantees of €54,835 k in benefit of the Tax Administration;

(ii) Guarantee of €17,000 k in benefit of EDP – Distribuição, to guarantee contractual access to networks operated by EDP Distribuição, in order for the Group to supply electricity in the Portuguese market;

(iii) Guarantees of 16,369 k in benefit of city councils regarding subsoil occupation taxes;

(iv) Guarantees of €11,206 k in benefit of Oil Insurance, Ltd;

(v) Guarantees of €7,807 k in benefit of Direção Geral das Alfêndegas;

(vi) 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 Lisboagás, GDL – Sociedade Distribuidora de Gás Natural de Lisboa S.A., Lusitaniagás – Companhia de Gás do Centro, S.A. and Beiragás– Companhia de Gás das Beiras, S.A.;

(vii) Guarantee 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.;

(viii) Guarantees of €4,201 k in benefit of the Sines Port Authority;

(ix) 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 and allocation of power injection in the network of the public electrical system;

(x) Guarantees of €2,083 k in benefit of Instituto de Estradas de Portugal based on a) of art.15º of the law-decree 13/71 to licence the installation of natural gas conducts, parallels and road crossings;

(xi) Guarantees of €1,006 k and €3,379 k, in benefit of T.I.G. (Transport et Infrastructures Gaz France) and G.R.T. GAS, S.A, to guarantee contractual usage of the natural gas transportation infrastructure in France;

(xiii) Guarantee of €100 k in benefit of Fluxys Belgium, S.A. to guarantee contractual usage of the natural gas transportation infrastructure in Belgium;

(xiv) Guarantee of €4,700 k in benefit of REN- Atlântico, S.A. to guarantee contractual usage of LNG (Liquefied Natural Gas) infrastructure;

(xv) Guarantee of €6,100 k in benefit of REN- Armazenagem, S.A. to guarantee contractual usage of natural gas storage infrastructure;

(xvi) Guarantee of €950 k in benefit of REN- Atlântico, S.A., REN- Gasodutos, S.A. and REN- Armazenagem, S.A., to guarantee contractual usage of LNG (Liquefied Natural Gas) infrastructure in Portugal;

(xvii) As of 31 December 2014, guarantees to the Brazilian National Oil, Natural Gas and Biofuels Agency totalling €92,384 k (BRL 297,542 k) 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 corresponds to the responsibility of the Company according to its percentage of participations in the consortium.

(xviii) Galp celebrated a contract with Petróleo Brasileiro, S.A. for the sale of natural gas in for the concession area BM- S-11 in Campo Lula, in Bacia de Santos, with a duration of 23 years, by which Petrogal sell the gas produced in developing modules of the Lula Pilot and Lula NE.

In 31 December, 2014, Galp has a guarantee of €88,131 k (USD107,000 k) in benefit of Petrobrás, to guarantee gas supply contract.

(xix) As of 31 December 2014, there were still other guarantees in the amount of €12,508 k in benefit of third parties as guarantee of fulfilment of obligations occurring from signed contracts between parties.

34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

The main challenges facing refining operations are the compliance with the objectives of reducing greenhouse gas emissions as defined in the Kyoto Protocol, the reduction of the proportion of sulphur in fuel consumed in the facilities and increasing energy efficiency.

In 2013, Galp Energia Group was informed by the Portuguese environmental agency, by means of publication of the National Allocation Table for the period 2013-2020, of the definitive emission licences to be granted to the following facilities:

Company	Petrogal		Carriço	Powercer
Facilities	**Sines Refinery**	**Oporto Refinery**	**Cogeneration**	**Cogeneration**
2013	1,187,801	494,967	65,341	22,384
2014	1,167,170	486,370	64,204	20,601
2015	1,146,296	477,672	63,067	18,865
2016	1,125,205	468,883	61,930	17,181
2017	1,103,886	460,000	60,793	15,545
2018	1,082,361	451,030	59,656	13,959
2019	1,060,567	441,948	58,519	12,421
2020	1,038,697	432,834	57,382	10,934
Total by facility	**8,911,983**	**3,713,704**	**490,892**	**131,890**

The following tables show the facilities currently operated by the Group, its annual emission licences – EUA's (Emission Unit Allowances), emission reduction certificates – ERU's (Emission Reduction Units), as well as the quantities of greenhouse gases (Ton/CO2) per installation/company.

EUA 'S

Company	Facilities	EUA Licenses held Ton/CO_2 on 01/01/2013	Free licenses attributed Ton/CO_2	Licenses Ton/CO_2 used	Licenses Ton/CO_2 transferred	Licenses Ton/CO_2 purchased	Licenses Ton/ CO_2 sold	EUA Licenses held Ton/CO_2 on 31/12/2014
Petrogal	Sines Refinery (a)	2,676,606	1,607,925	(2,575,970)	1,200,000	-	-	2,908,561
	Oporto Refinery (b)	1,324,161	486,370	(952,417)	700,000	-	-	1,558,114
		4,000,767	**2,094 295**	**(3,528,387)**	**1,900,000**	**-**	**-**	**4,466,675**
Carriço Cogeração	Cogeneration	118,207	64,204	(136,567)	-	-	-	45,844
Powercer	Cogeneration	45,572	20,601	(31,207)	-	-	-	34,966
		163,779	**84,805**	**(167,774)**	**-**	**-**	**-**	**80,810**
Galp Power	n. a.	-	-	-	(1,900,000)	1,900,000	-	-
		4,164,546	**2,179,100**	**(3,696,161)**	**-**	**1,900,000**	**-**	**4,547,485**

(a) Includes under column "licenses attributed" (in accordance with National Allocation Table for 2013).

ERU'S

Company	Facilities	ERU certificates held Ton/CO_2 on 31/12/2013	Certificates Ton/CO_2 used	Certificates Ton/CO_2 transferred	Certificates Ton/CO_2 purchased	Certificates Ton/CO_2 sold	ERU certificates held Ton/CO_2 on 31/12/2014
Petrogal	Sines Refinery	111,800	(111,800)	76	-	-	76
	Oporto Refinery	56,200	(56,200)	3,814	-	-	3,814
		168,000	**(168,000)**	**3,890**	**-**	**-**	**3,890**
Carriço Cogeração	Cogeneration	8,000	(8,000)	-	-	-	-
Powercer	Cogeneration	2,000	(2,000)	-	-	-	-
		10,000	**(10,000)**	**-**	**-**	**-**	**-**
Galp Power	n. a.	-	-	(3,890)	4,000	-	110
		178,000	**(178,000)**	**-**	**4,000**	**-**	**4,000**

Held certificates and licenses

Company	Facilities	EUA's held Ton/CO_2 on 31/12/2014	ERU's held Ton/CO_2 on 31/12/2013	EUA's and ERU's held Ton/CO_2 on 31/12/2013	CO_2 emissions up to December 2013 (a)	Excess / (Insufficiency) of licenses and certificates
Petrogal	Sines Refinery	2,908,561	76	2,908,637	2,182,151	726,486
	Oporto Refinery	1,558,114	3,814	1,561,928	883,811	678,117
		4,466,675	**3,890**	**4,470,565**	**3,065,962**	**1,404,603**
Carriço Cogeração	Cogeneration	45,844	-	45,844	80,501	(34,657)
Powercer	Cogeneration	34,966	-	34,966	28,653	6,313
		80,810	**-**	**80,810**	**109,154**	**(28,344)**
Galp Power	n. a.	-	110	110	-	110
		4,547,485	**4,000**	**4,551,485**	**3,175,116**	**1,376,369**

(a) CO2 emissions values are proforma and will be subject to environmental audits.

During December 2014, Galp Energia Group physically acquired EUA licences in the amount of 1,900,000 Ton/CO_2 by €10,017 k. In addition, made an acquisition of CER's (Certified Emission Reductions) in the amount of 4,000 Ton/CO_2 by €0.12 k. The Group recognised under other operational costs the amount of €5,394 k concerning the cost of CO_2 emissions incurred during the year 2014.

As of 31 December 2014, the pro forma values of greenhouse gas emissions were below assigned and acquired licences. Thus, no accruals were made to the additional costs mentioned above.

35. SUBSEQUENT EVENTS

There are no subsequent events for disclosure purposes.

36. FINANCIAL STATEMENTS APPROVAL

The consolidated financial statements were approved by the Board of Directors on 20 March 2015.

However, they are still subject to approval by the General Meeting of Shareholders, under the commercial code in place in Portugal. The Board of Directors believes that these financial statements fairly reflect the Group's operations, financial performance and cash flows.

37. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union (Note 2.1) some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

THE ACCOUNTANT:
Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS:
Chairman:
Américo Amorim
Vice-Chairmen:
Manuel Ferreira De Oliveira
Luís Palha da Silva
Members:
Paula Amorim
Filipe Crisóstomo Silva
Carlos Gomes da Silva
Sérgio Gabrielli de Azevedo
Thore E. Kristiansen
Abdul Magid Osman
Luís Manuel Moreira de Campos e Cunha
Raquel Rute da Costa David Vunge
Miguel Athayde Marques
Carlos Costa Pina
Rui Paulo Gonçalves
Luís Manuel Pêgo Todo Bom
Fernando Gomes
Diogo Mendonça 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 Extractive Activities – Oil & Gas (Topic 932) of the Financial Accounting Standards Board (FASB).

Results of operations from exploration and production activities

Results of operations from exploration and production by geographical area, for the years 2014, 2013 and 2012 are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2014				
Consolidated total contribution				
Sales	193,201	465,837	-	659,039
Production costs	(42,137)	(41,530)	-	(83,667)
Royalties	-	(52,188)	-	(52,188)
Other operating costs	(2,293)	(72,579)	(18)	(74,890)
Exploration costs	(75,289)	(28,070)	(623)	(103,982)
Depreciation, amortisation and provisions for the period	(88,697)	(63,107)	-	(151,803)
Operating profit before tax for the E&P activities	**(15,215)**	**208,363**	**(641)**	**192,507**
Income tax	(49,077)	(120,501)	(27)	(169,605)
Operating income for the E&P activities	**(64,292)**	**87,862**	**(668)**	**22,902**
31 December 2013				
Consolidated total contribution				
Sales	243,816	333,565	-	577,382
Production costs	(45,860)	(23,226)	-	(69,086)
Royalties	-	(38,765)	-	(38,765)
Other operating costs	(2,338)	(57,722)	4	(60,056)
Exploration costs	(61,528)	(24,778)	(2,186)	(88,492)
Depreciation, amortisation and provisions for the period	(113,727)	(51,944)	-	(165,671)
Operating profit before tax for the E&P activities	**20,364**	**137,130**	**(2,182)**	**155,312**
Income tax	(18,946)	(66,360)	(137)	(85,442)
Operating income for the E&P activities	**1,418**	**70,771**	**(2,319)**	**69,870**
31 December 2012				
Consolidated total contribution				
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)
Operating profit before tax for the E&P activities	**98,606**	**131,088**	**(16,699)**	**212,994**
Income tax	(48,734)	(58,101)	2,663	(104,172)
Operating income for the E&P activities	**49,872**	**72,987**	**(14,037)**	**108,823**

The production costs include direct production costs associated with blocks which are currently in production. This caption is presented net of income regarding leasing of production equipment, registered in companies that are not consolidated by the full consolidation method. The following deductions were made: €16,223 k in 2014, €9,159 k in 2013 and €1,210 k in 2012.

Other operating costs include overhead costs pertaining to areas directly related to exploration and production activities. It excludes general corporate overhead costs related to Group companies, in accordance with FASB Topic 932 and includes costs recorded in companies that are not fully consolidated in the amount of €21,161 k in 2014, €3,262 k in 2013 and €116 k in 2012. The increase recorded in 2014 reflects a particular event arising from the contract termination with one of the companies supplying materials and the equipment used in production and the liquidation of associated investments.

Exploration costs corresponds to exploration impairments (costs of dry wells or historical costs of blocks returned in the year).

Amortisation, depreciation and provisions for the period include costs recorded in companies that are not consolidated by the full consolidation method in the amount €3,526 k in 2014, €1,811 k in 2013 and €726 k in 2012.

Operating income does not include corporate costs and financial costs, in accordance with FASB Topic 932.

The caption "Income taxes" includes: PIT applicable to blocks in Africa, the Special Participation Tax (SPT) applicable to blocks in Brazil, and income tax in accordance the applicable tax laws applicable in each country. The amount of income tax has been adjusted to exclude the effect of management and financial costs that were excluded from operating income.

Capital expenditure in exploration and production activities

Capitalised costs during the year, that represent expenditures made in exploration and production activities, by geographical area for the years 2014, 2013 and 2012 are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2014				
Consolidated total contributions				
Acquisitions with unproved reserves	-	-	-	-
Exploration	134,949	113,163	3,155	251,266
Development	161,794	585,109	-	746,903
Total incurred in the period	**296,743**	**698,272**	**3,155**	**998,169**
31 December 2013				
Consolidated total contributions				
Acquisitions with unproved reserves	10,191	11,619	-	21,810
Exploration	112,433	143,388	2,789	258,610
Development	90,179	352,753	-	442,933
Total incurred in the period	**212,803**	**507,761**	**2,789**	**723,353**
31 December 2012				
Consolidated total contributions				
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**

The amounts invested in the table above for 2012 differ from the value reported for investment in the E&P business segment, since it excludes includes investments which are not directly related to exploration and production activities.

The amounts in the 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 €255,948 k in 2014, €115,203 k in 2013 and €115,546 k in 2012.

In the table above, investments are stated in the Galp Energia Group’s functional currency. For companies where the functional currency is not the Euro, assets were updated at the corresponding year end exchange rate, in accordance with the accounting policy defined in paragraph 2.12 of the notes to the consolidated financial statements, namely in Brazil, at the exchange rate of 3.2207 EUR/BRL and companies in Africa, at the exchange rate of 1.2141 EUR/USD.

Cumulative investments in exploration and production activities

Cumulative investments represent the total expenditures incurred in the acquisition of proved or unproved reserves and in exploration and development activities of blocks in which Galp Energia holds a participation.

Cumulative costs are fully capitalised. Dry wells are recognised as costs and reflected in the table below, together with impairments. Returned blocks are written-off from assets, and consequently, are not included in this information.

Cumulative investments in production and exploration activities which are reflected in Galp Energia Group's financial position are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2014				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,114 835	621,059	-	1,735,894
Incomplete wells (assets in progress)	121,555	910,845	-	1,032,399
Assets without proved reserves	648,296	461,309	56,217	1,165,821
Support equipment	6,397	9,184	-	15,580
Gross cumulative investment	**1,891,082**	**2,002,396**	**56,217**	**3,949,695**
Cumulative amortisations, depreciations and impairments	(1,007,582)	(172,732)	(13,384)	(1,193,698)
Net cumulative investments	**883,500**	**1,829,664**	**42,833**	**2,755,997**
31 December 2013				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	818,637	307,589	-	1,126,226
Incomplete wells (assets in progress)	64,365	607,130	-	671,495
Assets without proved reserves	462,128	421,227	53,082	936,438
Support equipment	4,663	11,394	-	16,056
Gross cumulative investment	**1,349,793**	**1,347,340**	**53,082**	**2,750,216**
Cumulative amortisations, depreciations and impairments	(687,514)	(99,260)	(10,768)	(797,541)
Net cumulative investments	**662,280**	**1,248,080**	**42,315**	**1,952,675**
31 December 2012				
Consolidated total 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 without proved reserves	226,411	363,379	67,712	657,501
Support equipment	4,096	3,674	-	7,770
Gross cumulative investment	**1,090,088**	**1,067,179**	**67,712**	**2,224,979**
Cumulative amortisations, depreciations and impairments	(521,323)	(106,715)	(25,124)	(653,162)
Net cumulative investments	**568,765**	**960,465**	**42,588**	**1,571,817**

Investments were classified in accordance to the following assumptions:

1) Assets with Proved Reserves (PR or 1P): assets related to fields which hold PR at the end of each year.

1.1) Assets with PR – Fixed: assets related with fields which hold PR at the end of each year, in production and under depreciation;

1.2) Assets with PR – Incomplete wells (assets in progress): assets related with fields with PR at the end of each year, which are not yet in production.

2) Assets without PR: assets related with fields without proved PR, at the end of each year.

3) Support equipment: office equipment allocated to exploration and production activities.

The amounts contained in the following captions include assets relating to transportation and production equipment for block BM-S-11 in Brazil, recorded in consolidated companies using the equity method. In "Fixed assets with Proved Reserves" are accounted €119,127 k in 2014, €70,539 k in 2013 and €76,014 k in 2012. In "Incomplete wells (assets in progress)", are accounted €376,814 k in 2014, €248,461 k in 2013 and €100,843 k in 2012. In "Cumulative amortisations, depreciations and impairments" are recorded €7,443 k in 2014, €3,482 k in 2013 and €17,766 k in 2012.

In the above table, cumulative investments are stated in the Galp Energia Group's functional currency. For companies where the functional currency is not the Euro, assets were updated at the corresponding year end exchange rate, in accordance with the accounting policy defined in paragraph 2.12 of notes to the consolidated financial statements, namely in Brazil, at the exchange rate of 3.2207 EUR/BRL and companies in Africa, at the exchange rate of 1.2141 EUR/USD.

Oil and gas reserves

Total PR (1P) on 31 December 2014, 2013 and 2012 which are presented in the tables below, include developed and undeveloped PR, and were used for depreciation of tangible assets and recognition of provisions for abandonment costs, based in the UOP method. These reserves were determined by an independent entity, whose methodology is in accordance with the PMRS, 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 used to determine the Company's reserves, under a net entitlement point of view, which are the reserves to be extracted as defined in signed agreements for the exploration and production activity, was $98.95/bbl, $108.66/bbl, and $111.63/bbl, and corresponds to the average market price of Brent for 2014, 2013 and 2012, respectively.

Reserves associated with blocks in Brazil correspond to 100% of the stake held by Petrogal Brasil in those blocks, since this company is consolidated using the full consolidation method in the Galp Energia Group.

The impacts of PSA (price effect and/or change in recoverable costs) in reserves associated with this type of agreements are reflected in the caption "Revisions of previous estimates".

Oil reserves (1P proved reserves)

unit: kbbl	Africa	Latin America	Total
2014			
Reserves on 31 December 2013	**8,814**	**146,930**	**155,744**
Developed	7,124	19,294	26,418
Undeveloped	1,690	127,636	129,326
Extensions and discoveries	59	-	59
Acquisitions and sales	-	-	-
Revisions of previous estimates	1,580	54,476	56,056
Production	(2,636)	(5,857)	(8,493)
Reserves on 31 December 2014	**7,817**	**195,549**	**203,366**
Developed	6,426	37,210	43,636
Undeveloped	1,391	158,339	159,730
2013			
Reserves on 31 December 2012	**9,609**	**113,773**	**123,382**
Developed	7,011	15,925	22,936
Undeveloped	2,598	97,848	100,446
Extensions and discoveries	-	21,830	21,830
Acquisitions and sales	-	-	-
Revisions of previous estimates	2,244	15,132	17,376
Production	(3,039)	(3,805)	(6,844)
Reserves on 31 December 2013	**8,814**	**146,930**	**155,744**
Developed	7,124	19,294	26,418
Undeveloped	1,690	127,636	129,326
2012			
Reserves on 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 on 31 December 2012	**9,609**	**113,773**	**123,382**
Developed	7,011	15,925	22,936
Undeveloped	2,598	97,848	100,446

Gas reserves (1P proved reserves)

Gas reserves are presented in millions of cubic feet, with 1 barrel of oil equivalent (boe) corresponding to 6,000 cubic feet of gas.

unit: millions of cubic feet	Africa	Latin America	Total
2014			
Reserves on 31 December 2013		**130,935**	**130,935**
Developed		21,081	21,081
Undeveloped	-	109,854	109,854
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	46,517	46,517
Production	-	(3,444)	(3,444)
Reserves on 31 December 2014		**174,008**	**174,008**
Developed		27,941	27,941
Undeveloped	-	146,067	146,067
2013			
Reserves on 31 December 2012		**184,281**	**184,281**
Developed		24,749	24,749
Undeveloped		159,532	159,532
Extensions and discoveries		14,189	14,189
Acquisitions and sales			-
Revisions of previous estimates		(64,133)	(64,133)
Sales		(3,402)	(3,402)
Reserves on 31 December 2013		**130,935**	**130,935**
Developed		21,081	21,081
Undeveloped		109,854	109,854
2012			
Reserves on 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 on 31 December 2012		**184,281**	**184,281**
Developed		24,749	24,749
Undeveloped		159,532	159,532

Standard measure of discounted future net cash flows

The standard measure of discounted future cash flows have been prepared in accordance with the requirements of Topic 932 of FASB and correspond to an economic translation of the 1P PR presented in the previous section.

The estimated future cash inflows represent future revenues associated with production of with PR calculated by applying the average market price of Brent practiced during 2014: $98.95/bbl.

Future production costs correspond to the estimates of future production costs associated with PR.

Future royalties represent the estimates of royalties payable relating to production revenue. Applicable only in Latin America and correspond to 10% of sales.

Future development and future abandonment costs 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 calculated according to the existing PSA); SPT (applicable to blocks in Brazil) and income taxes, according to tax laws in each country.

The cash flows were calculated in U.S. dollars and translated into euros at the average exchange rate of 2014 (1.3288 EUR/USD).

unit: €k	Africa	Latin America	Total
31 December 2014			
Future cash inflows	582,084	14,542,429	15,124,512
Future production costs	(126,068)	(2,119,475)	(2,245,543)
Future royalties	-	(1,632,328)	(1,632,328)
Future development and abandonment costs	(87,902)	(954,898)	(1,042,800)
Future net cash flow before tax	**368,114**	**9,835,727**	**10,203,841**
Future income tax	(94,847)	(5,633,129)	(5,727,976)
Future net cash flows	**273,267**	**4,202,598**	**4,475,865**
Discount factor (10%)	(45,569)	(2,021,078)	(2,066,647)
Standard measure of discounted future cash flows on 31 December 2014	**227,698**	**2,181,520**	**2,409,218**

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 Directors' Report and in the attached consolidated financial statements of Galp Energia S.G.P.S., S.A., comprising the consolidated statement of financial position as at December 31, 2014 (which shows total assets of Euro 13,215,417 and total shareholder's equity of Euro 6,424,721 including non-controlling interests of Euro 1,420,184 and a net loss of Euro 173,394), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2. It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

3. Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4. We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method (when applicable); (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 Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.

6. We believe that our audit provides a reasonable basis for our opinion.

Opinion

7. In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Galp Energia S.G.P.S., S.A. as at December 31, 2014, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

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

March 20, 2015

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077
represented by:

António Joaquim Brochado Correia, R.O.C.

Statutory auditors' opinion on the consolidated financial statements

Introduction

1. We have examined the consolidated financial statements of Galp Energia, SGPS, S.A. (the "Company") for the fiscal year 2014, comprising the consolidated statement of financial position as of December 31, 2014 (which reflect total assets of 13.215.417 thousand euros and a shareholders' equity of 6.424.721 thousand euros, including a net loss attributable to the equity holders of the parent and recognised in the consolidated income statement of 173.394 thousand euros and a total of non-controlling interests of 1.420.184 thousand euros), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Responsibilities

2. The Company's Board of Directors is responsible for the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, of the consolidated results of their operations, of their consolidated comprehensive income, of their consolidated changes in equity and of their consolidated cash flows, for the adoption of adequate accounting policies and criteria and for the maintenance of an appropriate system of internal control, as well as for the disclosure of any relevant facts that have influenced the operations, the financial position or the results of operations of the companies included in the consolidation perimeter.

3. It is our responsibility to report our independent professional opinion, based on our audit of such financial statements.

Scope

4. Our audit was performed in accordance with generally accepted Portuguese Statutory Auditing Standards, which require our audit to be planned and performed in order to provide reasonable assurance that the consolidated financial statements are free from material misstatements. Therefore, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and assessment of the significant estimates, which were based on judgements and criteria defined by the Board of Directors, used in the preparation of the consolidated financial statements, the checking of the consolidation procedures, and that the financial statements of the companies included in the consolidation have been properly examined, assessment of the adequacy and consistency of the accounting policies adopted and related disclosures, in the circumstances, examination of the adequacy of the going concern basis of preparation of the consolidated financial statements, and evaluation of the overall adequacy of the presentation of the consolidated financial statements.

5. Our examination also included verifying that the financial information included in the Board of Directors' Report is consistent with the consolidated financial statements, as well as the verification of the matters mentioned in paragraphs 4. and 5. of article 451º of the Portuguese Companies Code.

6. We consider that the audit that we performed provides a reasonable basis for the expression of our opinion.

Opinion

7. In our opinion, the consolidated financial statements mentioned above, present fairly, in all material respects, the consolidated financial position of Galp Energia, SGPS, S.A. and subsidiaries as of December 31, 2014, and of the consolidated results of their operations, of their consolidated comprehensive income, of their consolidated changes in equity and of their consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards ("IFRSs"), as adopted in the European Union, applied on a consistent basis with the previous year.

Reporting on other legal requirements

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

March, 20, 2015

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

Pedro Matos Silva, R.O.C.

Statement of compliance by the Board of Directors

According to article 245, first paragraph c) of the Portuguese Securities Code, each of the below indicated members of the Board of Directors declares that, to the extent of his/her knowledge, the management report, the financial statements, the legal certification of the accounts and further accounting documents were prepared in compliance with the applicable accounting rules and give 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 perimeter, and the management report includes a fair view of the development of the business and the performance and position of Galp Energia and the companies included in the consolidation, and includes an description of the main risks and uncertainties faced by Galp Energia and the companies included in the consolidation perimeter in their operations.

Lisbon, 20 march, 2015

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
Thore E. Kristiansen
Abdul Magid Osman
Luís Campos e Cunha
Raquel Rute da Costa David Vunge
Miguel Athayde Marques
Carlos Costa Pina
Rui Paulo Gonçalves
Luís Todo Bom
Fernando Gomes
Diogo Mendonça Tavares
Joaquim Borges Gouveia
José Carlos da Silva Costa
Jorge Manuel Seabra de Freitas

Supervisory Board's report and opinion

Dear shareholders,

According to the legislation in force and the Company's articles of association, and under our mandate, we hereby present our opinion on the management report, the individual and consolidated financial statements and the proposed allocation of net profit presented by the Board of Directors of Galp Energia SGPS, S.A., with regards to the year ended 31 December 2014.

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 both the legal certification of the accounts as well as the audit report of the individual and consolidated accounts, which deserve our agreement.

Under the scope of our mandate, we have verified and we hereby declare to the extent 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 that of the subsidiaries which are included in the consolidation perimeter;

b) the accounting principles and the metrical criteria used follow the IFRS, as adopted by the EU, and are adequate as to guarantee an appropriate representation of both the Company's and the Group's assets and results;

c) the management accounts includes a fair view of the business development and of the position of the Company and other companies included in the consolidation, highlighting in a clear manner the most significant aspects of the business, as well as a description of the main risks the Company and the other companies are exposed to in their operations;

d) the corporate governance report includes all the information required by article 245-A of the CVM.

Accordingly, taking into consideration the information received from 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, we express our agreement to the management report, to the individual and consolidated financial statements and to the proposal of application of net profit for the financial year 2014 and we are of the opinion that those documents should be approved by the General Shareholders Meeting.

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, 20 March 2015

Daniel Bessa Fernandes Coelho

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

Declaration

Chairman of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the CVM, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and give a true and fair view of the assets, liabilities, financial position and results of Galp Energia and the companies included in the consolidation as a whole, and the accounts report 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 includes an accurate description of the principal risks and uncertainties faced by Galp Energia's operations.

Lisbon, 20 March 2015

Daniel Bessa Fernandes Coelho

Declaration

Gracinda Augusta Figueiras Raposo, member of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the CVM, to the best of her knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and gives a true and fair view of the assets, liabilities, financial position and results of Galp Energia and the companies included in the consolidation as a whole, and the accounts report 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 includes an accurate description of the main risks and uncertainties faced by Galp Energia's operations.

Lisbon, 20 March 2015

Gracinda Augusta Figueiras Raposo

Declaration

Pedro Antunes de Almeida, member of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the CVM, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were 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, and the accounts report 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 includes an accurate description of the main risks and uncertainties faced by Galp Energia's operations.

Lisbon, 20 March 2015

Pedro Antunes de Almeida

Annual activity report of the Supervisory Board for the financial year 2014

In accordance with article paragraph 1 g) of article 420 of the CSC and of paragraph 1 g) of article 8 of the Supervisory Board regulations of Galp Energia, SGPS, S.A. (hereinafter referred to as Galp Energia or Company), the Board hereby presents its report on the supervisory activities performed during 2014.

I. Introduction

According to the corporate governance model implemented by Galp Energia, which consists in the Latin model set out in paragraph 1 a) of article 278 and paragraph 1 b) of article 413, both from the Companies Code, the Supervisory Board is responsible for supervising the Company's activities.

The Supervisory Board in office was elected at the general shareholders meeting held on 30 May 2011, for the 2011-2013 term of office, a term that was extended to four years (2011 to 2014) by a resolution passed at the general shareholders meeting of 24 April 2012, and comprises three independent members, in accordance with the criteria set out in paragraph 5 of article 414 of the Companies Code.

All members of the Supervisory Board meet the compatibility criteria for the performance of their duties as laid down in paragraph 1 of article 414-A of the Companies Code.

The main duties of the Supervisory Board, as described in the respective regulation which is available via the Company's website, refer to the following key areas:

a) Permanently monitoring the Company's activities, monitoring compliance with the law and articles of association, and overseeing the Company's management;

b) Monitoring compliance with accounting policies and practices, as well as the preparation and disclosure of financial information, and supervising the audit of the accounts included in the Company's accounting documents;

c) Monitoring the effectiveness of the risk-management and internal-control systems, annually assessing with the Executive Committee the internal-control and audit procedures and any issues raised about the accounting practices adopted by the Company, addressing to that Committee such recommendations as it may deem fit;

d) Overseeing the adoption by the Company of the principles and policies for the identification and management of the key risks of a financial and operational nature related to the Company's business, and monitoring and performing adequate and timely control and disclosure of such risks;

e) Receiving reports of irregularities made by shareholders, Company employees or others;

f) Proposing to the general shareholders meeting the appointment of the Statutory Auditor and monitoring its independence, notably as regards the provision of additional services;

g) Appointing or dismissing the Company's External Auditor and assessing its activity each year through a critical appraisal of the reports and documentation that it draws up in the performance of its duties.

II. Activity performed by the Supervisory Board concerning the financial year 2014

During 2014 the Supervisory Board held 12 meetings and implemented several measures within the scope of its duties, of which the following are highlighted:

1. Permanently monitoring the Company's activity, monitoring compliance with the law and articles of association, and overseeing the Company's management

Ongoing monitoring of the Company during 2014 was undertaken, in particular, through regular meetings with the heads of the Internal Auditing division, of the Risk-Management Committee, the Investor Relations Division, the Statutory Auditor and the External Auditor, as well as the Executive Director responsible for the area of finance, the Company Secretary and the heads of Accounts and of Planning and Corporate Control.

During 2014, the Supervisory Board also monitored Galp Energia's corporate governance system and its compliance with legal and statutory requirements, as well as legislative and regulatory developments in the field of corporate governance, in particular those issued by the CMVM, including recommendations relevant to the performance of its duties, having accompanied the process of corporate governance improvement.

Also within the context of monitoring corporate governance matters, the Supervisory Board has reviewed the corporate governance report for 2014, and confirmed that the report includes the information required by article 245-A of the CVM and by the CMVM regulation no. 4/2013.

2. Monitoring compliance with the accounting policies and practices and with the process of preparation and disclosure of financial information and of the legal audit of the accounts

The Supervisory Board has monitored the accounting policies, criteria and practices and the reliability of the financial information through a review of the reports of the Statutory Auditor and External Auditor, and through an appraisal of the findings of the audits and of the procedure evaluations performed during the year by the Statutory Auditor and the External Auditor.

In fact, the Supervisory Board has reviewed the 2014 audit and legal certification of the accounts, having issued a favourable opinion thereon.

Access to the financial information by the Supervisory Board was conducted on a regular and adequate basis, and there were no constraints to its duties.

3. Monitoring and overseeing the effectiveness of the internal-control and risk-management systems, and annual review of the working of the systems and internal procedures

The Supervisory Board monitors the effectiveness of the risk-management, internal-control and internal-audit systems, the creation and implementation of which are the responsibility of the Executive Committee, as well as assesses on annual basis the working of the systems and respective internal procedures.

During 2014 the Supervisory Board performed several measures directed at monitoring, supervising and evaluating the working and adequacy of Galp Energia's internal-control, risk-management and internal-audit systems, having submitted recommendations and proposed amendments to the working of those systems as deemed justified and necessary.

Within the scope of its supervisory duties, the Supervisory Board was also charged with supervising the implementation by the Company of principles and policies for the identification and management of key financial and operational risks associated with Galp Energia's business, having supervised the measures to monitor, control and disclose the risks.

The Supervisory Board's understanding is that the Executive Committee and the Board of Directors have attributed increasing importance to the development and improvement of the risk-management, internal-control and internal-audit systems, in line with CMVM recommendations in relation to the Corporate Governance Code.

4. Supervision of the activity of the Internal Auditing division

The Supervisory Board has supervised the activity of the Internal Auditing division during 2014, which reports functionally to this Board, through regular monitoring of the implementation of the respective annual plan of activities for the assessment of the risks of the processes and systems of the business units and of the conclusions as to how risks are managed and resources allocated, having received from the division periodic reports and information concerning matters related to the submission of accounts, identification or resolution of conflicts of interest and the identification of potential illegalities.

Evaluation of the proper working of the risk-management and internal-control systems, and assessment of the effectiveness and efficiency of the implementation of controls and mitigation systems were performed by the Internal Auditing division, independently and systematically, having regularly informed and drawn the attention of the Supervisory Board to the more relevant comments and recommendations, detailing opportunities for improvement and corrective measures.

The Supervisory Board further considers that, in implementing the established work plan, the assessment of the internal control systems and of compliance with established procedures, as well as the use of the resources allocated, were performed efficiently.

5. Annual assessment of the activity of the Company's External Auditor

The Supervisory Board performed its duties as the Company's interlocutor with the External Auditor and as the first recipient of the information it draws up, having provided the External Auditor with the information and other appropriate conditions required for the effective performance of its activity.

During 2014 the Supervisory Board assessed the activity of the External Auditor, having monitored its activity on a regular basis, in particular through critical appraisal of the reports and documentation that it produced in the performance of its duties, and also appraised the procedure-alteration recommendations made by the External Auditor.

In its annual assessment, the Supervisory Board considers that the External Auditor provided its services in a satisfactory manner in accordance with the defined work plan, having complied with the applicable rules and regulations, revealed technical rigour in its activities, quality in its conclusions – particularly with regard to the legal audit of the accounts – timeliness and efficiency in the recommendations presented and competence in its procedures.

Considering the assessment of the External Auditor's activity, as well as the interest in ensuring the continuity of external audit services, the Supervisory Board in its meeting held on March 6, 2014 proposed to the Company the extension of the external audit agreement for an additional period of two years

Within the scope of its verification of compliance by the External Auditor with the rules of independence, the Supervisory Board accompanied, during 2014, the provision of services other than audit services, which depends of a prior appraisal by the Supervisory Board, having confirmed the independence of the External Auditor. The Supervisory Board notes that the amount of services other than assurance corresponds to 31,2% of the total of services provided by the External Auditor, exceeding the reference amount set out in recommendation IV.2 of the CMVM Corporate Governance Code approved in 2013.
external auditor for services other than audit services is currently in progress.

6. Company business with related parties

The corporate governance report for 2014 contains information on significant relations of a commercial nature between the Company and holders of qualifying holdings, as well as on related-party transactions subject to the prior opinion of the Supervisory Board, in respect of 2014.

7. Reporting irregularities

In accordance with best corporate governance practices and applicable market rules, as well as in line with the principles of fairness, correctness, honesty, transparency and integrity on the basis of which Galp Energia conducts its business, the Galp Energia policy governing the reporting of irregularities, available on its official website, governs the mechanism for reporting to the body responsible, the Supervisory Board, irregularities occurring at Galp Energia Group companies.

The irregularities-reporting policy aims to allow any shareholder, employee, customer or supplier to report freely any irregularities they detect or of which they take cognisance or have reasoned suspicion, occurring at Galp Energia or its subsidiaries, in particular as regards compliance with current legislation, standards and internal regulations, the code of ethics and the anti-corruption policy, and ancillary procedures.

To support the work of the Supervisory Board in the matter reporting irregularities, the Supervisory Boards' support office was set up in 2013, on which it has delegated the operational management and smooth operation of the mechanism for reporting irregularities under the terms of the respective regulation.

The Supervisory Board has prepared a report in relation to the irregularities notified and the procedures resulting therefrom during 2014, in accordance to the information duty set out in item 2 of the policy on communication of irregularities and has made such report available to the Board of Directors. Considering the communications received, the conclusion was that they did not have impact regarding matters related with accounting, financial, internal control and audit. On the other hand, there was a small number of irregularities communicated through the respective mechanism.

Lastly, the Supervisory Board would like to express its thanks to the Board of Directors and to the Executive Committee of Galp Energia, SGPS, S.A. for the co-operation provided in the performance of their duties.

Lisbon, 20 March 2015

Chair - 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.

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 its 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
The complexity of a refinery is measured by a complexity index, which is calculated separately for different sector organisations, such as the energy sector consultants, 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. This is mainly based on the technology level used in the construction of the unit and by reference to one facility for primary distillation of crude to which is assigned a complexity factor of 1.0. The complexity index for 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 complexity index for each of its units, including the distillation unit. A refinery with a complexity index of 10.0 is considered ten times more complex than a refinery equipped only with atmospheric distillation of crude oil, for the same amount of product processed.

CONDENSATES
Hydrocarbons which are gaseous in the fields, but become liquid on the surface 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 for commercial production); 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 best estimate, while 3C resources correspond to the highest 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 deeper and more selective transformation, at the same temperature, of 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 of 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. Brent is 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.

DIESEL
A blend of hydrocarbons used as fuel for ignition by compression engines that use the diesel cycle. The behaviour of diesel depends on the temperatures at which it is used.

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. This process produces distillates.

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. Risked mean estimate exploration resources have a higher implied recovery probability than unrisked mean estimate resources. The quantities classified as exploration resources cannot be classified as contingent resources or reserves.

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.

HYDROCRACKING
Cracking process using hydrogen and the action of catalysts to convert undervalued oil fractions with high boiling points into lighter, more valuable fractions. The hydrogen allows the work to be carried out at lower temperatures and with greater selectivity, therefore, giving a better performance. The reaction products are saturated compounds, which gives them important stability characteristics.

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 ºC at atmospheric pressure. LNG 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 which lies between gases and petroleum. It is used as feedstock by the petrochemical industry, as its cracking supplies several products. It can also be used as a component in gasoline (light naphtha) or to produce reformate (heavy naphtha).

NATURAL GAS
A naturally-occurring mixture of 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.

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 proved if the commercial productivity of the reservoir is supported by actual production or formation tests. In this context, the term "proved" 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 proved 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 proved 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 sum 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. Probable reserves are those quantities of oil which, by analysis of geological and engineering data, have a lower probability of being recovered than proved reserves, but higher than 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 sum of proved, probable and possible reserves. Under the definition approved by the SPE and the WPC, 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 proved. Possible reserves have a lower probability of being recovered than probable reserves. If probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

REFINERY
An industrial facility used to process crude oil in order to transform it into the products needed by end consumers (fuels, lubricants, bitumen etc.) or feedstock for other industries (such as the petrochemical industry).

RENEWABLE ENERGY
Energy available from natural and sustainable sources that can be exploited economically under 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 the IFRS, the cost of goods sold is valued at weighted average cost (WAC). This may, however, lead to substantial volatility in results when the prices of commodities and goods fluctuate sharply, leading to gains or losses in inventory, which may not reflect operational performance. In this document, this impact is called 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 the Portuguese GAAP or the 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.

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 – energy generated by movement – which is obtained from air circulation or wind. It 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.
Anadarko: Anadarko Petroleum Corporation.
ANP: Agência Nacional do Petróleo, Gás Natural e Biocombustível (Brazilian national agency for oil, natural gas and biofuel).
API: American Petroleum Institute.
bbl: barrel of oil.
BBLT: Benguela-Belize-Lobito-Tomboco.
bcIMC: British Columbia Investment Management Corporation.
bcm: billion cubic metres.
BG Group: BG Group, plc.
bn: billion.
bn bbl: billion barrels.
bn boe: billion barrels of oil equivalent.
boe: barrel of oil equivalent.
BP: BP, p.l.c.
b.p.: basis points.
BRL (or R$): Brazilian Real.
BSR: Buoyancy Supported Risers.
CDLI: Carbon Disclosure Leadership Index.
CDP: Carbon Disclosure Project.
CEO: chief executive officer.
CER: certified emission reduction.
CFO: chief financial officer.
CGD: Caixa Geral de Depósitos, S. A.
CLH: Compañia Logística de Hidrocarburos CLH, S.A.
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.
CPT: Compliant Piled Tower.
CSC: Código das Sociedades Comerciais (Portuguese Commercial Companies Code).
CTA: Cumulative Translation Adjustment.
CVM: Código dos Valores Mobiliários (Portuguese Securities Code).
DD&A: Depreciation, depletion and amortisation.
DeMaC: DeGolyer and Macnaughton.
DJSI: Dow Jones Sustainability Index.
DoC: Declaration of Commercial Viability.
DST: Drill Stem Test.
E&P: Exploration & Production.
Ebit: earnings before interest and taxes.
Ebitda: earnings before interest, taxes, depreciation and amortisation.
EIB: European Investment Bank.
EGREP: Entidade Gestora de Reservas Estratégicas de Produtos Petrolíferos, EPE.
EMPL: Europe Maghreb Pipeline.
EMTN: Euro Medium Term Note.
EMV: expected monetary value.
ENH: National Hydrocarbon Company of Mozambique.
Eni: Eni, S.p.A.
EOR: enhanced recovery techniques.
EPCIC: engineering, procurement, construction, installation and commissioning.
EPIS: Empresários Pela Inclusão Social.
ERSE: Entidade Reguladora dos Serviços Energéticos (Portuguese energy market regulator).
ERU: Emission Reduction Units.
EU: European Union.
EUA: Emission Unit Allowances.
EU ETS: European Emissions Trading Scheme.
EUR (or €): Euro.
EWT: extended well test.
FASB: Financial Accounting Standards Board.
FCC: fluid catalytic cracking.
FEED: front end engineering design.
FID: final investment decision.
FLNG: floating liquefied natural gas.
FPSO: floating, production, storage and offloading.
Foundation: Fundação Galp Energia.
G&P: Gas & Power.
Galp Energia: Galp Energia, SGPS, S. A., Group or Company.
GDL: Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S. A.
GDP: gross domestic product.
GGE: greenhouse gas emissions.
GIIP: gas initially in place.
GITE: Galp International Trading Establishment.
GTL: gas-to-liquids.
GWh: Gigawatt hour.

GWT: Global Water Tool for Oil & Gas.
HH: Henry Hub.
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.
IBAMA: Brazilian Institute of Environment and Renewable Natural Resources.
IBAT: Integrated Biodiversity Assessment Tool. ICE: Intercontinental Exchange.
IEA: International Energy Agency.
IFRS: International Financial Reporting Standards.
IFRIC: International Financing Reporting Interpretation Committee.
IMO: International Maritime Organisation.
ISIN: International Securities Identification Number.
ISO: International Organisation for Standardisation.
ISP: imposto sobre produtos petrolíferos (Portuguese tax on oil products).
ISPG: Instituto do Petróleo e Gás (Brazilian Institute of Oil and Gas).
JKM: Japan Korea Marker.
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: kilometre.
km²: square kilometres.
kton: thousand tonnes.
LNG: liquefied natural gas.
LPG: liquefied petroleum gas.
LRO: Local Risk Officer.
LTIFR: lost time injury frequency rate.
m: million.
m³: cubic metres.
mmbbl: millions of barrels.
mmbbl/d: million barrels per day.
mmboe: million barrels of oil equivalent.
mmboepd: milion barrels of oil equivalent per day.
mmbopd: million barrels of oil per day.
NG: natural gas.
MIBEL: Iberian Electricity Market.
mm³: million cubic metres.
mmbtu: million British thermal units.
MScEP: Master's degree in Petroleum Engineering.
mscf: million standard cubic feet.
mton: million tonnes.
mtpa: million tonnes per annum.
MW: megawatt.
MWh: megawatt hour.
NBP: National Balancing Point.
NE: North East.
NGO: non-governmental organisation.
NWE: North West Europe.
NYSE: New York Stock Exchange.
OECD: Organisation for Economic Cooperation and Development.
OJEU: Official Journal of the European Union.
OPEC: Organisation of the Petroleum Exporting Countries.
OTC: over-the-counter.
p.p.: percentage points.
Parpública: Parpública – Participações Públicas, SGPS, S.A.
PEEC: Promoting Efficiency in Electricity Consumption.
PEL: petroleum exploration licences.
Petrobras: Petróleo Brasileiro, S. A.
Petrogal: Petróleos de Portugal – Petrogal, S. A.
PIA: producation individualisation agreements.
PIT: Petroleum Income Tax.
PR: proved resources.
PRMS: Petroleum Resources Management System.
PSA: production sharing agreement.
PUCM: projected unit credit method.
PWC: PricewaterhouseCoopers.
R&D: Research & Development.
R&M: Refining & Marketing.
R&T: Research & Technology
RDA: reservoir data acquisition.
RC: replacement cost.
RCA: replacement cost adjusted.
RED: renewable energy directive.
Repsol: Repsol YPF, S. A.
ROACE: return on average capital employed.

ROC: statutory auditor.
RRR: reserve replacement ratio
SCR: Steel Catenary Riser.
Shell: Royal Dutch Shell, plc.
SPE: Society of Petroleum Engineers.
SPT: Special Participation Tax.
SROC: firm of statutory auditors.
SW: South West.
tcf: trillion cubic feet.
TMA: Tarfaya Marin-A.
ton: tonne.
ToR: transfer of rights.
Total: Total, S. A.
UK: United Kingdom.
UN: United Nations.
UNO: United Nations Organisation.
UOP: unit of production.
USA: United States of America.
USD (or $): US Dollar.
USSR: Union of Soviet Socialist Republics.
VGO: vacuum gas oil.
VAT: valued added tax.
WAC: weighted average cost.
WACC: weighted average cost of capital.
WAG: water alternating gas.
WIP: Winland International Petroleum, SARL.
WPC: World Petroleum Council.
YPF: Yacimientos Petrolíferos Fiscales, S.A.
yoy: year-on-year.

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