



# RESULTS AND CONSOLIDATED INFORMATION

## FIRST QUARTER OF 2014



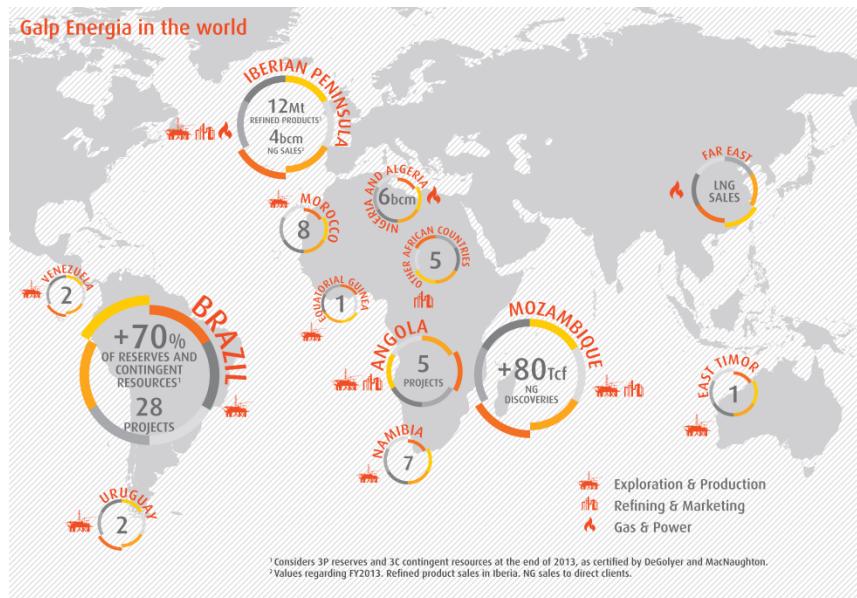
*An integrated energy operator focused  
on exploration and production*

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

## GALP ENERGIA: DEVELOPING ENERGY

### Who we are

- We are an integrated energy operator focused on exploration and production, with a portfolio of assets which will lead to a unique growth in the industry.
- Our exploration and production activities are focused on three core countries: Brazil, Mozambique and Angola.
- Our resilient Iberian businesses, with their cash flow, will enable Galp Energia to maintain a solid financial capacity.



### Our vision and purpose

To be an integrated energy player renowned for excellence of its exploration and production activities, delivering sustainable value.

### Our strategy

To strengthen our exploration and production activities in order to deliver profitable and sustainable growth, based on efficient and competitive Iberian businesses and on solid financial capacity.

### Our strategic drivers

- Greater focus on exploration.
- Development of world-class production projects.
- Solid financial capacity.

### Our competitive advantages

- We are the national flag carrier.
- We establish successful and enduring partnerships.
- We offer integrated know-how.
- We benefit from a solid and flexible organisational structure.
- We have acquired skills in some of the most promising projects worldwide.

# Results and consolidated information – First quarter of 2014

## INDEX

Executive summary .....	4
Key figures.....	5
Exploration & Production activities .....	6
<b>OPERATING AND FINANCIAL PERFORMANCE.....</b>	<b>10</b>
1. Market environment.....	10
2. Operating performance .....	11
2.1. Exploration & Production .....	11
2.2. Refining & Marketing .....	13
2.3. Gas & Power .....	15
3. Financial performance .....	17
3.1. Income statement.....	17
3.2. Capital expenditure .....	19
3.3. Cash flow .....	20
3.4. Financial position .....	21
3.5. Financial debt .....	21
4. Short term outlook.....	23
<b>The Galp Energia share .....</b>	<b>24</b>
Additional information.....	25
1. Basis of presentation.....	25
2. Reconciliation of IFRS and replacement cost adjusted figures .....	26
2.1. Replacement cost adjusted Ebitda by segment .....	26
2.2. Replacement cost adjusted Ebit by segment .....	26
3. replacement cost aDJUSTED TURNOVER.....	27
4. Non-recurrent items .....	27
5. Consolidated financial statements.....	30
5.1. IFRS consolidated income statement.....	30
5.2. Consolidated financial position .....	31
6. ADDITIONAL INFORMATION - Consolidated financial statements .....	32

## EXECUTIVE SUMMARY

In the first quarter of 2014, Galp Energia continued to implement its strategy, which is focused on its Exploration & Production (E&P) business segment, with particular emphasis on exploration and development activities in Brazil and Mozambique.

In exploration and appraisal activities, the conclusion of drilling of the Pitú exploration well was particularly relevant to the extent that it resulted in the discovery of the first accumulation of oil and gas in the deep water of Brazil's Potiguar basin. Also in Brazil, Galp Energia and its partners proceeded with appraisal activities, namely to optimise the development plan of the Iara area in block BM-S-11, in the Santos basin.

Relevant development activities were undertaken in the quarter. In the Santos basin, it is of note the activities performed in the Lula NE area, where the FPSO Cidade de Paraty (FPSO #2) produced from two producer wells. Also in the first quarter, the installation of the first system of buoyancy supported risers (BSR) was concluded, and it is expected that the second and third permanent producer wells start production during the second quarter of 2014, according to the plan previously defined. Galp Energia and its partners anticipate that FPSO #2 will reach full production capacity in the fourth quarter of the year, as initially expected.

Replacement cost adjusted (RCA) Ebitda amounted to €265 million (m) in the first quarter of 2014, up 5% year on year (yoY) on the back of rising net entitlement production in the E&P business segment and stronger supply & trading of liquefied natural gas (LNG) in the Gas & Power (G&P) business segment, which jointly offset weaker results from the Refining & Marketing (R&M) business segment, which were

due to the backdrop of negative refining margins in international market.

RCA net profit for the first quarter of 2014 retreated €29 m yoY to €47 m as depreciation charges surged in the R&M business segment following the start-up of the hydrocracking complex.

Capital expenditure in the quarter amounted to €197 m, with exploration and production activities, accounting for around 90% of the total, namely the development of Brazil's Lula field.

Net debt at the end of March 2014 amounted to €2,296 m, or €1,456 m considering the loan to Sinopec as cash and cash equivalents. In this context, net debt to Ebitda was 1.3x.

## OPERATING HIGHLIGHTS IN THE FIRST QUARTER OF 2014

- Net entitlement production of oil and natural gas in the first quarter of 2014 amounted to 24.6 kboepd, of which production from Brazil accounted for around 70%;
- Galp Energia's refining margin of \$1.1/bbl reflected the unfavourable trend in refining margins on international market, although it benefited from the contribution from the hydrocracking complex;
- Marketing of oil products maintained its positive contribution to results following cost optimisation measures;
- Natural gas sold in the quarter amounted to 2,078 million cubic metres (mm<sup>3</sup>), of which trading activities in international market accounted for around 50%.

# Results and consolidated information – First quarter of 2014

## KEY FIGURES

### FINANCIAL DATA

€ m (RCA)

	First Quarter			
	2013	2014	Chg.	% Chg.
<b>Ebitda</b>	<b>253</b>	<b>265</b>	<b>12</b>	<b>4.8%</b>
Exploration & Production	92	104	13	13.8%
Refining & Marketing	57	36	(21)	(37.5%)
Gas & Power	104	122	17	16.7%
<b>Ebit</b>	<b>148</b>	<b>130</b>	<b>(17)</b>	<b>(11.8%)</b>
Exploration & Production	60	68	8	13.2%
Refining & Marketing	(0)	(45)	(45)	n.m.
Gas & Power	88	104	15	17.5%
<b>Net profit</b>	<b>75</b>	<b>47</b>	<b>(29)</b>	<b>(37.9%)</b>
<b>Investment</b>	<b>189</b>	<b>197</b>	<b>8</b>	<b>4.2%</b>
<b>Net debt including loan to Sinopec</b>	<b>926</b>	<b>1,456</b>	<b>530</b>	<b>57.2%</b>
<b>Net debt inc. loan to Sinopec to Ebitda</b>	<b>0.9x</b>	<b>1.3x</b>	<b>0.4x</b>	<b>n.m.</b>

### OPERATIONAL DATA

	First Quarter			
	2013	2014	Chg.	% Chg.
Average working interest production (kboepd)	23.5	28.1	4.5	19.2%
Average net entitlement production (kboepd)	20.1	24.6	4.6	22.7%
Oil and gas average sale price (USD/boe)	90.3	96.2	5.9	6.5%
Crude processed (kbb)	21,535	16,574	(4,961)	(23.0%)
Galp Energia refining margin (USD/bbl)	1.8	1.1	(0.7)	(38.8%)
Oil sales to direct clients (mton)	2.3	2.2	(0.0)	(0.7%)
NG supply sales to direct clients (mm <sup>3</sup> )	1,075	1,011	(64)	(5.9%)
NG/LNG trading sales (mm <sup>3</sup> )	646	1,067	421	65.1%
Sales of electricity to the grid <sup>1</sup> (GWh)	468	428	(40)	(8.6%)

### MARKET INDICATORS

	First Quarter			
	2013	2014	Chg.	% Chg.
Dated Brent price <sup>1</sup> (USD/bbl)	112.6	108.2	(4.4)	(3.9%)
Heavy-light crude price spread <sup>2</sup> (USD/bbl)	(2.0)	(2.0)	(0.1)	(3.5%)
UK NBP natural gas price <sup>3</sup> (GBp/therm)	74.1	60.5	(13.7)	(18.5%)
LNG Japan and Korea price <sup>1</sup> (USD/mmbtu)	17.9	18.3	0.4	2.3%
Benchmark refining margin <sup>4</sup> (USD/bbl)	2.0	(0.6)	(2.7)	n.m.
Iberian oil market <sup>5</sup> (mton)	13.9	14.0	0.1	0.7%
Iberian natural gas market <sup>6</sup> (mm <sup>3</sup> )	9,567	8,502	(1,064)	(11.1%)

<sup>1</sup> Source: Platts.

<sup>2</sup> Source: Platts. Dated Urals NWE for heavy crude; Dated Brent for light crude.

<sup>3</sup> Source: Bloomberg.

<sup>4</sup> For a complete description of the method of calculating the new benchmark refining margin see "Definitions".

<sup>5</sup> Source: Apetro for Portugal; Cores for Spain; includes an estimate for March 2014.

<sup>6</sup> Source: Galp Energia and Enagás.

## EXPLORATION & PRODUCTION ACTIVITIES

### EXPLORATION AND APPRAISAL ACTIVITIES

#### BRAZIL

In the first quarter of 2014, Galp Energia concluded the drilling of exploration well Pitú, in the Potiguar basin, where results obtained confirmed the discovery announced in mid-December 2013. The Pitú well revealed the first oil and gas accumulation in the basin, thereby opening a new play in the Brazilian offshore. The consortium continued to review the data gathered by both the drilling and the drill stem test (DST), with a view to define the evaluation plan for the area.

In block BM-S-8, the consortium continued to prepare for the drilling of appraisal well Carcará (Extension), which is expected to start in the fourth quarter of 2014. The purpose of this well is to investigate the resource potential in the flank of the Carcará discovery. The consortium contracted the managed pressure drilling (MPD) equipment, which will allow for drilling operations in the Carcará area to be performed in a faster and safer manner, while it continues to evaluate options for contracting a drilling rig appropriate to the characteristics of that well.

#### MOZAMBIQUE

In Mozambique, the consortium initiated the drilling of the appraisal well, Agulha-2, in Area 4 of the Rovuma basin. The aim of this well is to appraise the gas discovery made in the Agulha-1 well, which was drilled in 2013, in the Palaeocene and Cretaceous intervals, in the South of that area.

The consortium expects the drilling of one exploration well in the second quarter of 2014, with the potential for an additional well, which aims to explore new prospects that were identified through the 3D seismic data acquired in that area, namely the Dugongo-1 prospect, formerly known as Querimbas East-1.

#### ANGOLA

In Angola, the consortium started to drill in the first quarter of 2014 the appraisal well Cominhos-2, in the northern part of block 32, to test the reservoir in the Oligocene interval. If successful, the drilling will extend in the third quarter to an additional well, Cominhos-3.

#### MOROCCO

In the first quarter, Galp Energia, as the operator in the Moroccan project, contracted the Ralph Coffman jack-up rig to start drilling prospect Trident in June 2014.

# Results and consolidated information – First quarter of 2014

## SCHEDULE OF EXPLORATION AND APPRAISAL ACTIVITIES

Area	Target	Interest	E/A <sup>1</sup>	Spud date	Duration (# days)	Well status
<b>Brazil<sup>2</sup></b>						
BM-S-8	Carcará (extension)	14%	A	<b>4Q14</b>	120	-
BM-S-24	Jupiter SW	20%	A	<b>3Q14</b>	120	-
BM-S-24	Bracuhy NE	20%	A	<b>4Q14</b>	120	-
<b>Mozambique</b>						
Rovuma	Agulha-2	10%	A	<b>1Q14</b>	60	In progress
Rovuma	Dugongo-1 <sup>3</sup>	10%	E	<b>2Q14</b>	60	-
Rovuma	Querimbás Central <sup>4</sup>	10%	E	<b>3Q14</b>	60	-
<b>Angola</b>						
Block 32	Cominhos-2	5%	A	<b>1Q14</b>	60	In progress
Block 32	Cominhos-3 <sup>4</sup>	5%	A	<b>3Q14</b>	60	-
<b>Morocco</b>						
Tarfaya	Trident	50%	E	<b>2Q14</b>	90	-

<sup>1</sup> E-Exploration well; A – Appraisal well.

<sup>2</sup> Petrogal Brasil: 70% Galp Energia; 30% Sinopec.

<sup>3</sup> Previously known as Querimbás East-1.

<sup>4</sup> Pending the outcome of previous drilling.

## DEVELOPMENT ACTIVITIES

### BRAZIL

In the first quarter of 2014, Galp Energia and its partners proceeded with the development of the Lula/Iracema project according to the expected schedule and budget.

In the Lula NE area, the second producer well was connected in January to the FPSO Cidade de Paraty through a system of flexible risers. As previously announced, this well was disconnected in late March in order to the second system of buoyancy supported risers (BSR), the BSR North, to be installed. This BSR is already on site, and conclusion of installation is expected in the second quarter of 2014.

Also in the first quarter, the installation of the first BSR system, the BSR South, was concluded and the second and third permanent producer wells were connected to the buoy by rigid risers. The connection to the FPSO and the start of production of both wells are expected in the second quarter of 2014, according to the plan previously defined.

FPSO Cidade de Paraty is expected to reach full production capacity in the fourth quarter of 2014, or

18 months after it started operations, as initially planned.

In February 2014, FPSO Cidade de Paraty was connected to the Lula-Mexilhão gas pipeline, with the export of natural gas expected to start in the second quarter of 2014.

Regarding the project for the Lula-Cabiúnas gas pipeline, the consortium obtained in the first quarter the environmental licence, known as “preliminary licence”, as well as the offshore installation licence.

The offshore installation of this second gas pipeline for the export of natural gas from the Santos basin is expected to start in the second quarter of 2014. The pipeline, which is expected to come on stream in 2015, will have the capacity to export around 15 mm<sup>3</sup> of natural gas per day.

The extended well tests (EWT) in the Lula Central and Lula South areas, which produced during the entire quarter through FPSO Dynamic Producer and FPSO Cidade de São Vicente respectively, ended in April.

It should also be highlighted the progress of the manufacturing works of the FPSO units to be allocated to the Lula/Iracema field, and that are

## Results and consolidated information – First quarter of 2014

scheduled to come into operation in the coming years. The topsides installation works at FPSO Cidade de Mangaratiba (FPSO #3) are close to be completed in Brazil's Brasfels shipyard, with a current execution rate of around 90%. This FPSO is expected to start production, as scheduled, in the Iracema South area, in the fourth quarter of 2014. The other FPSO units which will be allocated to the Iracema North, Lula Alto and Lula Central areas, with production expected to start between 2015 and the first half of 2016, are under conversion in Chinese shipyards.

Work on the remaining production units, the replicant FPSOs, proceed according to schedule. In early April, the hull of FPSO P-66 left the dry dock of Brazil's Rio Grande shipyard. This was the first out of six replicant hulls under construction for block BM-S-11. After the departure of the FPSO P-66 hull, parts of the FPSO P-67 hull, proceeding from China, will be moved to the dry dock. Each one of these production units will have a processing capacity of 150 mbopd and 6 mm<sup>3</sup> of natural gas per day.

In the first quarter of 2014, Galp Energia continued to execute the Lula/Iracema well development plan. In the Lula NE area, two wells, a producer and an injector well, were completed, and a new producer well started to be drilled.

In the Iracema South area, drilling proceeded as planned, with the conclusion of an injector well and a

producer well, and the start of drilling of an injector well. Out of the sixteen wells planned for the Iracema South area, nine have been drilled, with a tenth being drilled.

In the first quarter of 2014, the first well started to be drilled for reservoir data acquisition (RDA) in the Iara area. The purpose of these wells is to raise reservoir knowledge and consequently adapt both equipment and infrastructure to the specific conditions in the area, thereby reducing uncertainty of its development plan.

In June, FPSO Dynamic Producer is expected to start an EWT in the Iara area, that is scheduled to last for at least two months.

### ANGOLA

In the Tômbua-Lândana field, drilling of an injector well was concluded and the drilling of a producer well started in the first quarter of 2014.

Already into the second quarter of 2014, the consortium for exploration of Block 32 made the final investment decision to develop the Kaombo project, which is estimated to have a production capacity of 230,000 barrels a day and reserves of 650 million barrels. The project will develop six of the 12 discoveries already made in Block 32, with production expected to start in 2017.

# Results and consolidated information – First quarter of 2014

## DEVELOPMENT WELLS IN THE LULA/IRACEMA AREA

Project	Type of wells	Execution rate		
		Total planned	Drilled	In progress
Lula 1	Producers	6	6	-
	Injectors	3	3	-
Lula NE	Producers	8	5	1
	Injectors	6	5	-
Iracema South	Producers	8	5	-
	Injectors	8	4	1

## OPERATING AND FINANCIAL PERFORMANCE

### 1. MARKET ENVIRONMENT

#### DATED BRENT

In the first quarter of 2014, the dated Brent average fell \$4.4/bbl yoy to \$108.2/bbl as lower imports of light crude by the United States, following higher local production, raised the availability of crude in both Europe and Asia.

The average price spread in the quarter between heavy and light crude was -\$2.0/bbl, in line with a year earlier. This was due to the fact that the price of heavy crude also decreased yoy, following lower demand from Asian markets.

#### REFINING MARGINS

In the first quarter of 2014, Galp Energia's benchmark margin dropped \$2.7/bbl yoy to -\$0.6/bbl as both the hydrocracking and cracking margins fell \$2.6/bbl, following narrower oil product crack spreads, namely for gasoline and diesel.

The gasoline crack spread tightened \$5.1/bbl as the utilisation of USA refineries rose compared with a year earlier, which led to decreasing opportunities for European refineries to export to the United States.

The diesel crack spread narrowed \$2.6/bbl as demand decreased in Europe and supply from USA, Russian and Middle Eastern refineries expanded.

#### IBERIAN MARKET

In the first quarter of 2014, the Iberian market for oil products stood at 14 million tonnes (mton), a rise of 1% yoy.

That increase was due to the positive trend of the Spanish market, which expanded 1% in the period, having benefited from the 3% and the 22% increases on jet and bunker fuel demand, respectively. It is important however to note that the demand for road fuels continued to be impacted by the adverse economic environment in the region, and also by the fact that the Easter period had positively influenced demand in March 2013. In fact, diesel demand was down by 1% yoy, while the market for gasoline remained stable. On the other hand, the Portuguese market contracted by 3%, namely with demand for gasoline and jet decreasing by 2% and 1%, respectively. However, it is important to note that diesel demand increased by 1% yoy.

The Iberian market for natural gas contracted 11% yoy to 8,502 mm<sup>3</sup> as a result of lower demand from both the electrical segment, as hydro and wind generation rose, and from the industrial and residential segments, as a consequence of the current Iberian economic environment and the milder temperatures in 2014 compared with 2013.

# Results and consolidated information – First quarter of 2014

## 2. OPERATING PERFORMANCE

### 2.1. EXPLORATION & PRODUCTION

€ m (RCA, except otherwise noted)

	First Quarter			
	2013	2014	Chg.	% Chg.
<b>Average working interest production<sup>1</sup> (kboepd)</b>	<b>23.5</b>	<b>28.1</b>	<b>4.5</b>	<b>19.2%</b>
Oil production (kbopd)	21.1	26.9	5.8	27.7%
<b>Average net entitlement production (kboepd)</b>	<b>20.1</b>	<b>24.6</b>	<b>4.6</b>	<b>22.7%</b>
Angola	8.2	7.3	(0.8)	(10.3%)
Brazil	11.9	17.3	5.4	45.2%
<b>Average realised sale price (USD/boe)</b>	<b>90.3</b>	<b>96.2</b>	<b>5.9</b>	<b>6.5%</b>
<b>Royalties<sup>2</sup> (USD/boe)</b>	<b>9.1</b>	<b>10.2</b>	<b>1.1</b>	<b>12.2%</b>
<b>Operating cost (USD/boe)</b>	<b>11.2</b>	<b>13.1</b>	<b>1.9</b>	<b>17.1%</b>
<b>Amortisation<sup>3</sup> (USD/boe)</b>	<b>18.0</b>	<b>19.2</b>	<b>1.2</b>	<b>6.6%</b>
<b>Ebitda</b>	<b>92</b>	<b>104</b>	<b>13</b>	<b>13.8%</b>
Depreciation & Amortisation	31	36	5	15.1%
Provisions	-	(0)	(0)	n.m.
<b>Ebit</b>	<b>60</b>	<b>68</b>	<b>8</b>	<b>13.2%</b>

<sup>1</sup> Includes natural gas exported, excludes natural gas used or injected.

<sup>2</sup> Based on production from Brazil.

<sup>3</sup> Excludes abandonment provisions.

### OPERATIONS

In the first quarter of 2014, the average working interest production of oil and natural gas rose around 19% yoy to 28.1 kboepd, of which 96% was oil production.

In Brazil, production rose around 45% yoy to 17.3 kboepd, mostly due to the contribution from the Lula NE area, in the Lula field. FPSO Cidade de Paraty, which started production in June 2013, accounted for 4.5 kbopd, or 26% of Brazilian production, having benefited from the temporary connection of the second producer well, through a flexible riser. The EWTs in the Lula Central and Lula South areas also contributed to rising production in the country, with a joint production of 2.6 kbopd.

The production of FPSO Cidade Angra dos Reis fell 16% yoy due to maintenance activities, namely related to the replacement of molecular sieves and the flexible riser of the P1 well. The start of the gas cycle in the WAG well in June 2013 raised the injection of natural gas, which led to gas used and

injected accounting for around 70% of gas produced in the first quarter of 2014, against 20% a year earlier. This also implied that the export of gas from the Lula-1 area fell 60% yoy, from 2.2 kboepd to 0.8 kboepd.

In Angola, working interest production fell close to 0.9 kbopd yoy, or 7%, to 10.8 kbopd, as production declined in the Kuito field, on Block 14, after the decommissioning of the respective FPSO in late 2013. Conversely, the BBLT and Tômbua-Lândana (TL) fields raised their production 0.7 kbopd and 0.1 kbopd yoy, respectively, as new wells came into production.

Net entitlement production in the first quarter of 2014 increased around 23% yoy to 24.6 kboepd, supported by the rising contribution from Brazil, which more than offset falling production in Angola. Net entitlement production in Angola dropped 10% yoy to 7.3 kbopd, following the lower working interest production, although this was partly offset by higher production rates available from cost oil,

## Results and consolidated information – First quarter of 2014

under the cost-recovery mechanisms of the production sharing agreements (PSAs).

Production from Brazil accounted for around 70% of total net entitlement production, against 59% a year earlier.

### RESULTS

Ebitda for the first quarter of 2014 rose €13 m yoy to €104 m as net entitlement production increased by 23% and the average sale price of oil and natural gas rose in the period.

The average sale price was \$96.2/boe, up from \$90.3/boe a year earlier. This increase is mainly due to the fact that average sale price in the first quarter of 2013 had been impacted by under-invoicing of around \$7 m. Excluding this effect, the sale price in the previous year would have been \$94.2/boe.

Production costs increased around €6 m yoy to €21 m. This increase was due to the start of production of FPSO Cidade de Paraty in June 2013, which is yet to reach its full production capacity, and also due to the EWTs in the Lula Central and Lula South areas in Brazil. Rising costs in this country were partially offset

by declining costs in Angola, which followed from lower production and from the decommissioning of the Kuito FPSO in December 2013.

In unit terms, on a net entitlement basis, production costs in the first quarter of 2014 increased around \$1.9/boe yoy to \$13.1/boe.

Other operating costs increased around €8 m yoy to €17 m as insurance premiums related to operations in Brazil were revised upwards, following higher activity and cumulative investment in the country.

Depreciation charges in the first quarter of 2014, excluding abandonment provisions, rose around €6 m yoy to €31 m, on the back of rising production and of the expansion of the asset base in Brazil. On a net entitlement basis, unit depreciation charges increased to \$19.2/boe from \$18.0/boe a year earlier.

Provisions for abandonment in the first quarter of 2014 were €5 m, down from €7 m a year earlier.

As a result, Ebit in the quarter for the E&P business segment rose €8 m yoy to €68 m.

# Results and consolidated information – First quarter of 2014

## 2.2. REFINING & MARKETING

€ m (RCA, except otherwise noted)

	First Quarter			
	2013	2014	Chg.	% Chg.
<b>Galp Energia refining margin (USD/bbl)</b>	<b>1.8</b>	<b>1.1</b>	<b>(0.7)</b>	<b>(38.8%)</b>
<b>Refining cash cost (USD/bbl)</b>	<b>2.6</b>	<b>3.6</b>	<b>1.0</b>	<b>36.6%</b>
<b>Crude processed (kbb)</b>	<b>21,535</b>	<b>16,574</b>	<b>(4,961)</b>	<b>(23.0%)</b>
<b>Total refined product sales (mton)</b>	<b>4.0</b>	<b>3.7</b>	<b>(0.3)</b>	<b>(8.2%)</b>
Sales to direct clients (mton)	2.3	2.2	(0.0)	(0.7%)
Exports <sup>1</sup> (mton)	1.0	0.6	(0.4)	(41.2%)
<b>Ebitda</b>	<b>57</b>	<b>36</b>	<b>(21)</b>	<b>(37.5%)</b>
Depreciation & Amortisation	49	72	23	45.7%
Provisions	8	9	1	8.1%
<b>Ebit</b>	<b>(0)</b>	<b>(45)</b>	<b>(45)</b>	<b>n.m.</b>

<sup>1</sup> Exports from Galp Energia companies, excluding sales in Spain.

## OPERATIONS

### FIRST QUARTER

In the first quarter of 2014, crude oil processed fell 23% yoy to 16.6 million barrels (mbbl). This was due to the planned outage for general turnaround at the Sines refinery, which started in early March, and due to the bad weather conditions that hit the port of Leixões and, consequently, the normal operation of some units in the Matosinhos refinery. In addition, the volume of raw materials processed, of which crude oil accounted for 82%, was also affected by the optimisation policy for the refining system, considering the refining margins backdrop in the period.

The 69% utilisation rate of the hydrocracking complex was mainly due to the start of the turnaround of the Sines refinery.

In the first quarter of 2014, medium and heavy crude accounted for 84% of total crude oil processed in the Galp Energia refineries, against 73% a year earlier.

The production of middle distillates (diesel and jet) accounted for 48% of total production, against 45% a year earlier, whereas gasoline and fuel oil accounted for 20% and 17%, respectively. Consumption and losses in the quarter amounted to 8%.

Volumes sold to direct clients fell 1% yoy to 2.2 mt, reflecting lower sales of chemicals and marine bunkers

in the Iberian Peninsula, tighter credit control to clients and the fact that the first quarter of 2013 had benefited from the Easter period. Sales to direct clients in the first quarter of 2014 were also impacted by lower volumes sold in Africa, which accounted for 8% of total volumes sold in the period.

Exports to non-Iberian countries fell 41% yoy to around 0.6 mt as the availability of product for export declined in anticipation, and following, the general outage at the Sines refinery. Fuel oil, gasoline and diesel accounted for 29%, 27% and 18% of exports, respectively.

## RESULTS

### FIRST QUARTER

Ebitda for the R&M business segment in the first quarter of 2014 fell 37% yoy to €36 m as results from the refining activity deteriorated.

The Galp Energia refining margin fell \$0.7/bbl yoy to \$1.1/bbl in the first quarter of 2014 as refining margins slumped in international market. The premium over the benchmark refining margin was \$1.8/bbl.

The refineries' operating cash costs amounted to €43 m, in line with a year earlier. In unit terms, cash costs increased \$1.0/bbl to \$3.6/bbl in the first quarter of 2014 as costs increased with the turnaround at the Sines refinery and as the base for diluting fixed costs

## Results and consolidated information – First quarter of 2014

contracted, following lower volumes of crude processed in the period.

Marketing of oil products in the first quarter of 2014 maintained its contribution to results compared with a year earlier, benefiting from optimisation measures, namely at the cost structure.

Depreciation charges increased €23 m yoy to €72 m as the hydrocracking complex assets started to be depreciated in the second quarter of 2013.

Provisions of €9 m were in line with a year earlier and resulted primarily from impairments on receivables, namely from marketing of oil products.

Subsequently, Ebit for the R&M business segment was negative by €45 m, against almost nil a year earlier, as results from the refining activity deteriorated and depreciation charges increased.

# Results and consolidated information – First quarter of 2014

## 2.3. GAS & POWER

€ m (RCA, except otherwise noted)

	First Quarter			
	2013	2014	Chg.	% Chg.
<b>NG supply total sales volumes (mm<sup>3</sup>)</b>	<b>1,721</b>	<b>2,078</b>	<b>357</b>	<b>20.7%</b>
<b>Sales to direct clients (mm<sup>3</sup>)</b>	<b>1,075</b>	<b>1,011</b>	<b>(64)</b>	<b>(5.9%)</b>
Electrical	199	158	(41)	(20.7%)
Industrial	619	649	30	4.8%
Residential	222	180	(42)	(18.9%)
<b>Trading (mm<sup>3</sup>)</b>	<b>646</b>	<b>1,067</b>	<b>421</b>	<b>65.1%</b>
<b>Sales of electricity to the grid (GWh)</b>	<b>468</b>	<b>428</b>	<b>(40)</b>	<b>(8.6%)</b>
<b>Ebitda</b>	<b>104</b>	<b>122</b>	<b>17</b>	<b>16.7%</b>
Depreciation & Amortisation	14	16	2	13.4%
Provisions	2	2	0	0.7%
<b>Ebit</b>	<b>88</b>	<b>104</b>	<b>15</b>	<b>17.5%</b>
Supply & Trading	51	67	17	32.9%
Infrastructure	27	32	5	17.6%
Power	11	5	(6)	(53.7%)

## OPERATIONS

### FIRST QUARTER

Natural gas sold in the first quarter of 2014 rose 21% yoy to 2,078 mm<sup>3</sup> primarily on higher volumes of LNG traded in the international market.

Volumes sold in the trading segment reached 1,067 mm<sup>3</sup>, as 13 transactions occurred in the quarter, compared with eight a year earlier. LNG trading activity was supported by the establishment of new supply sources, including access to the spot market. Cargo sales in the first quarter of 2014 were primarily bound for Asian markets, but also Latin America.

Volumes sold in the electrical segment fell 21% yoy to 158 mm<sup>3</sup>, namely as hydro and wind generation in Portugal increased in the period.

Sales in the industrial segment were of 649 mm<sup>3</sup>, up 5% on a year earlier, with the contribution of the Spanish client base. This partly offset the 19% fall in volumes sold to the residential segment, which amounted to 180 mm<sup>3</sup>.

Sales of electricity to the grid fell 40 GWh yoy to 428 GWh as the contribution from the Sines cogeneration was impacted by the refinery outage and the Energin cogeneration ceased operations in late 2013.

## RESULTS

### FIRST QUARTER

The G&P business segment achieved Ebitda of €122 m, up €17 m from a year earlier.

The improved results came primarily from the supply & trading activity, namely of LNG in the international market. Higher volumes sold drove the Ebitda of this activity to €70 m.

The regulated-infrastructure and power businesses maintained their stable contribution to Ebitda, with a combined amount of €52 m in the period.

Depreciation and amortisation in the G&P business segment amounted to €16 m in the period, up €2 m yoy, following the start-up of the Matosinhos cogeneration at the end of the first quarter of 2013.

## Results and consolidated information – First quarter of 2014

---

Provisions, namely related to impairments on receivables, amounted to €2 m.

Consequently, Ebit for the G&P business segment amounted to €104 m, up €15 m yoy.

# Results and consolidated information – First quarter of 2014

## 3. FINANCIAL PERFORMANCE

### 3.1. INCOME STATEMENT

€ m (RCA, except otherwise noted)

	First Quarter			
	2013	2014	Chg.	% Chg.
Turnover	4,471	4,125	(346)	(7.7%)
Operating expenses	(4,223)	(3,865)	(358)	(8.5%)
Cost of goods sold	(3,889)	(3,490)	(399)	(10.3%)
Supply and services	(253)	(290)	37	14.8%
Personnel costs	(82)	(85)	3	4.0%
Other operating revenues (expenses)	6	6	(0)	(2.3%)
<b>Ebitda</b>	<b>253</b>	<b>265</b>	<b>12</b>	<b>4.8%</b>
Depreciation & Amortisation	(95)	(124)	29	30.4%
Provisions	(10)	(10)	1	6.5%
<b>Ebit</b>	<b>148</b>	<b>130</b>	<b>(17)</b>	<b>(11.8%)</b>
Net profit from associated companies	18	17	(1)	(4.0%)
Net profit from investments	-	(0)	(0)	n.m.
Financial results	(37)	(42)	(4)	(11.4%)
<b>Net profit before taxes and non-controlling interests</b>	<b>128</b>	<b>106</b>	<b>(22)</b>	<b>(17.5%)</b>
Taxes <sup>1</sup>	(40)	(46)	6	14.5%
<i>Effective income tax</i>	31%	44%	12 p.p.	38.8%
Non-controlling Interests	(13)	(13)	0	1.8%
<b>Net profit</b>	<b>75</b>	<b>47</b>	<b>(29)</b>	<b>(37.9%)</b>
Non recurrent items	(7)	(16)	9	n.m.
Net profit RC	68	31	(38)	(55.3%)
Inventory effect	(6)	(17)	(11)	n.m.
Net profit IFRS	62	14	(49)	(77.8%)

<sup>1</sup> Includes taxes related to the production of oil and natural gas activity, namely the Special Participation Tax in Brazil and oil tax payable in Angola (IRP).

### FIRST QUARTER

Turnover fell 8% yoy to €4,125 m primarily on lower volumes of oil products sold.

Operating costs fell 8% yoy on the lower cost of goods sold, following the general outage of the Sines refinery, which affected the volume of oil products sold in the period. This effect was, however, partly offset by higher supply and service costs, as variable costs related to the production of oil and natural gas increased, and to the transportation of VGO between the Matosinhos and Sines refineries.

Ebitda amounted to €265 m, up 5% yoy primarily as a result of the higher production of oil and natural gas in the E&P business and the increasingly robust supply & trading activity in the G&P business.

Ebit amounted to €130 m, down 12% yoy, reflecting higher depreciation and amortisation, which resulted from the increased production and the expanded asset base in Brazil within the E&P business, and the start of depreciation of the hydrocracking complex in the R&M business.

Results from associates, of €17 m, were in line with a year earlier. The equity holdings in international gas pipelines contributed €13 m to results.

Financial losses were aggravated by €4 m and reached €42 m, as interest costs related to the upgrade of the Sines refinery ceased to be capitalised from the second quarter of 2013 onwards. This effect was partially offset by the favourable movement in

## Results and consolidated information – First quarter of 2014

exchange differences, which were negative by €5 m compared to negative €16 m a year earlier.

Income tax amounted to €46 m, of which €27 m were related to tax arising from the production of oil and natural gas activity in Angola and Brazil. The effective tax rate was 44%, against 31% a year earlier, as the results from the E&P business gained relevance in the Group's results.

Non-controlling interests accounted for €13 m, in line with a year earlier.

As a result, net profit for the first quarter of 2014 amounted to €47 m, down €29 m yoy.

RC net profit of €31 m was negatively affected by non-recurrent items, in particular by the impairment of €12 m related to the relinquishment of the Biguá area, in Brazil's block BM-S-8, and by the €5 m provision related to the tax regarding the contribution over the energy sector, applicable in Portugal in 2014.

# Results and consolidated information – First quarter of 2014

## 3.2. CAPITAL EXPENDITURE

€ m	First Quarter			
	2013	2014	Chg.	% Chg.
Exploration & Production	154	178	24	15.5%
Exploration and appraisal activities	47	62	14	30.3%
Development and production activities	107	117	10	9.0%
Refining & Marketing	32	10	(22)	(67.8%)
Gas & Power	2	7	5	n.m.
Others	0	0	0	n.m.
<b>Investment</b>	<b>189</b>	<b>197</b>	<b>8</b>	<b>4.2%</b>

### FIRST QUARTER

Capital expenditure in the first quarter of 2014 amounted to €197 m, of which €178 m, around 90% of the total, were channelled into the E&P business.

Around 65% of capital expenditure in the E&P business was allocated to development activities, most notably, to the Lula/Iracema field in Brazil's BM-S-11 block, particularly into the drilling of development wells and the manufacturing of FPSO units and subsea systems.

Expenditure on exploration and appraisal activities amounted to around €62 m in the period and was allocated to activities related to the Pitú well, in Brazil's Potiguar basin, and the drilling of appraisal well Agulha-2, in Mozambique's Area 4.

Combined capital expenditure in the R&M and G&P business segments in the first quarter of 2014 amounted to €18 m. Investment in the R&M business, which amounted to €10 m, included expenditure related to the general outage of the Sines refinery which initiated in March, as well as in the biofuels business.

# Results and consolidated information – First quarter of 2014

## 3.3. CASH FLOW

€ m (IFRS figures)

	First Quarter	
	2013	2014
Ebit	128	92
Dividends from associated companies	-	-
Depreciation, depletion and amortisation (DD&A)	101	138
Change in working capital	(229)	(111)
<b>Cash flow from operations</b>	<b>(0)</b>	<b>120</b>
Net investment	(187)	(195)
Net financial interest	(43)	(41)
Taxes	(48)	(25)
Dividends paid	-	-
Others	90	17
<b>Cash flow</b>	<b>(189)</b>	<b>(123)</b>

### FIRST QUARTER

Cash flow generated from operating activities amounted to €120 m, although it was negatively impacted by the increase in working capital in the period, which was due to the planned general outage at the Sines refinery.

On the other hand, investment made on fixed assets, primarily in the E&P activity, resulted in a negative cash flow of €123 m in the first quarter of 2014.

# Results and consolidated information – First quarter of 2014

## 3.4. FINANCIAL POSITION

€ m (IFRS figures)

	31 December 2013	31 March 2014	Change vs. 31 Dec. 2013
Non-current assets	6,883	7,014	131
Working capital	1,294	1,405	(20)
Loan to Sinopec	871	840	(31)
Other assets (liabilities)	(460)	(480)	111
<b>Capital employed</b>	<b>8,589</b>	<b>8,780</b>	<b>191</b>
Short term debt	373	344	(29)
Medium-Long term debt	3,304	3,154	(150)
<b>Total debt</b>	<b>3,677</b>	<b>3,498</b>	<b>(179)</b>
Cash	1,504	1,202	(303)
<b>Net debt</b>	<b>2,173</b>	<b>2,296</b>	<b>123</b>
<b>Total equity</b>	<b>6,416</b>	<b>6,483</b>	<b>68</b>
<b>Total equity and net debt</b>	<b>8,589</b>	<b>8,780</b>	<b>191</b>
<b>Total net debt including loan to Sinopec</b>	<b>1,302</b>	<b>1,456</b>	<b>155</b>

On 31 March 2014, non-current assets amounted to €7,014 m, up €131 m from the end of 2013. This was the result of investment made in the first quarter of 2014, despite the negative influence of depreciation charges and impairment charges related to the E&P business, namely the impairment charge of €12 m on

account of the relinquishment of the Biguá area, in the Santos basin.

Capital employed at the end of the first quarter of 2014 amounted to €8,780 m, including the loan to Sinopec, which amounted to €840 m on 31 March 2014.

## 3.5. FINANCIAL DEBT

€ m (except otherwise noted)

	31 December 2013		31 March 2014		Change vs. 31 Dec. 2013	
	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	147	1,839	144	1,835	(3)	(4)
Bank loans and other debt	227	1,465	200	1,319	(27)	(146)
Cash and equivalents	(1,504)	-	(1,202)	-	303	-
<b>Net debt</b>	<b>2,173</b>		<b>2,296</b>		<b>123</b>	
<b>Net debt including loan to Sinopec</b>	<b>1,302</b>		<b>1,456</b>		<b>155</b>	
Average life (years)	3.6		3.4		(0.20)	
Average cost of debt	4.4%		4.6%		0.2 p.p.	
Net debt to Ebitda	1.9x		2.0x		0.1x	
Net debt inc. loan to Sinopec to Ebitda	1.1x		1.3x		0.1x	

Net debt on 31 March 2014 was of €2,296 m, an increase of €123 m compared to the end of December 2013 primarily due to investment in fixed assets and increased working capital in the period.

Net debt to Ebitda at the end of March 2014 was 1.3x, considering the loan to Sinopec as cash and cash equivalents.

On 31 March 2014, 34% of the debt was on a fixed rate. The medium- and long-term debt accounted for 90% of the total, in line with the end of 2013.

On 31 March 2014, adjusted net debt amounted to €1,456 m, considering the €840 m cash balance of the loan to Sinopec as cash and cash equivalents.

## Results and consolidated information – First quarter of 2014

The average cost of debt for the first quarter of 2014 was 4.6% and the medium- and long-term debt at the end of the quarter had an average maturity of 3.4 years.

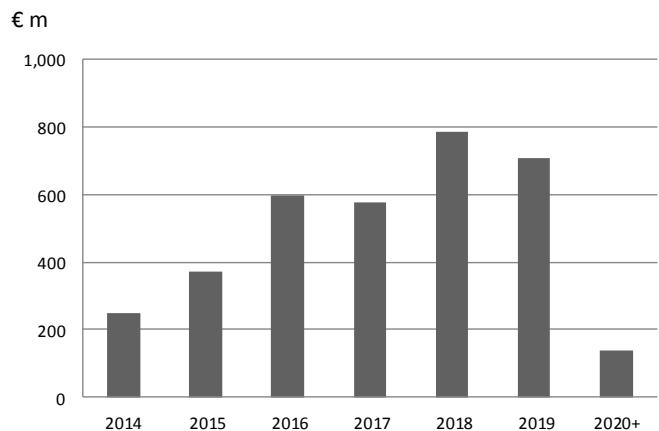
Around 50% of the medium- and long-term debt matures from 2018, in accordance with the goal to align debt reimbursement to the Company's expected cash flow profile.

Cash and cash equivalents attributable to minority interests on 31 March 2014 amounted to €22 m, with most of this amount recorded at the subsidiary Petrogal Brasil.

At the end of the first quarter of 2014, Galp Energia had unused credit lines of €1.3 bn, 25% of which from

international banks. 60% of total lines were contractually guaranteed.

### DEBT REIMBURSEMENT PROFILE AT 31 MARCH 2014



## 4. SHORT TERM OUTLOOK

The purpose of this chapter is to disclose Galp Energia's view on a few key variables that influence its short-term operational performance. However, because some of these variables are exogenous, they are not all controlled by the Company.

### MARKET ENVIRONMENT

During the second quarter of 2014, Galp Energia anticipates a slight QoQ decrease of the dated Brent price, following the opening of some of the Libyan ports, and the lower expected demand, as some refineries undergo maintenance.

The benchmark refining margin should increase in the second quarter QoQ, mainly due to the positive evolution of the gasoline crack, in anticipation to the beginning of the U.S. driving season. In addition, diesel and fuel oil cracks should be sustained by the expectations of an economic recovery in Europe and by the refineries' maintenance season.

### OPERATING ACTIVITY

In the E&P business segment, working interest production of oil and natural gas in the second quarter of 2014 is expected to average around 26 kboepd. Production should be negatively impacted by the end of the EWT in the Lula South and Lula Central areas, that contributed with a joint production of 2.6 kbopd in the first quarter. On the other hand, the impact of the disconnection of the second producer well connected temporarily to the FPSO Cidade de Paraty is expected to be offset by the connection of two new producer wells through the BSR South, and which is expected in the second quarter. In Angola, it is anticipated that production will decline, considering the advanced maturity stage of fields currently producing in Block 14.

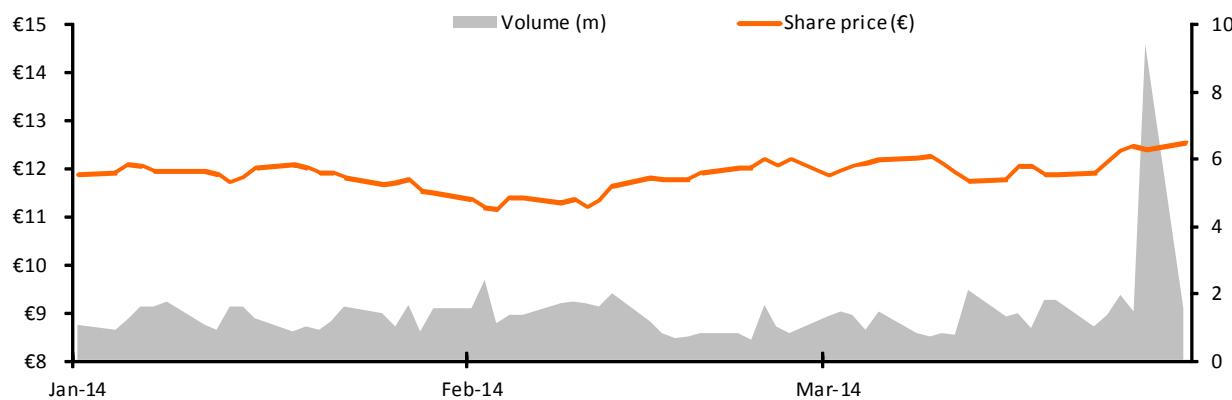
In the R&M business segment, it is expected that the volume of crude oil processed in the second quarter continues to be impacted by the general outage at the Sines refinery. This outage for turnaround, which includes the hydrocracking complex, should last until the beginning of May. The volumes sold to direct clients are expected to increase yoy in the second quarter, considering an anticipated slight recovery in the Iberian market.

In the G&P business segment, the volumes sold of natural gas are expected to decrease QoQ, as volumes sold in the residential segment benefited from the seasonality effect in the first quarter of 2014. The LNG supply & trading activity should continue to support the volumes sold in the period, although at less extent than in the first quarter.

# Results and consolidated information – First quarter of 2014

## THE GALP ENERGIA SHARE

### PERFORMANCE OF THE GALP ENERGIA SHARE



Fonte: Euroinvestor

### FIRST QUARTER

The Galp Energia share gained 5% in the first quarter of 2014, closing the period at €12.54 after hitting a low of €10.20. Since its initial public offering on 23 October 2006 until the end of March 2014, the share has gained close to 116%.

In the first quarter of the year, 129 m shares were traded on regulated markets, of which 87 m on NYSE Euronext Lisbon. The average daily volume traded on

regulated markets was 2.1 m shares, of which 1.4 m on NYSE Euronext Lisbon.

It should be highlighted that volume traded in the quarter benefited from Eni's placement, on regulated market, of a stake corresponding to approximately 7% of Galp Energia's share capital.

Galp Energia's market capitalisation at the end of the first quarter of 2014 was €10.4 bn.

	Main indicators	
	2013	1Q14
Min (€)	10.76	10.20
Max (€)	13.40	12.60
Average (€)	12.19	11.86
Close price (€)	11.92	12.54
Regulated markets volume (m shares)	501.6	129.4
Average volume per day (m shares)	2.0	2.1
Of which NYSE Euronext Lisbon (m shares)	1.3	1.4
Market cap (€m)	9,881	10,395

<sup>1</sup> NYSE Euronext Lisbon.

## ADDITIONAL INFORMATION

### 1. BASIS OF PRESENTATION

Galp Energia's unaudited consolidated financial statements for the quarters ended on 31 March 2014 and 2013 have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the quarters ended on 31 March 2014 and 2013. The financial information in the consolidated financial position is reported at 31 March 2014 and 31 December 2013.

Galp Energia's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the cost of goods sold is valued at weighted-average cost. The use of this valuation method may, when goods and commodities prices fluctuate, cause volatility in results through gains or

losses in inventories, which do not reflect the Company's operating performance. This effect is called the *inventory effect*.

Another factor that may affect the Company's results but is not an indicator of its true performance is the set of non-recurrent items, such as gains or losses on the disposal of assets, impairments or reinstatements of fixed assets and environmental or restructuring charges.

For the purpose of evaluating Galp Energia's operating performance, replacement cost adjusted (RCA) profit measures exclude non-recurrent items and the inventory effect, the latter because the cost of goods sold has been calculated according to the Replacement cost (RC) valuation method.

# Results and consolidated information – First quarter of 2014

## 2. RECONCILIATION OF IFRS AND REPLACEMENT COST ADJUSTED FIGURES

### 2.1. REPLACEMENT COST ADJUSTED EBITDA BY SEGMENT

€ m

2013					First Quarter		2014				
Ebitda	Inventory effect	Ebitda RC	Non-recurrent items	Ebitda RCA			Ebitda	Inventory effect	Ebitda RC	Non-recurrent items	Ebitda RCA
<b>239</b>	<b>9</b>	<b>247</b>	<b>6</b>	<b>253</b>	<b>Ebitda</b>		<b>241</b>	<b>22</b>	<b>263</b>	<b>2</b>	<b>265</b>
92	-	92	0	92	E&P		104	-	104	0	104
40	12	51	6	57	R&M		5	29	34	2	36
107	(3)	104	0	104	G&P		128	(6)	122	0	122
0	(0)	0	0	1	Others		4	-	4	0	4

### 2.2. REPLACEMENT COST ADJUSTED EBIT BY SEGMENT

€ m

2013					First Quarter		2014				
Ebit	Inventory effect	Ebit RC	Non-recurrent items	Ebit RCA			Ebit	Inventory effect	Ebit RC	Non-recurrent items	Ebit RCA
<b>128</b>	<b>9</b>	<b>136</b>	<b>12</b>	<b>148</b>	<b>Ebit</b>		<b>92</b>	<b>22</b>	<b>115</b>	<b>16</b>	<b>130</b>
54	-	54	6	60	E&P		54	-	54	14	68
(18)	12	(6)	6	(0)	R&M		(76)	29	(47)	2	(45)
92	(3)	89	(0)	88	G&P		110	(6)	104	(0)	104
(0)	(0)	(0)	0	(0)	Others		3	-	3	0	3

# Results and consolidated information – First quarter of 2014

## 3. REPLACEMENT COST ADJUSTED TURNOVER

€ m	First Quarter			
	2013	2014	Chg.	% Chg.
<b>Sales and services rendered RCA</b>	<b>4,471</b>	<b>4,125</b>	<b>(346)</b>	<b>(7.7%)</b>
Exploration & Production <sup>1</sup>	139	178	39	27.9%
Refining & Marketing	3,644	3,080	(564)	(15.5%)
Gas & Power	827	1,034	206	25.0%
Others	24	28	3	14.0%
Consolidation adjustments	(164)	(194)	(31)	(18.7%)

<sup>1</sup> Does not include change in production. RCA turnover in the E&P segment including change in production amounted to €156 m in the first quarter of 2014.

## 4. NON-RECURRENT ITEMS

### EXPLORATION & PRODUCTION

€ m	First Quarter	
	2013	2014
<b>Exclusion of non-recurrent items</b>		
Gains / losses on disposal of assets	-	0.0
Assets write-offs	0.0	0.1
Assets impairments	5.9	14.1
<b>Non-recurrent items of Ebit</b>	<b>5.9</b>	<b>14.1</b>
Other financial results	-	-
<b>Non-recurrent items before income taxes</b>	<b>5.9</b>	<b>14.1</b>
Income taxes on non-recurrent items	(2.0)	(4.6)
Non-controlling interest	(1.2)	(2.4)
<b>Total non-recurrent items</b>	<b>2.7</b>	<b>7.1</b>

# Results and consolidated information – First quarter of 2014

## REFINING & MARKETING

€ m	First Quarter	
	2013	2014
<b>Exclusion of non-recurrent items</b>		
Sale of strategic stock	-	(69.6)
Cost of sale of strategic stock	-	66.7
Accidents caused by natural facts and insurance compensation	0.1	0.0
Gains / losses on disposal of assets	(0.1)	(0.4)
Assets write-offs	0.4	0.2
Employees contracts rescission	5.2	5.1
Provisions for environmental charges and others	0.3	0.1
Assets impairments	(0.0)	(0.2)
<b>Non-recurrent items of Ebit</b>	<b>5.9</b>	<b>2.0</b>
Capital gains / losses on disposal of financial investments	0.1	-
<b>Non-recurrent items before income taxes</b>	<b>6.0</b>	<b>2.0</b>
Income taxes on non-recurrent items	(1.7)	(0.5)
Energy sector contribution tax	-	1.7
Non-controlling interest	-	(0.1)
<b>Total non-recurrent items</b>	<b>4.3</b>	<b>3.1</b>

## GAS & POWER

€ m	First Quarter	
	2013	2014
<b>Exclusion of non-recurrent items</b>		
Assets write-offs	(0.0)	-
Assets impairments	(0.2)	(0.2)
<b>Non-recurrent items of Ebit</b>	<b>(0.2)</b>	<b>(0.2)</b>
Provision for impairment of financial investments (Energin)	-	2.8
<b>Non-recurrent items before income taxes</b>	<b>(0.2)</b>	<b>2.6</b>
Income taxes on non-recurrent items	0.0	0.0
Energy sector contribution tax	-	3.5
Non-controlling interest	-	(0.2)
<b>Total non-recurrent items</b>	<b>(0.1)</b>	<b>5.9</b>

# Results and consolidated information – First quarter of 2014

## OTHER

€ m	First Quarter	
	2013	2014
<b>Exclusion of non-recurrent items</b>		
Employees contracts rescission	-	0.0
<b>Non-recurrent items of Ebit</b>	-	<b>0.0</b>
Capital gains / losses on disposal of financial investments	-	(0.0)
<b>Non-recurrent items before income taxes</b>	-	<b>0.0</b>
Income taxes on non-recurrent items	0.1	-
<b>Total non-recurrent items</b>	<b>0.1</b>	<b>0.0</b>

## CONSOLIDATED SUMMARY

€ m	First Quarter	
	2013	2014
<b>Exclusion of non-recurrent items</b>		
Sale of strategic stock	-	(69.6)
Cost of sale of strategic stock	-	66.7
Accidents caused by natural facts and insurance compensation	0.1	0.0
Gains / losses on disposal of assets	(0.1)	(0.4)
Assets write-offs	0.4	0.2
Employees contracts rescission	5.2	5.1
Provisions for environmental charges and others	0.3	0.1
Assets impairments	5.7	13.7
<b>Non-recurrent items of Ebit</b>	<b>11.7</b>	<b>15.9</b>
Capital gains / losses on disposal of financial investments	0.1	(0.0)
Provision for impairment of financial investments (Energin)	-	2.8
<b>Non-recurrent items before income taxes</b>	<b>11.8</b>	<b>18.7</b>
Income taxes on non-recurrent items	(3.6)	(5.1)
Energy sector contribution tax	-	5.2
Non-controlling interest	(1.2)	(2.7)
<b>Total non-recurrent items</b>	<b>6.9</b>	<b>16.1</b>

# Results and consolidated information – First quarter of 2014

## 5. CONSOLIDATED FINANCIAL STATEMENTS

### 5.1. IFRS CONSOLIDATED INCOME STATEMENT

€ m	First Quarter	
	2013	2014
<b>Operating income</b>		
Sales	4,355	4,055
Services rendered	116	139
Other operating income	27	21
<b>Total operating income</b>	<b>4,498</b>	<b>4,215</b>
<b>Operating costs</b>		
Inventories consumed and sold	(3,898)	(3,579)
Material and services consumed	(253)	(290)
Personnel costs	(87)	(90)
Other operating costs	(22)	(15)
<b>Total operating costs</b>	<b>(4,259)</b>	<b>(3,974)</b>
<b>Ebitda</b>	<b>239</b>	<b>241</b>
Amortisation and depreciation cost	(101)	(138)
Provision and impairment of receivables	(10)	(11)
<b>Ebit</b>	<b>128</b>	<b>92</b>
Net profit from associated companies	18	17
Net profit from investments	(0)	(3)
<b>Financial results</b>		
Financial profit	33	29
Financial costs	(57)	(67)
Exchange gain (loss)	(16)	(5)
Profit and cost on financial instruments	3	1
Other gains and losses	(0)	(0)
<b>Profit before taxes</b>	<b>108</b>	<b>65</b>
Taxes <sup>1</sup>	(34)	(35)
Energy sector contribution tax	-	(5)
<b>Profit before non-controlling interest</b>	<b>74</b>	<b>24</b>
Profit attributable to non-controlling interest	(12)	(10)
<b>Net profit for the period</b>	<b>62</b>	<b>14</b>
<b>Earnings per share (in Euros)</b>	<b>0.08</b>	<b>0.02</b>

<sup>1</sup> Includes taxes related to the production of oil and natural gas activity, namely the Special Participation Tax in Brazil and oil tax payable in Angola (IRP).

# Results and consolidated information – First quarter of 2014

## 5.2. CONSOLIDATED FINANCIAL POSITION

€ m	31 December 2013	31 March 2014
<b>Assets</b>		
<b>Non-current assets</b>		
Tangible fixed assets	4,565	4,645
Goodwill	233	231
Other intangible fixed assets <sup>1</sup>	1,545	1,537
Investments in associates	516	570
Investments in other participated companies	3	8
Assets available for sale	-	-
Other receivables <sup>2</sup>	944	886
Deferred tax assets	271	279
Other financial investments	25	28
<b>Total non-current assets</b>	<b>8,102</b>	<b>8,184</b>
<b>Current assets</b>		
Inventories <sup>3</sup>	1,846	1,486
Trade receivables	1,327	1,350
Other receivables	930	866
Other financial investments	10	10
Current Income tax recoverable	(0)	-
Cash and cash equivalents	1,503	1,202
<b>Total current assets</b>	<b>5,616</b>	<b>4,913</b>
<b>Total assets</b>	<b>13,717</b>	<b>13,097</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	829	829
Share premium	82	82
Translation reserve	(284)	(259)
Other reserves	2,680	2,680
Hedging reserves	(1)	(1)
Retained earnings	1,666	1,855
Profit attributable to equity holders of the parent	189	14
<b>Equity attributable to equity holders of the parent</b>	<b>5,161</b>	<b>5,200</b>
Non-controlling interest	1,255	1,283
<b>Total equity</b>	<b>6,416</b>	<b>6,483</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bank loans and overdrafts	1,465	1,319
Bonds	1,839	1,835
Other payables	545	549
Retirement and other benefit obligations	338	344
Liabilities from financial lease	0	0
Deferred tax liabilities	129	126
Other financial instruments	2	0
Provisions	154	162
<b>Total non-current liabilities</b>	<b>4,471</b>	<b>4,336</b>
<b>Current liabilities</b>		
Bank loans and overdrafts	227	200
Bonds	147	144
Trade payables	1,510	874
Other payables <sup>4</sup>	937	1,054
Other financial instruments	10	6
Income tax	0	0
<b>Total current liabilities</b>	<b>2,830</b>	<b>2,278</b>
<b>Total liabilities</b>	<b>7,302</b>	<b>6,614</b>
<b>Total equity and liabilities</b>	<b>13,717</b>	<b>13,097</b>

<sup>1</sup> Includes concession agreements for the distribution of natural gas.

<sup>2</sup> Includes the medium and long-term portion of the loan to Sinopec.

<sup>3</sup> Includes €316 m of stocks from third parties on 31 March 2014.

<sup>4</sup> Includes €131 m de of payables related with stocks from third parties on 31 March 2014.

# Results and consolidated information – First quarter of 2014

## 6. ADDITIONAL INFORMATION - CONSOLIDATED FINANCIAL STATEMENTS

### Galp Energia, SGPS, S.A. and subsidiaries

#### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2014 AND 31 DECEMBER 2013

(Amounts stated in thousands of Euros - €k)

ASSETS	Notes	March 2014	December 2013
<b>Non-current assets:</b>			
Tangible assets	12	4,644,808	4,565,289
Goodwill	11	231,022	233,137
Intangible assets	12	1,536,766	1,544,901
Investments in associates and jointly controlled entities	4	573,706	515,565
Assets held for sale	4	2,866	2,863
Trade receivables	15	24,242	24,322
Loans to Sinopec	14	675,457	706,993
Other receivables	14	186,429	212,968
Deferred tax assets	9	279,491	271,074
Other investments	17	28,498	24,530
<b>Total non-current assets:</b>		<b>8,183,285</b>	<b>8,101,642</b>
<b>Current assets:</b>			
Inventories	16	1,485,538	1,845,607
Trade receivables	15	1,350,146	1,326,563
Loans to Sinopec	14	164,536	164,500
Other receivables	14	685,169	732,706
Other investments	17	9,739	10,128
Current income tax recoverable	9	3,767	32,788
Cash and cash equivalents	18	1,174,409	1,503,390
<b>Total current assets:</b>		<b>4,873,304</b>	<b>5,615,682</b>
<b>Total assets:</b>		<b>13,056,589</b>	<b>13,717,324</b>
EQUITY AND LIABILITIES	Notes	March 2014	December 2013
<b>Equity:</b>			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	2,420,145	2,394,913
Retained earnings		1,854,736	1,666,075
Consolidated net profit for the period	10	13,818	188,661
<b>Equity attributable to equity holders of the parent:</b>		<b>5,199,956</b>	<b>5,160,906</b>
Non-controlling interests	21	1,283,487	1,254,894
<b>Total equity:</b>		<b>6,483,443</b>	<b>6,415,800</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bank loans	22	1,319,074	1,464,910
Bonds	22	1,834,693	1,838,812
Other payables	24	549,506	544,904
Retirement and other benefits liabilities	23	344,211	338,495
Deferred tax liabilities	9	126,087	128,577
Other financial instruments	27	107	1,538
Provisions	25	161,883	154,149
<b>Total non-current liabilities:</b>		<b>4,335,561</b>	<b>4,471,395</b>
<b>Current liabilities:</b>			
Bank loans and overdrafts	22	172,114	226,542
Bonds	22	144,270	146,778
Trade payables	26	867,132	1,509,633
Other payables	24	1,048,250	936,716
Other financial instruments	27	5,819	10,470
<b>Total current liabilities:</b>		<b>2,237,585</b>	<b>2,830,139</b>
<b>Total liabilities:</b>		<b>6,573,146</b>	<b>7,301,524</b>
<b>Total equity and liabilities:</b>		<b>13,056,589</b>	<b>13,717,324</b>

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 March 2014.

# Results and consolidated information – First quarter of 2014

Galp Energia, SGPS, S.A. and subsidiaries

## CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2014 AND 2013

(Amounts stated in thousands of Euros - €k)

	Notes	March 2014	March 2013
<b>Operating income:</b>			
Sales	5	4,055,064	4,355,097
Services rendered	5	139,359	115,521
Other operating income	5	20,839	27,248
		<b>Total operating income:</b>	<b>4,497,866</b>
<b>Operating costs:</b>			
Cost of sales	6	3,579,106	3,897,539
External supplies and services	6	290,137	252,840
Employee costs	6	90,119	87,011
Amortisation, depreciation and impairment loss	6	138,176	101,153
Provision and impairment loss on receivables	6	10,618	10,143
Other operating costs	6	14,790	21,616
		<b>Total operating costs:</b>	<b>4,370,302</b>
<b>Operating profit:</b>			
			<b>127,564</b>
Financial income	8	29,475	32,516
Financial costs	8	(66,813)	(56,751)
Exchange gain (loss)		(4,702)	(16,215)
Share of results of investments in associates and jointly controlled entities	4	16,992	17,632
Income (cost) on financial instruments	27	731	3,443
Other gains (losses)		(3,097)	(384)
		<b>64,902</b>	<b>107,805</b>
Income tax	9	(35,499)	(33,753)
Energy sector extraordinary contribution	9	(5,209)	-
		<b>24,194</b>	<b>74,052</b>
<b>Profit before non-controlling interests:</b>			
Profit attributable to non-controlling interests	21	(10,376)	(11,689)
		<b>13,818</b>	<b>62,363</b>
<b>Earnings per share (in Euros)</b>	10	<b>0.02</b>	<b>0.08</b>

The accompanying notes form an integral part of the consolidated income statements as of 31 March 2014

# Results and consolidated information – First quarter of 2014

## Galp Energia, SGPS, S.A and subsidiaries

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 MARCH 2014 AND 2013

(Amounts stated in thousands of Euros - €)

Changes in the period	Notes	Share capital	Share premium	Translation reserve (Note 20)	Other reserves (Note 20)	Hedging reserves (Nota 20)	Retained earnings - Actuarial Gains and Losses (Nota 23)	Retained earnings	Consolidated net profit for the period	Sub-Total	Non-controlling interests (Nota 21)	Total
<b>Balance as of 1 January 2013</b>		829,251	82,006	(47,624)	2,684,537	(6,365)	(98,503)	1,614,572	343,300	5,401,174	1,304,800	6,705,974
Consolidated net profit for the period	10	-	-	-	-	-	-	-	62,363	62,363	11,689	74,052
Changes in consolidation perimeter		-	-	-	-	-	-	-	-	-	(1,139)	(1,139)
Other gains and losses recognised in Equity		-	-	109,729	-	1,518	-	-	-	-	48,186	159,433
Comprehensive income for the period		-	-	109,729	-	1,518	-	-	62,363	173,610	58,736	232,346
Dividends distributed / Interim dividends		-	-	-	-	-	-	-	-	-	(750)	(750)
Appropriation of profit to reserves		-	-	-	-	-	343,300	(343,300)	-	-	-	-
<b>Balance as of 31 March 2013</b>		829,251	82,006	62,105	2,684,537	(4,847)	(98,503)	1,957,872	62,363	5,574,784	1,362,786	6,937,570
<b>Balance as of 1 January 2014</b>		829,251	82,006	(284,118)	2,680,439	(1,408)	(72,875)	1,858,362	188,661	5,160,906	1,254,894	6,415,800
Consolidated net profit for the period	10	-	-	-	-	-	-	-	13,818	13,818	10,376	24,194
Changes in consolidation perimeter		-	-	24,978	-	254	-	-	-	-	25,232	8,915
Comprehensive income for the period		-	-	24,978	-	254	-	-	13,818	39,050	19,291	58,341
Dividends distributed / Interim dividends	30	-	-	-	-	-	-	-	-	-	9,302	9,302
Increase of equity in subsidiaries		-	-	-	-	-	-	-	-	-	-	-
Appropriation of profit to reserves		-	-	-	-	-	69,249	(188,661)	-	-	-	-
<b>Balance as of 31 March 2014</b>		829,251	82,006	(259,140)	2,680,439	(1,154)	(72,875)	1,927,611	13,818	5,199,956	1,283,487	6,483,443

The accompanying notes form an integral part of the consolidated changes in equity as of 31 March 2014.

# Results and consolidated information – First quarter of 2014

Galp Energia, SGPS, S.A. and subsidiaries

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 MARCH 2014 AND 2013

(Amounts stated in thousands of Euros - €k)

	Notes	March 2014	March 2013
<b>Consolidated net profit for the period:</b>	10	<b>13,818</b>	<b>62,363</b>
<b>Other comprehensive income of the period:</b>			
Differences arising on translation of foreign currency financial statements (Group companies)	20	13,793	146,394
Differences arising on translation of foreign currency financial statements (Associated companies/Jointly controlled entities)	4 e 20	2,343	6,600
Differences arising on translation of foreign currency financial statements - Goodwill	11 e 20	(2,115)	-
Differences arising on translation of foreign currency financial statements - Grants ("quasi capital")	20	22,381	(62,059)
Deferred tax related with the translation of foreign currency financial statements components - Grants ("quasi capital")	9 e 20	(11,424)	18,794
		<b>24,978</b>	<b>109,729</b>
Other increases / decreases in hedging reserves (Group companies)	27 e 20	367	2,064
Deferred tax related with hedging reserves (Group companies)	9 e 20	(90)	(615)
Other increases / decreases in hedging reserves (Associated companies/Jointly controlled entities)	27 e 20	(12)	69
Deferred tax related with hedging reserves (Associated companies/Jointly controlled entities)	9 e 20	(11)	-
		<b>254</b>	<b>1,518</b>
<b>Comprehensive income net of income tax</b>		<b>25,232</b>	<b>111,247</b>
<b>Comprehensive income before non-controlling interests:</b>		<b>39,050</b>	<b>173,610</b>
Other gains (loses) of Non-controlling interests		19,291	58,736
<b>Total comprehensive income</b>		<b>58,341</b>	<b>232,346</b>

The accompanying notes form an integral part of the consolidated comprehensive income as of 31 March 2014.

# Results and consolidated information – First quarter of 2014

GALP ENERGIA, SGPS, S.A. e subsidiárias

## DEMONSTRAÇÕES CONSOLIDADAS DOS FLUXOS DE CAIXA PARA OS PERÍODOS FINDOS EM 31 DE MARÇO DE 2014 E 2013

(Montantes expressos em milhares de Euros - €k)

	Notes	March 2014	March 2013	December 2013
<b>Operating activities:</b>				
Cash receipts from trade receivables		4,811,714	5,030,772	20,505,082
Cash paid to trade payables		(3,687,501)	(4,029,008)	(14,714,036)
Cash paid to employees		(54,211)	(58,054)	(234,211)
Cash (paid)/received relating to tax on petroleum products		(411,346)	(342,932)	(2,418,105)
Cash (paid)/received relating to income tax		(24,623)	(48,493)	(153,589)
Contributions to the pension fund	23	(196)	(81)	(2,398)
Cash paid to early retired and pre-retired employees	23	(2,269)	(890)	(18,666)
Cash paid relating to insurance costs of retired employees	23	(26)	(29)	(11,857)
Other (payments)/receipts relating to operating activities		(574,892)	(549,899)	(2,150,845)
<b>Net cash provided by / used in operating activities (1)</b>		<b>56,650</b>	<b>1,386</b>	<b>801,375</b>
<b>Investing activities:</b>				
Cash receipts relating to:				
Investments	4	-	-	129,459
Tangible assets		467	268	901
Investment subsidies	13	-	-	550
Interest and similar income		4,722	9,440	45,071
Dividends	4	-	-	64,400
Loans granted		-	14,411	40,125
		<b>5,189</b>	<b>24,119</b>	<b>280,506</b>
Cash payments relating to:				
Investments	4	(44,116)	(28,144)	(215,693)
Tangible assets		(136,632)	(204,041)	(705,753)
Intangible assets		(7,786)	(11,580)	(52,016)
Loans granted		(275)	(353)	(1,031)
		<b>(188,809)</b>	<b>(244,118)</b>	<b>(974,493)</b>
<b>Net cash provided by / used in investing activities (2)</b>		<b>(183,620)</b>	<b>(219,999)</b>	<b>(693,987)</b>
<b>Financing activities:</b>				
Cash receipts relating to:				
Loans obtained		38,688	1,913,895	2,250,729
Interest and similar income		220	1,143	2,159
Discounted notes		1,614	1,984	10,237
		<b>40,522</b>	<b>1,917,022</b>	<b>2,263,125</b>
Cash payments relating to:				
Loans obtained		(138,023)	(1,556,909)	(2,114,094)
Interest on loans obtained		(26,513)	(43,001)	(151,900)
Dividends	30	-	-	(221,956)
Repayment of discounted notes		(1,067)	(364)	(2,004)
Payment of finance lease contracts and respective interests		-	(3)	(5)
Interest on bonds		(7,566)	(5,521)	(71,464)
		<b>(173,169)</b>	<b>(1,605,798)</b>	<b>(2,561,423)</b>
<b>Net cash provided by (used in) financing activities (3)</b>		<b>(132,647)</b>	<b>311,224</b>	<b>(298,298)</b>
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(259,617)	92,611	(190,910)
Effect of foreign exchange rate changes		(4,917)	69,121	(134,927)
Cash and cash equivalents at the beginning of the period	18	1,405,238	1,733,199	1,733,199
Change in consolidation perimeter		693	(2,124)	(2,124)
Cash and cash equivalents at the end of the period	18	1,141,397	1,892,807	1,405,238

The accompanying notes form an integral part of the consolidated cash flows as of 31 March 2014

## TABLE OF CONTENTS

1. INTRODUCTION .....	38
Parent company: .....	38
The Group: .....	38
2. SIGNIFICANT ACCOUNTING POLICIES.....	39
2.1. Changes in accounting policies .....	40
3. CONSOLIDATED COMPANIES .....	40
4. FINANCIAL INVESTMENTS.....	42
4.1. Investments in jointly controlled entities .....	42
4.2. Investments in associates .....	43
4.3. Assets held for sale .....	43
5. OPERATING INCOME .....	44
6. OPERATING COSTS.....	44
7. SEGMENT REPORTING.....	46
8. FINANCIAL INCOME AND COSTS .....	48
9. INCOME TAX.....	49
10. EARNINGS PER SHARE .....	50
11. GOODWILL.....	51
12. TANGIBLE AND INTANGIBLE ASSETS.....	52
13. GOVERNMENT GRANTS .....	55
14. OTHER RECEIVABLES .....	56
15. TRADE RECEIVABLES .....	59
16. INVENTORIES .....	60
17. OTHER INVESTMENTS .....	61
18. CASH AND CASH EQUIVALENTS .....	61
19. SHARE CAPITAL.....	62
20. CONVERSIONS RESERVE AND OTHER RESERVES .....	64
21. NON-CONTROLLING INTERESTS .....	67
22. LOANS.....	68
23. RETIREMENT AND OTHER EMPLOYEE BENEFITS .....	70
24. OTHER PAYABLES .....	71
25. PROVISIONS .....	73
26. TRADE PAYABLES .....	74
27. OTHER FINANCIAL INSTRUMENTS – DERIVATIVES .....	75
28. RELATED PARTIES .....	80
29. REMUNERATION OF THE BOARD.....	80
30. DIVIDENDS.....	81
31. OIL AND GAS RESERVES .....	81
32. FINANCIAL RISK MANAGEMENT.....	81
33. CONTINGENT ASSETS AND LIABILITIES .....	82
34. INFORMATION REGARDING ENVIRONMENTAL MATTERS.....	82
35. SUBSEQUENT EVENTS .....	82
36. APPROVAL OF THE FINANCIAL STATEMENTS .....	82
37. EXPLANATION ADDED FOR TRANSLATION .....	82

# Results and consolidated information – First quarter of 2014

## GALP ENERGIA, SGPS, S.A. E SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2014

(Amounts stated in thousands of euros – €k)

## 1. INTRODUCTION

### PARENT COMPANY:

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

The Company shareholder position as of 31 March 2014 is stated in Note 19.

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

### THE GROUP:

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

#### b1) Crude oil upstream operations

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

#### b2) Crude oil downstream operations

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

#### b3) Natural gas activity and electricity production and commercialisation

The Gas & Power (G&P) business segment encompasses the areas of procurement, supply, distribution and storage of natural gas and electric and thermal power generation.

# Results and consolidated information – First quarter of 2014

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

The Power activity generates electricity and thermal power, which is supplied to large industrial customers and residential customers.

Galp Energia presently participates in five cogeneration plants, one being under construction, with a total installed capacity of 254 MW and wind farms.

The natural gas activity includes (i) Procurement and supply and (ii) Distribution and supply.

The procurement and supply of natural gas segment supplies natural gas to large industrial customers, with annual consumptions of more than 2 mm<sup>3</sup>, power cogeneration companies, and natural gas distribution companies and Autonomous Gas Unit (AGU). So as to meet the demand of its customers, Galp Energia has long-term supply contracts with companies in Algeria and Nigeria.

The natural gas distribution and supply activity in Portugal includes the natural gas distribution and supply companies in which Galp Energia has a significant stake. Its purpose is to sell natural gas to those residential, commercial and industrial customers with annual consumptions of less than 2 mm<sup>3</sup>. Galp Energia is also a player in the Spanish regulated market, supplying low pressure natural gas, through its subsidiaries, to 38 neighbouring municipalities of Madrid. This activity includes the supply of natural gas to end customers, both regulated and non-regulated, in the area covered by the distribution activity.

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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, on the accounting records of the companies included in the consolidation maintained in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), effective for the year beginning 1 January 2014. These standards include IFRS issued by the International Accounting Standards Board (IASB) and International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standing Interpretation Committee (SIC). These standards and interpretations are hereinafter referred to as IFRS.

# Results and consolidated information – First quarter of 2014

The Board of Directors believes that the consolidated financial statements and the accompanying notes provide for a fair presentation of the consolidated interim financial information prepared in accordance with “IAS 34 – Interim Financial Reporting”. Estimates that affect the amounts of assets and liabilities and income and costs were used in preparing the 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 consolidated financial statements.

In respect to the construction contracts contemplated by the IFRIC12, construction activity for assets under concession is subcontracted to specialised entities which assume their own construction activity risk. Income and expenses associated with the construction of these assets are of equal amounts and are recognised as other operating costs and other operating income.

As of 31 March 2014 only material changes required by IFRS 7 were disclosed. For all other disclosures under this standard consult the Company's consolidated financial statements as of 31 December 2013.

## 2.1 CHANGES IN ACCOUNTING POLICIES

Resulting from the mandatory application from 1 January 2014, on Galp Energia Group, of “IFRS 11 - Joint Arrangements”, the Group identified (i) Sigás – Armazenagem de Gás, ACE; and (ii) Multiservícios Galp Barcelona, UTE, as entities in which the shareholders have the joint operational and financial control over the assets and liabilities of the companies. Accordingly, the assets, liabilities, gains and losses were included in the accompanying percentage held by such entity accounts, ie 60% and 50%, respectively. The impact on the financial statements are presented in Note 3.

## 3. CONSOLIDATED COMPANIES

During the period ended 31 March 2014, the scope of consolidation changed compared to the year ended on 31 December 2013.

### IFRS 11 – Joint arrangements:

With the application of “IFRS 11 – Joint arrangements”, the subsidiaries (i) Sigás – Armazenagem de Gás, ACE; and (ii) Multiservícios Galp Barcelona, UTE began to be integrated into the individual accounts of the shareholders of its capital by the percentage held, and consequently started to be included in the consolidated financial statements (Note 4.1).

# Results and consolidated information – First quarter of 2014

The entries on the perimeter for the period ended March 31 2014 had the following impact on the consolidated financial statements of Galp Energia Group:

## Statement of financial position

€ m	Note	Total
<b>Non-current assets:</b>		
Tangible assets	12	6,491
Intangible assets	12	467
<b>Current assets:</b>		
Trade receivables		595
Other receivables		1,156
Cash and cash equivalents		693
	<b>Total assets</b>	<u>9,402</u>
<b>Equity:</b>		
Share capital	4.1	(1,500)
Retained earnings	4.1	352
	<b>Total equity</b>	<u>4.1</u> <u>(1,148)</u>
<b>Non-current liabilities:</b>		
Loans		(6,911)
<b>Current liabilities:</b>		
Other payables		(1,343)
	<b>Total liabilities</b>	<u>(8,254)</u>
<b>Total acquired / integrated</b>		<u>-</u>

# Results and consolidated information – First quarter of 2014

## 4. FINANCIAL INVESTMENTS

### 4.1. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The changes in the caption “Investments in jointly controlled entities” for the period ended 31 March 2014 which are reflected by the equity method were as follows:

Company	Opening balance	Increase in participation	Gain / Loss	Translation adjustment	Hedging reserves adjustment	Dividends	Transfers / adjustments	Ending balance
<b>Investments</b>								
Tupi B.V.	(a) 316,785	40,280	3,397	(226)	-	-	-	360,236
Belém Bioenergia Brasil, S.A.	(b) 43,492	4,124	(492)	2,013	-	-	-	49,137
C.L.C. - Companhia Logística de Combustíveis, S.A.	25,022	-	1,146	-	-	(5,523)	-	20,645
Galp Disa Aviacion, S.A.	7,399	-	384	-	-	-	-	7,783
Parque Eólico da Penha da Gardunha, Lda.	1,648	-	(7)	-	-	-	-	1,641
Galpbúzi - Agro-Energia, S.A.	351	-	(22)	(1)	-	-	-	328
Moçamgalp Agroenergias de Moçambique, S.A.	690	-	(20)	(3)	-	-	-	667
Asa - Abastecimento e Serviços de Aviação, Lda.	21	-	3	-	-	-	-	24
Belem Bio Energy B.V.	-	-	-	-	-	-	-	-
Multiservicios Galp Barcelona	(c) 1,148	-	-	-	-	-	(1,148)	-
Sigás - Armazenagem de Gás, A.C.E.	(c) -	-	-	-	-	-	-	-
	<b>396,556</b>	<b>44,404</b>	<b>4,389</b>	<b>1,783</b>	<b>-</b>	<b>(5,523)</b>	<b>(1,148)</b>	<b>440,461</b>
<b>Provisions for investments in jointly controlled entities (Note 25)</b>								
Ventiveste, S.A.	(1,746)	-	34	-	(27)	-	-	(1,739)
Caiageste - Gestão de Áreas de Serviço, Lda.	(34)	-	(11)	-	-	-	-	(45)
	<b>(1,780)</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>(1,784)</b>
	<b>394,776</b>	<b>44,404</b>	<b>4,412</b>	<b>1,783</b>	<b>(27)</b>	<b>(5,523)</b>	<b>(1,148)</b>	<b>438,677</b>

(a) €40,280 k corresponds to the capital increase in Galp Sinopec Brazil Services B.V.. The control of the subsidiary's Tupi B.V. is shared between: Galp Sinopec Brazil Services B.V., Petrobras Netherlands B.V. and BG Overseas Holding Ltd., that hold, respectively 10%, 65% and 25% of its share capital.

(b) €4,124 k corresponds to capital increase in Belém Bioenergia Brasil, S.A.. The control of the subsidiary Belém Bioenergia Brasil, S.A. is shared between Galp Bioenergy B.V. and Petrobrás Biocombustíveis SA., each holding 50% of its share capital.

(c) With the application of IFRS 11 – Joint Arrangements, Sigás – Armazenagem de Gás, A.C.E. and Multiservicios Galp Barcelona, began to be integrated into the individual accounts of the holding companies of its capital by the percentage held.

The control of Sigás – Armazenagem de Gás, A.C.E. is shared between: Portugal – Petrogal, S.A., BP Portugal, S.A. and Repsol Polímeros, S.A. that hold, respectively 60%, 35% and 5% of its share capital.

The control of the subsidiary, Multiservicios Galp Barcelona is shared between: Galp Energia Espanña, S.A., and Multiservicios Aeroportuario S.A., each holding 50% of its share capital.

# Results and consolidated information – First quarter of 2014

## 4.2. INVESTMENTS IN ASSOCIATES

The changes in the caption “Investments in associates” for the period ended 31 March 2014 were as follows:

Company	Opening balance	Gain / loss	Currency conversion adjustment	Hedging reserves adjustment	Ending balance
<b>Investments</b>					
EMPL - Europe Magreb Pipeline, Ltd	59,795	10,775	(59)	-	70,511
Gasoduto Al-Andaluz, S.A.	18,480	1,008	-	-	19,488
Gasoduto Extremadura, S.A.	15,586	1,153	-	-	16,739
Tagusgás - Empresa do Gás do Vale do Tejo, S.A.	11,483	439	-	8	11,930
Sonangalp - Sociedade Distribuição e Comercialização de	9,352	230	639	-	10,221
Metragaz, S.A.	1,204	33	-	-	1,237
Terparque - Armazenagem de Combustíveis, Lda.	942	30	-	-	972
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	798	-	-	-	798
IPG Galp Beira Terminal Lda	640	-	(13)	-	627
Sodigás-Sociedade Industrial de Gases, S.A.R.L	346	-	-	-	346
Galp IPG Matola Terminal Lda	320	-	(7)	-	313
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	63	-	-	-	63
	<b>119,009</b>	<b>13,668</b>	<b>560</b>	<b>8</b>	<b>133,245</b>
Provisions for investments in jointly controlled entities (Note 25)					
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	(1,350)	(1,153)	-	-	(2,503)
	<b>117,659</b>	<b>12,515</b>	<b>560</b>	<b>8</b>	<b>130,742</b>

The consolidated income statement caption “Share of results of investments in associates and jointly controlled entities” for the period ended 31 March 2014 is as follows:

### Effect of applying the equity method:

Associates	12,516
Jointly controlled entities	4,412
Other	64
	<b>16,992</b>

The total amount of €5,523 k corresponding to dividends amounts, approved by the general shareholders meeting of the respective companies and not yet received, was reflected in the caption “Investments in associates and jointly controlled entities” (Note 4.1 and 4.2).

The goodwill in associates and jointly controlled entities, as of 31 March 2014 and of 31 December de 2013 included in the caption “Investments in associates and jointly controlled entities”, was subject to the impairment test in the respective cash generating unit and is as follows:

	2014	2013
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939

## 4.3. ASSETS HELD FOR SALE

During the period ended 31 March 2014, there were no significant changes in the caption “Assets held for sale”, compared to the consolidated financial statements of the Company on 31 December 2013. For further clarification, refer to the consolidated financial statements of the Company as of 31 December 2013 and the respective Notes.

# Results and consolidated information – First quarter of 2014

## 5. OPERATING INCOME

The Group's operating income for the periods ended 31 March 2014 and 2013 is as follows:

Captions	2014	2013
Sales:		
Merchandise	2,024,347	1,914,982
Products	2,030,717	2,440,115
	<u>4,055,064</u>	<u>4,355,097</u>
Services rendered	<u>139,359</u>	<u>115,521</u>
Other operating income:		
Supplementary income	9,241	10,308
Revenues arising from the construction of assets under IFRIC12	5,574	4,463
Operating government grants	-	2,415
Internally generated assets	117	658
Investment government grants (Note 13)	2,551	2,591
Gain on fixed assets	406	71
Other	<u>2,950</u>	<u>6,742</u>
	<u>20,839</u>	<u>27,248</u>
	<u><u>4,215,262</u></u>	<u><u>4,497,866</u></u>

Sales of fuel include the Portuguese Tax on Oil Products (ISP).

The variation on the caption "Sales" is mainly due to the increase in exported quantities arising from the refineries upgrade which allowed for an optimisation of processes and increased production.

The regulated revenue to be refunded in 2013-2014 gas year was approved by the Portuguese Energy Regulator (ERSE), therefore the Group is recognises the reversal of the amount of tariff deviation approved in the income statement.

The caption "Other" for the period ended in 31 March 2014 includes an amount of €253 k returned by the Spanish tax authorities, regarding an inspection of "IVA assimilado a la importación" in Galp Energia España.

Regarding the construction contracts subject to the IFRIC12, construction activity of the concession assets is subcontracted to specialised entities which assume their own construction activity risk. Income and expenses associated with the construction of these assets are of equal amounts and are immaterial when compared to total revenues and operating costs below that can be detailed as follows:

	2014	2013
Costs arising from the construction of assets under IFRIC12	(5,574)	(4,463)
Revenues arising from the construction of assets under IFRIC12 (Note 6)	5,574	4,463
<b>Margin</b>	<b>-</b>	<b>-</b>

## 6. OPERATING COSTS

# Results and consolidated information – First quarter of 2014

The results for the periods ended 31 March 2014 and 2013 were affected by the following items of operating costs:

Captions	2014	2013
<b>Cost of sales:</b>		
Raw and subsidiary materials	1,694,656	2,015,073
Merchandise	1,357,309	1,268,571
Tax on oil products	582,339	596,437
Variation in production	(64,961)	17,287
Decrease (impairment) in inventories (Note 16)	4,657	2,106
Financial derivatives (Note 27)	5,106	(1,935)
	<b>3,579,106</b>	<b>3,897,539</b>
<b>External supplies and services:</b>		
Subcontracts gas network usage	95,743	83,101
Subcontracts	276	779
Transport of merchandise	44,203	28,123
Storage and filling	17,104	15,278
Rental costs	20,346	20,234
Blocks production costs	21,100	15,299
Maintenance and repairs	13,068	11,417
Insurance	11,526	4,990
Royalties	11,725	7,695
IT services	5,910	7,339
Commissions	5,079	3,822
Publicity	2,761	1,504
Electricity, water and communications	4,652	11,329
Technical assistance and inspection	2,310	2,576
Port services and fees	1,751	1,811
Other specialised services	13,132	14,935
Other external supplies and services	5,793	6,080
Other costs	13,658	16,528
	<b>290,137</b>	<b>252,840</b>
<b>Employee costs:</b>		
Remuneration of the Statutory Boards (Note 29)	2,447	1,969
Employee remuneration	59,791	59,265
Social charges	13,969	14,616
Retirement benefits - pensions and insurance (Note 23)	11,165	6,284
Other insurance	2,448	3,185
Capitalisation of employee costs	(1,170)	(1,683)
Other costs	1,469	3,375
	<b>90,119</b>	<b>87,011</b>
<b>Amortisation, depreciation and impairment:</b>		
Amortisation and impairment of tangible assets (Note 12)	119,680	82,526
Amortisation and impairment of intangible assets (Note 12)	8,552	9,029
Amortisation and impairment of concession arrangements (Note 12)	9,944	9,598
	<b>138,176</b>	<b>101,153</b>
<b>Provision and impairment of receivables:</b>		
Provisions and reversals (Note 25)	1,541	2,096
Impairment loss on trade receivables (Note 15)	8,798	7,748
Provisions and reversals for environmental risks (Note 25)	150	-
Impairment loss (gain) on other receivables (Note 14)	129	299
	<b>10,618</b>	<b>10,143</b>
<b>Other operating costs:</b>		
Other taxes	3,621	4,431
Costs arising from the construction of assets under IFRIC12 (Note 5)	5,574	4,463
Loss on tangible assets	298	435
Donations	-	7,410
CO2 licenses	1,275	-
Other operating costs	4,022	4,877
	<b>14,790</b>	<b>21,616</b>
	<b>4,122,946</b>	<b>4,370,302</b>

The variation in the caption “Cost of sales” is mainly due to an increase on exportations, resulting from the refineries upgrade which allowed for the optimisation of processes and an increase in production.

# Results and consolidated information – First quarter of 2014

The caption "Subcontracts – network usage (gas and electricity)" refers to charges for the use of:

- Distribution network usage (URD);
- Transportation network usage (URT); and
- Global system usage (UGS).

The amount of €95,743 k recorded in this caption mainly includes the amount of €22,268 k charged by Ren Gasodutos, €27,319 k charged by Madrileña Red de Gas and €3,454 k charged by EDP Distribuição Energia.

## 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 rendered, with the following business units:

- Gas & Power;
- Refining & Marketing of oil products;
- Exploration & Production; and
- Other.

For the business segment "Others", the Group considered the holding company Galp Energia, SGPS, S.A., and companies with different activities including Tagus Re, S.A. and Galp Energia, S.A., a reinsurance company and provider of services at the corporate level, respectively.

Note 1 presents a description of the activities of each business segment.

# Results and consolidated information – First quarter of 2014

Below is the financial information on the previously identified segments, as of 31 March 2014 and of 2013:

	Gas & Power		Refining & Marketing		Exploration & Production		Other		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Income</b>												
Sales and services rendered	1,033,511	827,048	3,149,343	3,643,603	178,303	139,419	27,657	24,271	(194,391)	(163,723)	4,194,423	4,470,618
Inter-segments	97,143	64,968	1,139	241	74,040	73,874	22,069	24,640	(194,391)	(163,723)	-	-
External	936,368	762,080	3,148,204	3,643,362	104,263	65,545	5,588	(369)	-	-	4,194,423	4,470,618
<b>EBITDA (1)</b>	<b>128,033</b>	<b>107,276</b>	<b>4,931</b>	<b>39,616</b>	<b>104,118</b>	<b>91,536</b>	<b>4,028</b>	<b>432</b>	-	-	<b>241,110</b>	<b>238,860</b>
<b>Non cash costs</b>												
Amortisation and impairment losses	(15,602)	(13,647)	(71,758)	(49,360)	(50,049)	(37,208)	(767)	(938)	-	-	(138,176)	(101,153)
Provisions	(1,932)	(1,918)	(8,700)	(8,225)	14	-	-	-	-	-	(10,618)	(10,143)
<b>Segment results</b>	<b>110,499</b>	<b>91,711</b>	<b>(75,527)</b>	<b>(17,969)</b>	<b>54,083</b>	<b>54,328</b>	<b>3,261</b>	<b>(506)</b>	-	-	<b>92,316</b>	<b>127,564</b>
Results of investments in associates	12,281	13,257	927	4,456	3,784	(81)	-	-	-	-	16,992	17,632
Other non-operating results	(13,983)	(5,942)	(34,534)	(39,699)	8,970	14,292	(4,859)	(6,042)	-	-	(44,406)	(37,391)
Income tax	(27,996)	(29,189)	24,139	16,354	(34,385)	(22,662)	2,743	1,744	-	-	(35,499)	(33,753)
Contribution Tax on Energy Sector	(3,472)	-	(1,737)	-	-	-	-	-	-	-	(5,209)	-
Non Controlling Interest	(1,194)	(1,244)	(619)	(522)	(8,563)	(9,923)	-	-	-	-	(10,376)	(11,689)
<b>Consolidated net profit</b>	<b>76,135</b>	<b>68,593</b>	<b>(87,351)</b>	<b>(37,380)</b>	<b>23,889</b>	<b>35,954</b>	<b>1,145</b>	<b>(4,804)</b>	-	-	<b>13,818</b>	<b>62,363</b>
<b>In 31 March 2014 and 31 December 2013</b>												
<b>Other information</b>												
<b>Assets by segment (2)</b>												
Investment (3)	121,558	108,205	93,620	92,230	361,225	317,824	169	169	-	-	576,572	518,428
Other assets	3,062,127	3,037,792	6,097,568	6,682,484	4,843,374	4,746,423	4,083,947	3,806,730	(5,606,999)	(5,074,533)	12,480,017	13,198,896
<b>Total consolidated assets</b>	<b>3,183,685</b>	<b>3,145,997</b>	<b>6,191,188</b>	<b>6,774,714</b>	<b>5,204,599</b>	<b>5,064,247</b>	<b>4,084,116</b>	<b>3,806,899</b>	<b>(5,606,999)</b>	<b>(5,074,533)</b>	<b>13,056,589</b>	<b>13,717,324</b>
<b>Total consolidated liabilities</b>	<b>2,094,396</b>	<b>2,046,388</b>	<b>5,411,406</b>	<b>5,983,288</b>	<b>805,794</b>	<b>750,619</b>	<b>3,868,548</b>	<b>3,595,763</b>	<b>(5,606,998)</b>	<b>(5,074,534)</b>	<b>6,573,146</b>	<b>7,301,524</b>
<b>Investment in tangible and intangible assets</b>	<b>7,436</b>	<b>4,015</b>	<b>6,303</b>	<b>22,135</b>	<b>144,634</b>	<b>149,044</b>	<b>357</b>	<b>6</b>	-	-	<b>158,731</b>	<b>175,200</b>

(1) EBITDA = Segment results/EBIT + Amortisation+Provisions

(2) Net amount

(3) In accordance with the equity method.

**Note:** The process of determining segment results and its assets and liabilities was amended, which led to a re-statement in respect of 2013.

## Inter-segmental sales and services rendered

Segments	Gas & Power	Refining & Marketing	Exploration & Production	Other	TOTAL
Gas & Power	-		1,020	-	5,248
Refining & Marketing	97,142	-	74,040	14,624	185,806
Exploration & Production	-	16	-	2,197	2,213
Other	1	103	-	-	104
	<b>97,143</b>	<b>1,139</b>	<b>74,040</b>	<b>22,069</b>	<b>194,391</b>

The main inter-segmental transactions of sales and services rendered are primarily related to:

- **Gas & Power:** natural gas sales for the refining process of Leixões and Sines refineries (refining and marketing of oil products);
- **Refining & Marketing:** supply of fuel to all Group company vehicles;
- **Exploration & Production:** sales of crude to the Refining & Marketing of oil products segment; and
- **Other:** back-office and management services.

The commercial and financial transactions between related parties are performed according to the usual market conditions similar to transactions performed with independent companies.

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, that is, comparing the characteristics of operations or companies that might have impact on the intrinsic conditions of the commercial

# Results and consolidated information – First quarter of 2014

transactions in analysis. In this context, among other, 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, are analysed.

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 considering 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 competition principle.

## 8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the periods ended 31 March 2014 and 2013 are as follows:

Captions	2014	2013
<u>Financial income:</u>		
Interest on bank deposits	10,215	14,087
Other financial income	18,989	13,779
Interest and other income - related companies	271	4,650
	<b>29,475</b>	<b>32,516</b>
<u>Financial Costs:</u>		
Interest on bank loans, overdrafts and other	(37,034)	(41,463)
Interest on retirement benefits and other benefits (Note 23)	(2,921)	(3,489)
Interest capitalized in fixed assets (Note 12)	6,112	22,354
Other financial costs	(31,068)	(32,487)
Interest - shareholders	5,140	(324)
Interest - related companies	(7,042)	(1,342)
	<b>(66,813)</b>	<b>(56,751)</b>

During the period ended 31 March 2014, the Group capitalised fixed assets in progress, in the amount of €6,112 k, regarding interests on loans to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

The captions "Other financial income" and "Other financial costs" include the amounts of €18,400 k and €21,635 k respectively, related to energy trading operations, trading future contracts on CO2 and electricity in the ICE Exchange (Ice Futures Europe Exchange) and OMIP Futures.

# Results and consolidated information – First quarter of 2014

## 9. INCOME TAX

Income tax for the periods ended 31 March 2014 and 2013 are as follows:

Captions	March 2014	March 2013
Current income tax	52,198	38,459
IRP Provision - Tax over Oil income (Note 25)	1,059	-
Insufficiency / (excess) of income tax for the preceding year	(1,245)	(93)
Deferred tax	(16,513)	(4,613)
Extraordinary contribution on energy sector (Note 24)	5,209	-
	<b>40,708</b>	<b>33,753</b>

Due to the publication of Law 83 – C/2013 of 31 December, Article 228, introduced the Extraordinary Contribution on the Energy Sector (CESE) into Portuguese legislation.

Based on this law, the Group estimated for the first quarter of 2014 an amount of € 5,209 k (Note 24).

### Deferred taxes

The balance of deferred tax assets and liabilities as of 31 March 2014 is as follows:

Deferred tax March 2014 - Assets						
Captions	Opening balance	Effect in results	Effect in equity	Effect of currency conversion rate	Other adjustments	Ending balance
Adjustments to accruals and deferrals	10,330	(1,448)	-	-	-	8,882
Adjustments to tangible and intangible assets	24,802	1,562	-	41	-	26,405
Adjustments to inventories	471	(164)	-	-	-	307
Overlifting adjustments	119	71	-	10	-	200
Retirement benefits and other benefits	89,442	2,633	-	-	-	92,075
Double economical taxation	12,171	-	-	-	-	12,171
Financial instruments	335	-	(101)	-	-	234
Tax losses carried forward	13,137	117	-	5	-	13,259
Regulated revenue	7,807	2,660	-	-	-	10,467
Non-deductible provisions	27,087	5,311	-	98	(521)	31,975
Non-deductible financial expenses	18,070	-	-	-	-	18,070
Potential Foreign exchange differences Brazil	51,513	1,085	(16,279)	11,364	-	47,683
Other	15,790	2,015	-	(119)	77	17,763
	<b>271,074</b>	<b>13,842</b>	<b>(16,380)</b>	<b>11,399</b>	<b>(444)</b>	<b>279,491</b>

Deferred tax March 2014 - Liabilities						
Captions	Opening balance	Effect in results	Effect in equity	Effect of currency conversion rate	Other adjustments	Ending balance
Adjustments to accruals and deferrals	(265)	35	-	1	-	(229)
Adjustments to tangible and intangible assets Fair Value	(20,091)	805	-	-	-	(19,286)
Adjustments to inventories	-	(181)	-	-	-	(181)
Underlifting adjustments	(4,816)	3,663	-	(26)	-	(1,179)
Dividends	(61,070)	(312)	-	-	-	(61,382)
Regulated Revenue	(38,890)	1,437	-	-	-	(37,453)
Accounting revaluations	(3,076)	73	-	-	-	(3,003)
Other	(369)	(3,005)	-	-	-	(3,374)
	<b>(128,577)</b>	<b>2,515</b>	<b>-</b>	<b>(25)</b>	<b>-</b>	<b>(126,087)</b>

## Results and consolidated information – First quarter of 2014

Potential foreign exchange differences from Brazil result from the tax option to tax potential foreign exchange differences only when they are realised. The amount of €16,279 k reflected in equity includes €11,424 k regarding deferred taxes resulting from currency exchange differences of financial allocations that are similar to *quasi* equity (Note 20) and €4,855 k regarding non-controlling interests.

Due to the publication of the Real Decreto-Ley 20/2012 of 13 July, a limiting clause on the deduction of net financial charges amounting to 30% of operating income with certain conditions was introduced in the Spanish tax legislation, and also noted that it is allowed the tax recognition of net financial charges of €1,000 k regardless of the operating result obtained.

The impact of financial charges, not fiscally accepted, on the Group's subsidiaries established in Spanish territory amounted to a tax amount of approximately €18,070 k.

Given the previously mentioned law decree establishes a compensation period for such costs of 18 years and given that the Company believes that the recovery will take place during this timeline a deferred tax asset by the same amount was established.

In the first quarter of 2014, the Group recognised deferred tax assets amounting to €156 k (R\$ 507,074.98), associated with Block BMS-11, due to the difference between the tax basis determined in accordance with the Special Participation Tax (SPT) and accounting basis of abandonment provision, depreciation and signing bonus.

### 10. EARNINGS PER SHARE

Earnings per share for the periods ended 31 March 2014 and 2013 are as follows:

	March 2014	March 2013
<b><u>Net income</u></b>		
Net income for purposes of calculating earnings per share (consolidated net profit for the period)	13,818	62,363
<b><u>Number of shares</u></b>		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
<b><u>Basic earnings per share and diluted (amounts in euros):</u></b>	0.02	0.08

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

# Results and consolidated information – First quarter of 2014

## 11.GOODWILL

The difference between the amounts paid to acquire a stake in Group companies and the fair value of the acquired companies' equity was in 31 March 2014, as follows:

Subsidiaries	Year of acquisition	Cost of acquisition	Equity proportion at the acquisition date		Movements of goodwill		
			%	Amount	2013	Currency conversion differences (d)	2014
<b>Galp Energia España, S.A.</b>							
Galp Comercialización Oil España, S.L.	(a)	2008	176,920	100.00%	129,471	47,449	- 47,449
Petróleos de Valência, S.A. Sociedad Unipersonal	(a)	2005	13,937	100.00%	6,099	7,838	- 7,838
Galp Distribución Oil España, S.A.U.	(b)	2008	172,822	100.00%	123,611	49,211	- 49,211
					<u>104,498</u>	<u>-</u>	<u>104,498</u>
<b>Petróleos de Portugal - Petrogal, S.A.</b>							
Galp Comercialização Portugal, S.A.	(c)	2008	146,000	100.00%	69,027	50,556	- 50,556
					<u>50,556</u>	<u>-</u>	<u>50,556</u>
Madrileña Suministro de Gas S.L.		2010	43,356	100.00%	12,641	29,766	- 29,766
Galp Swaziland (PTY), Ltd.		2008	18,117	100.00%	651	18,422	(1,907) 16,515
Madrileña Suministro de Gas SUR S.L.		2010	12,523	100.00%	3,573	8,686	- 8,686
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	6,938	100.00%	1,370	5,568	- 5,568
Galp Gambia, Ltd.		2008	6,447	100.00%	1,693	4,966	(423) 4,543
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	2007 e 2008		8,360	15.77%	4,031	4,329	- 4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	2,858	215 3,073
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.		2006	3,094	25.00%	1,454	1,640	- 1,640
		2002/3 e					
Lusitaniagás - Companhia de Gás do Centro, S.A.	2007/8/9		1,440	1.543%	856	584	- 584
Probigalp - Ligantes Betuminosos, S.A.		2007	720	10.00%	190	530	- 530
Gasinsular - Combustíveis do Atlântico, S.A.		2005	50	100.00%	(353)	403	- 403
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		2005	858	67.65%	580	278	- 278
		2003/6 e					
Beiragás - Companhia de Gás das Beiras, S.A.		2007	152	0.94%	107	51	- 51
Galp Sinopec Brazil Services (Cyprus)		2012	3	100.00%	1	<u>2</u>	<u>-</u>
					<u>233,137</u>	<u>(2,115)</u>	<u>231,022</u>

(a) The subsidiaries Petróleos de Valência, S.A. Sociedad Unipersonal and Galp Comercialización Oil España, S.L. were incorporated in Galp Energia España, S.A., through a merger process, during the year ended 31 December 2010.

(b) The subsidiary Galp Distribución Oil España, S.A.U., was incorporated in Galp Energia España, S.A. through a merger process, during the year ended 31 December 2011 (Note 3).

(c) The subsidiary Galp Comercialização Portugal, S.A., was incorporated in Petróleos de Portugal - Petrogal, S.A., through a merger process during the year ended 31 December 2010.

(d) The exchange differences arise from the conversion of Goodwill recorded in local companies' currency to Group's reporting currency (euros) at the exchange rate prevailing on the date of the financial statements (Notes 2.2 d) and 20).

# Results and consolidated information – First quarter of 2014

## 12. TANGIBLE AND INTANGIBLE ASSETS

Composition of tangible and intangible assets on 31 March 2014 and on 31 December 2013:

	March 2014		December 2013		
	Gross assets	Accumulated Depreciation, Depreciation and Impairment	Net assets	Gross assets	Accumulated Depreciation, Depreciation and Impairment
					Net assets
<b>Tangible assets</b>					
Land and natural resources	275,075	(1,753)	273,322	275,076	(2,062)
Buildings and other constructions	925,432	(636,868)	288,564	911,375	(619,064)
Machinery and equipment	6,665,699	(4,046,794)	2,618,905	6,571,457	(3,895,755)
Transport equipment	31,942	(27,565)	4,377	32,877	(28,041)
Tools and utensils	4,544	(3,984)	560	4,523	(3,939)
Administrative equipment	175,103	(153,329)	21,774	172,768	(148,740)
Reusable containers	158,240	(145,581)	12,659	158,605	(145,261)
Other tangible assets	99,002	(86,179)	12,823	99,899	(86,387)
Tangible assets in progress	1,411,694	-	1,411,694	1,267,812	-
Advances to suppliers of tangible assets	130	-	130	146	-
	<b>9,746,861</b>	<b>(5,102,053)</b>	<b>4,644,808</b>	<b>9,494,538</b>	<b>(4,929,249)</b>
<b>Intangible assets</b>					
Research and development costs	285	(268)	17	285	(266)
Industrial property and other rights	548,086	(279,483)	268,603	542,965	(271,366)
Reconversion of consumption to natural gas	551	(425)	126	551	(423)
Goodwill	19,432	(10,200)	9,232	19,514	(10,282)
Other intangible assets	2,502	(498)	2,004	582	(505)
Concession arrangements	1,770,112	(551,039)	1,219,073	1,766,149	(540,614)
Intangible assets in progress of concession arrangements	4,767	-	4,767	3,340	-
Intangible assets in progress	32,944	-	32,944	34,971	-
	<b>2,378,679</b>	<b>(841,913)</b>	<b>1,536,766</b>	<b>2,368,357</b>	<b>(823,456)</b>

Tangible and intangible assets are recorded in accordance with the accounting policy defined by the Group which is described in the accompanying notes to the consolidated financial statements on 31 December 2013 (Note 2.3 and Note 2.4). The depreciation / amortisation rates are disclosed in the same note.

### Main occurrences during the period ended 31 March 2014:

The net change of increases and decreases in the caption “Assets gross tangible and intangible assets” for the period ended 31 March 2014 amounts to €71,384 k which includes:

	Tangible assets		Intangible assets		Total		
	Gross assets	Accumulated Depreciation	Gross assets	Accumulated Depreciation	Gross assets	Accumulated Depreciation	Net value
<b>Balances on 1 de January de 2014</b>							
Balances on 1 de January de 2014	<b>9,494,538</b>	<b>(4,929,249)</b>	<b>2,368,357</b>	<b>(823,456)</b>	<b>11,862,895</b>	<b>(5,752,705)</b>	<b>6,110,190</b>
Additions	190,566	-	9,047	-	199,613	-	199,613
Additions by financial costs capitalisation (Note 8)	6,112	-	-	-	6,112	-	6,112
Write-offs / sales	(2,772)	2,445	(426)	416	(3,198)	2,861	(337)
Impairment variations	(15,226)	67	(4)	184	(15,230)	251	(14,979)
Adjustments	41,911	(44,293)	1,038	(170)	42,949	(44,463)	(1,514)
Amortisation of the period	-	(105,782)	-	(18,687)	-	(124,469)	(124,469)
Changes in the consolidation perimeter (Note 3)	31,732	(25,241)	667	(200)	32,399	(25,441)	6,958
Balances on 31 March 2014	<b>9,746,861</b>	<b>(5,102,053)</b>	<b>2,378,679</b>	<b>(841,913)</b>	<b>12,125,540</b>	<b>(5,943,966)</b>	<b>6,181,574</b>

# Results and consolidated information – First quarter of 2014

Increases in the amount of €205,725 k mainly include:

i) Exploration & Production segment

- €106,027 k regarding exploration and development investments in blocks in Brazil;
- €14,851 k regarding exploration and development investments in blocks 14 e 14k in Angola;
- €10,136 k regarding exploration investments in Block 4 in Mozambique;
- €4,459 k regarding exploration investments in blocks 3 and 4 in Uruguay;
- €4,052 k regarding exploration investments in block 32 in Angola; and
- €2,879 k regarding oil exploration investments on Portuguese coast.

ii) Gas & Power segment

- €5,574€ regarding natural gas infrastructure construction (network, plot and other infrastructures) covered by IFRIC 12 (Note 5 and 6); and

iii) Refining & Marketing segment

- €1,929 k regarding industrial investments in Porto and Sines refineries; and
- €2,363 k regarding the wholesale business unit investments namely, its expansion, development of information systems and improvements in service stations and convenience stores.

In the period ended 31 March 2014 tangible and intangible goods that were sold and disposed amounts to €3,198 k and was result of the register updated of fixed assets which was carried out in this period and were primarily due to write-offs related with the retail business that were mostly totally amortised.

In the period ended 31 March 2014 impairments of fixed assets amounts to €175,343 k, which mainly include:

- €57,964 k regarding impairment of blocks in Namibia;;
- €55,225 k regarding impairment in the retail network in Portugal and Spain;
- €33,165 k regarding impairment of operated and non-operated blocks in Brazil;
- €8,371 k regarding impairment of combined cycle power plants;
- €8,208 k regarding impairment of research in Aljubarrota;
- €4,453 k regarding impairment of blocks in East Timor;
- €2,225 k regarding impairment of research in Angola; and
- €1,672 k regarding impairment of research in Uruguay.

The caption “Adjustments” is composed essentially by exchange differences on opening balance that match with the revaluation of opening balances of subsidiaries intangible assets, recorded in foreign currencies and converted into euros.

# Results and consolidated information – First quarter of 2014

Depreciation / amortisation for the periods ended 31 March 2014 and 2013 are as follows:

	March 2014			March 2013		
	Tangible assets	Intangible assets	Total	Tangible assets	Intangible assets	Total
Amortisation and depreciation for the period	105,780	8,743	114,523	76,613	9,213	85,826
Amortisation and depreciation for the period - Concession Arrangements	-	9,944	9,944	-	9,598	9,598
Increase in impairment	14,056	-	14,056	5,955	-	5,955
Decrease in impairment	(156)	(191)	(347)	(42)	(184)	(226)
Amortisation and depreciation (Note 6)	<u>119,680</u>	<u>18,496</u>	<u>138,176</u>	<u>82,526</u>	<u>18,627</u>	<u>101,153</u>

Change in the consolidation perimeter consisted in the entrance of fixed assets. During the period ended the following was included in the consolidated perimeter (Note 3):

	Tangible assets		Intangible assets		Total		Net value
	Gross	Depreciation	Gross	Amortisation	Gross	Depreciation/Amortisation	
Sigás - Armazenagem de Gás, A.C.E.	31,732	(25,241)	667	(200)	32,399	(25,441)	6,958
	<u>31,732</u>	<u>(25,241)</u>	<u>667</u>	<u>(200)</u>	<u>32,399</u>	<u>(25,441)</u>	<u>6,958</u>

Tangible and intangible assets in progress (including advances on tangible and intangible assets) in the period ending 31 March 2014 were as follows:

	Assets in progress	Impairment	Net value
Research and exploration of oil in Brazil	878,819	(32,969)	845,850
Research and exploration of oil in Angola and Congo	263,772	(2,225)	261,547
Research in Mozambique	129,391	-	129,391
Research in Portugal	55,213	(8,430)	46,783
Industrial investment relating to refineries	45,584	-	45,584
Research of gas in Angola and Guinea	32,234	-	32,234
Renewal and expansion of the network	28,144	(17)	28,127
Floating LNG - Brazil	19,247	-	19,247
Upgrade projects of the Sines and Porto refineries	13,001	-	13,001
Oil Exploration in blocks 3 and 4 in Uruguay	8,729	(1,671)	7,058
Transportation and logistics	4,649	-	4,649
Research in Morocco	1,796	-	1,796
Underground storage of natural gas	1,144	-	1,144
Research in Namibia	39,606	(39,457)	149
Energy and steam production	8,371	(8,371)	-
Research in Timor	2,591	(2,591)	-
Other projects	12,976	-	12,976
	<u>1,545,267</u>	<u>(95,731)</u>	<u>1,449,536</u>

## 13.GOVERNMENT GRANTS

Government grants received (accumulated) as of 31 March 2014 and of 31 December 2013 are as follows:

Program	Amount received	
	March 2014	December 2013
Economic operational program	285,871	285,871
Energy program	114,919	114,919
Desulphurisation of Sines	39,513	39,513
Desulphurisation of Porto	35,307	35,307
Protede	19,708	19,708
Interreg II	19,176	19,176
Centre region operational program	2,102	2,102
North region operational program	550	550
Algarve operational program	174	174
Innovation incentives system	73	73
Other	21,791	21,806
	<b>539,184</b>	<b>539,199</b>
Accumulated amount recognised as income	(265,215)	(262,664)
Government grants - receivable (Note 14)	1	1
Government grants to be recognised (Note 24)	<b>273,970</b>	<b>276,536</b>

During the periods ended 31 March 2014 and 31 December 2013 the income statement includes the amounts of €2,551 k and €10,351 k, respectively regarding government grants recognition (Note 5).

# Results and consolidated information – First quarter of 2014

## 14. OTHER RECEIVABLES

The non-current and current caption “Other receivables” as of 31 March 2014 and of 31 December 2013 was as follows:

Captions	March 2014		December 2013	
	Current	Non-current	Current	Non-current
State and other public entities:				
ISP - Portuguese Tax on oil products	8,244	-	6,833	-
VAT - Reimbursement requested	1,379	-	667	-
Others	229	-	122	-
Loans to Sinopec Group (Note 3)	164,536	675,457	164,500	706,993
Advances to suppliers of fixed assets	126,490	-	155,225	-
Underlifting	29,370	-	31,071	-
Subsoil Rates	23,156	32,771	18,728	32,771
Over cash-call from partner Petrobrás in operated blocks	11,140	-	10,057	-
Advances to trade suppliers	9,092	-	40,203	-
Means of payment	8,021	-	8,371	-
Other receivables - associated, related and participated companies	5,534	-	6,360	13,011
Personnel	1,843	-	2,030	-
Accounts receivable from the consortia block 14 in Angola ("profit-oil" excess to receive)	1,648	-	1,648	-
Spanish Bitumen process	385	-	385	-
Ceding rights contract to use telecommunications infrastructures	251	-	251	-
Government grants - receivable (Note 13)	1	-	1	-
Loans to associated, jointly controlled related and participated companies	-	25,399	-	27,878
Loans to clients	-	1,561	70	1,561
Other receivables	92,035	9,956	87,412	5,172
	<u>483,354</u>	<u>745,144</u>	<u>533,934</u>	<u>787,386</u>
Accrued income:				
Sales and services rendered not yet invoiced	187,343	-	208,967	-
Adjustment to tariff deviation - "pass through" - ERSE regulation	38,680	-	38,128	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation	36,570	42,968	34,324	50,752
Adjustment to tariff deviation - Energy tariff - ERSE regulation	28,025	38,531	28,025	45,537
Financial neutrality - ERSE	13,981	-	15,133	-
Accrued interest	2,745	-	1,614	-
Accrued management and structure costs	2,462	-	1,683	-
Sale of finished goods to be invoiced by the service stations	1,169	-	1,100	-
Commercial discount on purchases	1,051	-	1,503	-
Compensation for the uniform tariff	917	-	917	-
Other	14,797	39	7,613	31
	<u>327,741</u>	<u>81,538</u>	<u>339,007</u>	<u>96,320</u>
Deferred costs:				
Prepaid insurance	17,181	-	797	-
Catalyser costs	5,541	-	6,223	-
Costs relating to service station concession contracts	3,708	30,559	2,478	31,339
Prepaid rent	2,793	-	601	-
Interest and other financial costs	1,171	-	9,244	-
Retirement benefits (Nota 23)	-	4,645	-	4,916
Other deferred costs	15,373	-	11,912	-
	<u>45,767</u>	<u>35,204</u>	<u>31,255</u>	<u>36,255</u>
Impairment of other receivables	856,862	861,886	904,196	919,961
	<u>(7,157)</u>	<u>-</u>	<u>(6,990)</u>	<u>-</u>
	<u>849,705</u>	<u>861,886</u>	<u>897,206</u>	<u>919,961</u>

## Results and consolidated information – First quarter of 2014

The movements occurred in the caption “Impairments of other receivables” for the period ending 31 March 2014 were as follows:

Caption	Opening balance	Increase	Decrease	Utilisation	Adjustments	Ending balance
Other receivables	6,990	149	(20)	-	38	7,157

The increase and decrease of the caption “Impairment of other receivables” in the net amount of €129 k was recorded in the caption “Provisions and impairments – other receivables” (Note 6).

The caption “Loans granted” includes the amount of €839,993 k (\$1,158,182,623.68) regarding the loan that the group granted to Tip Top Energy, SARL (included in Sinopec Group) on 28 March 2012, for a period of four years of which €164,536 k (\$226,861,950.00 m) in current and €675,457 k (\$931,320,673.68) in non-current, which earns a three-month LIBOR interest rate plus a spread. This caption also includes the value of €19,623 k (\$27,056,370.26) in non-current regarding capitalised interests. In the period ended 31 March 2014 in the caption “Interest”, is in respect of interests on loans granted to related companies, in the amount of €19,755 k.

The caption “Subsoil rates” amounting to €55,927 k refer to rates of subsoil occupation already paid to municipalities. According to the natural gas supply concession agreement between the Portuguese Government and the Group companies, and with the Council of Ministers decision No. 98/2008, dated 8 April, companies have the right to pass on to commercialisation entities or to end customers, the full amount of subsoil rates paid to the local authorities in the concessioned area.

The amount of €29,370 k recorded in “Other receivables – underlifting” represents the amounts receivable by the Group for lifting barrels of crude oil production under quota (underlifting) and is valued at the lower price between the market price at the date of sale and the market price on 31 March 31 2014.

The caption “Means of payment” in the amount of €8,021 k respects to amounts receivable for sales made with resource to Visa/ATM cards, which as of 31 March 2014 were pending collection.

The amount of €5,534 k recorded in the caption “Other receivables current and non-current – associated jointly controlled entities”, related and participated companies refers to amounts receivable from companies which were not consolidated.

The caption “Other receivables non-current” includes €4,995 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 semester and until 3 December 2016.

## Results and consolidated information – First quarter of 2014

The accrued income – sales and services rendered and not invoiced includes natural gas and electricity consumption and other income provided in March and invoiced to customers in April. The most relevant accruals are as follows:

Company	Total	Natural gas	Electricity
Galp Gás Natural, S.A.	81,448	81,448	-
Galp Power, S.A.	18,687	12,272	6,415
Galp Energia España, S.A., Unipessoal	17,515	14,970	2,545
Madrileña Suministro de Gas	12,272	12,272	-
Madrileña Suministro de Gas SUR	10,843	10,843	-
Lusitanigás Comercialização, S.A.	7,824	7,824	-
Lisboagás Comercialização, S.A.	7,521	7,521	-
Transgás, S.A.	3,602	3,602	-
Setgás Comercialização, S.A.	1,860	1,860	-
	<b>161,572</b>	<b>152,612</b>	<b>8,960</b>

The amount of €1,169 k in the caption “Sale of finished goods to be invoiced by the service stations” relates to sales made up to 31 March 2014 through Galp Frota cards, which will be invoiced in the following months.

Expenses recorded in the caption “Deferred costs” in the amount of €34,267 k, are in respect of advance payments of income related to service station rental contracts which are expensed during the concession period, which ranges between 17 and 32 years.

Galp Energia has reclassified during 2014, an amount € 38,531 k relating to energy tariff deviation from current assets to non-current assets. This reclassification aims to reflect the estimated recovery of the tariff deficit for a six years period, published by ERSE.

The caption “Adjustment to tariff deviation – regulated revenue” amounting to €79,538 k regards the difference between the estimated regulated revenue published for each regulated activity and the invoiced amount. These amounts are remunerated at a three-month Euribor interest rate.

Payable or receivable amounts in respect of each gas year are presented for each activity on a net basis, depending on their nature each gas year, by virtue of being the way for approval of deviations from regulated revenue by ERSE.

From 2010, accounts for ERSE started being reported in accordance with the calendar year. Therefore the opening balances have been reclassified according to this change.

As mentioned in Note 2.13 the total recoverable amount was included by ERSE in the recoverable regulated revenue Gas Year 2013-2014, therefore the Group recognises in the income statement, the reversal of the amount correspondent to the approved tariff deviation.

The “Accrued income – financial neutrality – ERSE regulation” concerns the gradual restoration of financial neutrality associated with the extinction of the smoothing mechanism with capital cost of the first regulatory period, resulting from the difference between the cost of capital smoothed and not smoothed, to be recovered during six years. Accrued amounts relate to the recoverable amounts from gas tariff in the 13-14 and 14-15 regulatory gas year.

# Results and consolidated information – First quarter of 2014

The Group considers as amounts not yet due, the balance of other receivables that are not in arrears and the captions “Accruals of income” and “Deferred costs” amounting to €490,250 k and €502,837 k in 2014 and 2013 respectively.

The balance of other receivables overdue, that have not suffered impairments correspond to claims which have payment agreements are covered by credit insurance or for which there is an expectation of partial or total liquidation.

Accounts receivable are collateralised, namely with bank guarantees and other collaterals whose value at 31 March 2014 is approximately €103,196 k.

## 15. TRADE RECEIVABLES

The caption “Trade receivables” as of 31 March 2014 and of 31 December 2013 was as follows:

Caption	March 2014		December 2013	
	Current	Non-current	Current	Non-current
Trade receivables - current accounts	1,341,202	24,242	1,317,791	24,322
Trade receivables - doubtful accounts	209,941	-	201,375	-
Trade receivables - notes receivable	6,704	-	7,075	-
	<b>1,557,847</b>	<b>24,242</b>	<b>1,526,241</b>	<b>24,322</b>
Impairment of trade receivables	(207,701)	-	(199,678)	-
	<b>1,350,146</b>	<b>24,242</b>	<b>1,326,563</b>	<b>24,322</b>

The balance of non-current clients, amounting to €24,242 k and €24,322 k in period ended 31 March 2014 and 31 December 2013 respectively, respects to the payment agreement of debts from customers with maturities greater than one year which were recognised at their discounted value.

The changes in the caption “Impairment of trade receivables” as of the period ended 31 March 2014 were as follows:

Caption	Opening balance	Increases	Decreases	Utilisation	Adjustments	Changes in perimeter	Ending balance
Impairment of trade receivables	199,678	10,788	(1,990)	(743)	(32)	-	207,701

The increase and decrease in the caption “Impairment of trade receivables” in the net amount of €8,798 k was recorded in the caption “Provision and impairment loss on receivables” (Note 6).

Overdue balances which have not been subject to adjustments respect to receivables, for which there are payment agreements, are covered by credit insurance or for which there is an expectation of partial or total liquidation.

# Results and consolidated information – First quarter of 2014

## 16.INVENTORIES

Inventories as of 31 March 2014 and of 31 December 2013 were as follows:

CAPTIONS	March 2014	December 2013
Raw and subsidiary materials:		
Crude oil	188,641	53,840
Other raw materials	55,677	41,980
Raw material in transit	69	622,017
	<u>244,387</u>	<u>717,837</u>
Adjustments to raw and subsidiary materials	(11,599)	(11,019)
	<u>232,788</u>	<u>706,818</u>
Finished and semi-finished products:		
Finished products	309,461	244,254
Semi-finished products	305,889	325,271
Finished products in transit	56,330	12,083
	<u>671,680</u>	<u>581,608</u>
Adjustments to finished and semi-finished products	(2,692)	(23)
	<u>668,988</u>	<u>581,585</u>
Work in progress	117	91
	<u>117</u>	<u>91</u>
Goods	586,461	558,784
Goods in transit	393	100
	<u>586,854</u>	<u>558,884</u>
Adjustments to merchandise	(3,209)	(1,771)
	<u>583,645</u>	<u>557,113</u>
	<u>1,485,538</u>	<u>1,845,607</u>

Merchandise as of 31 March 2014, in the amount of €558,784 k mainly relates to natural gas in pipelines in the amount of €121,942 k, inventories of crude oil derivative products of the subsidiaries Galp Energia España, S.A., Empresa Nacional de Combustíveis – Enacol, S.A.R.L. and Petrogal Moçambique, Lda. in the amounts of €432,615 k, €8,590 k and €7,633 k respectively.

As of 31 March 2014 and of 31 December 2013, the Group's liability to competitors related to strategic reserves, which can only be satisfied by product delivery, amounted to €130,988 k and €149,312 k respectively and are, reflected in the caption "Advances on sales" (Note 24).

The changes in the caption "Impairment of inventories" in the period ended 31 March 2014 were as follows:

Captions	Opening balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Impairment of raw and subsidiary materials	11,019	581	-	-	(1)	11,599
Impairment of finished and semi-finished products	23	2,669	-	-	-	2,692
Impairment of goods	1,771	1,417	(10)	(21)	52	3,209
	<u>12,813</u>	<u>4,667</u>	<u>(10)</u>	<u>(21)</u>	<u>51</u>	<u>17,500</u>

The net increase in impairment, amounting to €4,657 k was recorded against the caption "Cost of sales- decrease (impairment)" in inventories (Note 6).

# Results and consolidated information – First quarter of 2014

## 17. OTHER INVESTMENTS

Current and non-current investments as of 31 March 2014 and of 31 December 2013 were as follows:

Other investments	March 2014		December 2013	
	Current	Non-current	Current	Non-current
<b>Financial instruments at fair value through profit and loss (Note 27)</b>				
Swaps over commodities	7,482	10,030	9,383	6,066
Swaps over interest rate	-	-	-	-
Swaps over currency	1,617	-	105	-
	<b>9,099</b>	<b>10,030</b>	<b>9,488</b>	<b>6,066</b>
<b>Bank deposits (Note 18)</b>				
Term deposits	640	-	640	-
	<b>640</b>	<b>-</b>	<b>640</b>	<b>-</b>
<b>Other financial assets</b>				
Other	-	18,468	-	18,464
	<b>-</b>	<b>18,468</b>	<b>-</b>	<b>18,464</b>
	<b>9,739</b>	<b>28,498</b>	<b>10,128</b>	<b>24,530</b>

As of 31 March 2014 and of 31 December 2013 the financial instruments are recorded at their fair value at those dates (Note 27).

## 18. CASH AND CASH EQUIVALENTS

The caption “Cash and cash equivalents” as of 31 March 2014 and of 31 December 2013 was as follows:

Captions	March 2014	December 2013	March 2013
Cash	6,361	3,961	19,609
Current account	229,281	154,635	335,915
Term deposits	2,437	5,394	3,003
Other negotiable securities	75,164	72,100	306,062
Other treasury applications	861,166	1,267,300	1,554,906
<b>Cash and cash equivalents in the consolidated statement of financial position</b>	<b>1,174,409</b>	<b>1,503,390</b>	<b>2,219,495</b>
Other current investments (Note 17)	640	640	640
Bank overdrafts (Note 22)	(33,652)	(98,792)	(327,328)
<b>Cash and cash equivalents in the consolidated statement of cash flow</b>	<b>1,141,397</b>	<b>1,405,238</b>	<b>1,892,807</b>

The caption “Other negotiable securities” mainly include:

- €69,712 k regarding bank deposit certificates;
- €3,817 k on electricity futures;
- €1,710 k on CO<sub>2</sub> futures; and
- Negative €78 k on commodities futures (Brent).

These futures are recorded in this caption due to their high liquidity (Note 27).

# Results and consolidated information – First quarter of 2014

The caption “Other treasury applications” includes applications of cash surplus, with maturities less than three months, of the following Group companies:

	March 2014	December 2013
Galp Energia E&P, B.V.	804,032	1,146,987
Galp Gás Natural, S.A.	21,327	24,654
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	10,050	8,550
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	7,000	6,300
Galp Energia Brasil S.A.	5,967	6,396
Beiragás - Companhia de Gás das Beiras, S.A.	4,250	2,075
Powercer - Sociedade de Cogeração da Vialonga, S.A.	3,450	2,340
Petróleos de Portugal - Petrogal, S.A.	2,538	67,435
Galp Exploração Serviços do Brasil, Lda.	1,802	1,863
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	750	700
	<u>861,166</u>	<u>1,267,300</u>

## 19.SHARE CAPITAL

### Capital structure

The capital structure of Galp Energia in the first quarter of 2014 has changed, and the free-float increased from 38.32% at the end of 2013 to 45.66% in the first quarter of 2014.

In 2012, after the shareholders' agreement in place since March 2006 between Amorim Energia, CGD and Eni, collectively referred to as the “Parties”, agreements were signed which stipulated under what conditions Eni could sell its stake in Galp Energia. Eni, which at year-end 2011 held a stake of 33.34%, thus acquired the right to sell in the market up to 20% of the share capital of the Company. In turn, CGD was now able to exercise a tag along right, referring to its 1% stake in the share capital of Galp Energia. On 27 November 2012, Eni placed on the market, shares representing approximately 4% of Galp Energia's share capital through an accelerated book building, while CGD exercised its tag-along right. On that date, Eni also issued bonds exchangeable into Galp Energia shares, corresponding to approximately 8% of the Company's share capital.

As of 27 November 2012, Eni placed in the market shares representing approximately 4% of Galp Energia share capital, through an accelerated bookbuilding process, while CGD exercised his right to tag along. On that date, Eni also proceeded to issue bonds exchangeable into shares of Galp Energia, corresponding to approximately 8% of the share capital of the Company.

Also under the agreement signed in 2012, Amorim Energia acquired from Eni a 5% stake on Galp Energia's share capital, at a price of €14.25 per share, thus holding a 38.34% interest in the Company. Furthermore, Amorim Energia, or a designated third party, had the right to purchase, until the end of 2013, a 5% stake, as well as a right of first refusal a 3.34% or 8.34% interest, depending on whether the first right would be exercised or not. Since Amorim Energia did not exercise its right to purchase until the end of 2013, according to publicly available information, this company now has a right of first refusal on an 8.34% stake in Galp Energia's share capital, currently held by Eni.

At the end of May 2013, Eni announced the sale of a 6.7% interest in Galp Energia's share capital. Considering that Eni had sold in the meantime an interest of approximately 1.3% directly in the regulated market.

As of 28 March 2014, Eni placed in the market shares representing approximately 7% of the share capital of Galp Energia, through an accelerated bookbuilding process, having sold in the meantime, on regulated market, shares

## Results and consolidated information – First quarter of 2014

representing approximately 0.34% of Galp Energia share capital. On both sales Amorim Energia, did not have exercised the right of first refusal. Following these disposals, Eni will retain a shareholding representing approximately 9% of the share capital of Galp Energia, including shares corresponding to 8% of the share capital of Galp Energia as underlying the exchangeable bonds, and shares corresponding to approximately 1% the capital of Galp Energia subject to right of first offer exercisable by Amorim Energia.

Following these changes in Galp Energia's capital structure, free-float went from 38.32% by the end of 2013 up to 45.66% in the first quarter of 2014.

Under the agreements signed between the Parties, and under paragraph 1. c) of article 20 of the Portuguese Securities Code (CVM), the voting rights attached to the shares held by each of the parties to the shareholder agreement were attributed to the others. This ceased to apply to CGD when it sold its stake of 1% of Galp Energia's share capital. As regards Amorim Energia and Eni, the Italian company notified Galp Energia on 26 July 2013 that the voting rights attached to the qualified holdings of Amorim Energia were not considered attributable to Eni, despite the fact that the voting rights held by Eni were still attributable to Amorim Energia. At the end of the first quarter of 2014, Eni held a qualified holding of 9.00% of Galp Energia's share capital, and the corresponding voting rights, while a total percentage of 47.34% were attributable to Amorim Energia.

Capital structure as of 31 March 2014 was as follows:

	No. of shares	% of capital	% voting rights
Amorim Energia, B.V.	317,934,693	38.34%	47.34%
Eni, S.p.A.	74,632,557	9.00%	9.00%
Parpública – Participações Públicas, SGPS, S.A.	58,047,544	7.00%	7.00%
Free-float	378,635,841	45.66%	45.66%
<b>Total</b>	<b>829,250,635</b>	<b>100.00%</b>	<b>-</b>

## 20.CONVERSION RESERVE AND OTHER RESERVES

As of 31 March 2014 and of 31 December 2013 the caption “Conversion reserve and other reserves# is detailed as follows:

	March 2014	December 2013
<b><u>Conversion reserves:</u></b>		
Reserves - financial allocations (quasi equity)	(111,104)	(133,485)
Reserves - tax on financial allocations (quasi equity) (Note 9)	45,841	57,265
	<hr/>	<hr/>
	(65,263)	(76,220)
Reserves - conversion of financial statements	(192,822)	(208,958)
Reserves - goodwill rate update	(1,055)	1,060
	<hr/>	<hr/>
	(259,140)	(284,118)
<b><u>Hedging reserves:</u></b>		
Reserves - financial derivatives	(1,388)	(1,743)
Reserves - deferred tax on financial derivatives (Note 9)	234	335
	<hr/>	<hr/>
	(1,154)	(1,408)
<b><u>Other reserves:</u></b>		
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 Brazil Services BV	2,493,088	2,493,088
Reserves - increase in shares of 11.0972% in 2012 and 0.3438% in 2013 in the share capital of subsidiary Lusitanigás - Companhia de Gas do Centro, S.A.	(2,027)	(2,027)
Reserves - increase of 40% stake in the share capital of Probigalp - Ligantes Betuminosos, S.A.	(3,975)	(3,975)
Reserves - increase of 99% stake in the capital of subsidiary Enerfuel, S.A.	(31)	(31)
	<hr/>	<hr/>
	2,680,439	2,680,439
	<hr/>	<hr/>
	2,420,145	2,394,913
	<hr/>	<hr/>

# Results and consolidated information – First quarter of 2014

## Translation reserve:

The change occurred in the caption translation reserve, is as follows:

- i) €192,822 k regarding negative exchange rate differences resulting from the translation of the financial statements in foreign currency to Euro;

	Exchange rate 31 December 2013	Opening balance	Change	Ending balance	Exchange rate 31 March 2014
<u>Foreign currency conversion reserves- by currency:</u>					
Gambian Dalasi	51.69	(743)	(25)	(768)	52.46
US Dolar	1.38	(122,330)	8,362	(113,968)	1.38
Cape Verdean Escudo	110.27	(69)	-	(69)	110.27
Guinea Bissau CFA	655.96	(202)	-	(202)	655.96
Angolan Kwanza	134.47	(1,774)	633	(1,141)	134.45
Swaziland Lilangeni	14.40	(436)	(8)	(444)	14.47
Mozambican Metical	41.53	(5,525)	(501)	(6,026)	42.40
Brazilian Real	3.26	(77,879)	7,675	(70,204)	3.13
	<b>(208,958)</b>	<b>16,136</b>		<b>(192,822)</b>	

- i) €65,263 k regarding negative exchange rate 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, S.A., in Euros and US Dollars, which are not remunerated and for which there is no intention of reimbursement, and as such similar to share capital ("quasi capital"), thus integrating the net investment in that foreign operational unit in accordance with IAS 21; and
- ii) €1,055 k regarding negative exchange rate differences resulting from Goodwill exchange rate update.

## Hedging reserves:

Hedging reserves reflect changes that have occurred in financial derivatives on interest rates that are contracted for hedging changes in interest rate loans (cash flow hedge) and their respective deferred taxes.

In the year ended 31 March 2014 the amount of €1,154 k includes €1,388 k regarding negative changes occurring in financial derivatives – cash flow hedge and €234 k regarding the impact of deferred tax assets on the variations occurred (Note 9).

## Other reserves:

### Legal reserves

In accordance with the CSC, the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been utilised. In 2013 the caption did not change as the legal reserves have already achieved 20% of share capital.

### Special reserves

The amount of €443 k in the caption "Special reserves" includes €463 k relating to a deferred tax correction – revaluation of equity in the subsidiary Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. and

## Results and consolidated information – First quarter of 2014

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 the company WIP, a subsidiary of Tip Top Energy, SARL (Sinopec Group), subscribed and made an increase in capital in the amount of \$4,797,528,044.74 in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services, B.V. (formerly Galp Brazil Services, B.V.), holding 30% of shares and voting rights of both subsidiaries.

With the operation of the capital increase, the Galp Energia Group kept the operational and financial control of the Company, which now owns 70% of capital and voting rights, continuing, under IAS 27 to consolidate their assets by the integral method. Thus the difference between the amount realised from the capital increase and the book value of equity at the date of the increase was recognised in equity in reserves by the amount €2,493,088 k.

### Reserves - increase of 11.0972% stake in the capital of subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A.

In July 2012, the Group acquired 10.7532% stake in the subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A., which was previously controlled by the Group and consolidated using the integral method. Thus the difference between the amount paid and the book value of equity at the acquisition date, was recognised in equity in reserves by the amount €1,935 k.

In May 2013, the Group acquired 0.3438% stake in subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A. to Revigrés – Indústria de Revestimentos de Grés, Lda. and recognised in equity reserves the amount of €92 k due to the difference between the amount paid and the book value.

### Reserves – increase of 99% in the capital of subsidiary Enerfuel, S.A.

In July 2013 under the celebrated contract with Enersis Investimentos, Lda. on 6 August 2012 in which the Group had agreed to purchase the remaining capital participation at the conclusion of the industrial unit project, the Group had acquired 99% of the social capital of Enerfuel, S.A. However, as it was previously controlled by the Group it already consolidated using the integral method. Thus the difference between the amount paid and the book value of equity at the acquisition date, was recognised in equity in reserves by the amount €31 k.

### Reserves – increase of 40% in the capital of subsidiary Probigal – Ligantes Betuminosos, S.A

In September 2013, the Group acquired 40% stake in subsidiary Probigal – Bituminous Binders, S.A., which was previously controlled by the Group and consolidated by the integral method. Thus the difference between the amount paid and the book value of equity at the acquisition date, was recognised in equity in the caption "Reserves" by the amount of €3,975 k.

# Results and consolidated information – First quarter of 2014

## 21. NON-CONTROLLING INTERESTS

The equity caption “Non-controlling interests” as of 31 March 2014 and of 31 December 2013 refers to the following subsidiaries:

		Balance on December 2013	Capital and reserves	Prior year results	Translation reserves	Net result for the year	Balance on March 2014
Galp Sinopec Brazil Services B.V.		981,838	-	-	186	4,202	986,226
Petrogal Brasil, S.A.	(a)	205,356	9,302	-	9,074	4,360	228,092
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.		23,151	-	-	-	334	23,485
Empresa Nacional de Combustíveis - Enacol, S.A.R.L		19,222	-	(343)	-	414	19,293
Beiragás - Companhia de Gás das Beiras, S.A.		13,846	-	-	-	383	14,229
Lusitanigás - Companhia de Gás do Centro, S.A.		2,362	-	-	-	98	2,460
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		1,950	-	-	-	184	2,134
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.		1,428	-	-	-	141	1,569
Sopor - Sociedade Distribuidora de Combustíveis, S.A.		1,338	-	-	-	(108)	1,230
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		1,250	-	-	-	59	1,309
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.		1,004	-	-	-	122	1,126
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		900	-	-	-	(53)	847
Setgás Comercialização, S.A.		884	-	-	-	54	938
Powercer - Sociedade de Cogeração da Vialonga, S.A.		598	-	-	-	184	782
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(b)	(233)	-	(2)	-	2	(233)
		<b>1,254,894</b>	<b>9,302</b>	<b>(345)</b>	<b>9,260</b>	<b>10,376</b>	<b>1,283,487</b>

(a) On 29 January 2014, the subsidiary Petrogal Brazil, B.V. and Winland International Petroleum Company, Ltd. (WIP), shareholders of Petrogal Brazil, S.A. subscribed capital increase totaling €21,705 k and €9,302 k respectively. The amount of € 9,302 k corresponds to the variation of non-controlling shares interests reflected on share issue premium caption.

(b) On 31 March 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

# Results and consolidated information – First quarter of 2014

## 22. LOANS

### Loans detail

Loans obtained as of 31 March 2014 and of 31 December 2013 was as follows:

	March 2014		December 2013	
	Current	Non-current	Current	Non-current
Bank loans:				
Loans	138,205	1,322,439	129,407	1,466,909
Bank overdrafts (Note 18)	33,652	-	98,792	-
Discounted notes	4,398	-	5,118	-
	<b>176,255</b>	<b>1,322,439</b>	<b>233,317</b>	<b>1,466,909</b>
Origination fees	(4,143)	(3,542)	(6,777)	(2,193)
	<b>172,112</b>	<b>1,318,897</b>	<b>226,540</b>	<b>1,464,716</b>
Other loans obtained:				
IAPMEI	2	178	2	194
	<b>2</b>	<b>178</b>	<b>2</b>	<b>194</b>
Origination fees	-	-	-	-
	<b>2</b>	<b>178</b>	<b>2</b>	<b>194</b>
	<b>172,114</b>	<b>1,319,075</b>	<b>226,542</b>	<b>1,464,910</b>
Bonds and Notes:				
Bonds	150,000	1,350,000	150,000	1,350,000
Notes	-	500,000	-	500,000
	<b>150,000</b>	<b>1,850,000</b>	<b>150,000</b>	<b>1,850,000</b>
Origination fees	(5,730)	(15,308)	(3,222)	(11,188)
	<b>144,270</b>	<b>1,834,692</b>	<b>146,778</b>	<b>1,838,812</b>
	<b>316,384</b>	<b>3,153,767</b>	<b>373,320</b>	<b>3,303,722</b>

The non-current loans, excluding origination fees, as of 31 March 2014 had the following repayment plan:

2015	480,381
2016	596,980
2017	577,772
2018	785,062
2019	569,432
2020	56,999
2021 and subsequent years	<b>105,992</b>
	<b>3,172,617</b>

Domestic and foreign loans as of 31 March 2014 and of 31 December 2013 are expressed in the following currencies:

Currency	March 2014		December 2013	
	Total amount	Amount due (€k)	Total amount	Amount due (€k)
United States Dollars	USD	457,933	330,722	456,673
Cape Verde francs	CVE	186,686	1,693	146,338
Euros	EUR	1,771,387	1,128,229	1,888,432
		<b>1,460,644</b>		<b>1,596,316</b>

The average interest rates on loans and overdrafts incurred by the Group including commissions and other charges in the first quarter of 2014 were 4.6%.

# Results and consolidated information – First quarter of 2014

## Description of the main loans

### Commercial paper issuance

On 31 March 2014, the Group contracted underwritten commercial paper programmes of up amounting to €1,065,000 k, which are divided into €515,000 k medium and long-term and €550,000 k short term. Of these amounts the Group used €390,000 k at medium and long-term loans.

These emissions bear interests at a Euribor rate for the respective period of issuance, plus variable spreads defined in the contractual terms of the commercial paper programmes underwritten by the Group. The interest rates refer to the amount of each issuance and remain unchanged during the respective period of the issue.

### Bank loans

Detail of the main bank loans as of 31 March 2014:

Entity	Amount	Interest rate	Maturity	Reimbursement
Banco do Brasil	65,000	Euribor 3M + Spread	December 2014	December 2014
BTG Pactual	94,285	Libor 6M + spread	December 2016	50% @ December 15 50% @ December 16
Banco Itaú	91,384	Libor 6M + spread	April 2017	50% @ April 16 50% @ April 17
ICBC	145,054	Libor 6M + spread	December 2018	December 2018

Additionally, the Group recorded the amount of €47,697 k in medium and long term loans obtained by: Agrocer-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.

Detail of the loans obtained from the European Investment Bank (EIB) as of 31 March 2014:

Entity	Amount	Interest rate	Maturity	Reimbursement
EIB (Porto Cogeneration)	50,000	Revisable Fixed Rate	October 2017	October 2017
EIB (Tranche A - Sines Cogeneration)	27,175	Fixed Rate	September 2021	Semi-annual amortisations starting in March 2010
EIB (Tranche B - Sines Cogeneration)	13,950	Euribor 6M + Spread	March 2022	Semi-annual amortisations starting in September 2010
EIB (Tranche A - Refineries Conversion)	273,000	Revisable Fixed Rate	February 2025	Semi-annual amortisations starting in August 2012
EIB (Tranche B - Refineries Conversion)	182,000	Fixed Rate	February 2025	Semi-annual amortisations starting in August 2012

Additionally, the Group recorded the amount of €64,905 k in non-current loans obtained from the EIB.

Loans contracted with the EIB, with the purpose of financing the cogeneration projects in the Sines and Porto refineries and tranche A for the upgrade of the Sines and Porto refineries are granted under Petrogal, S.A. guarantees.

The remaining loan with the EIB, in the amount of €246,905 k, is granted under contract with the bank syndicate.

# Results and consolidated information – First quarter of 2014

## Bonds

Detailed information for each bond as of 31 March 2014:

Emission	Amount	Interest rate	Maturity	Reimbursement
GALP ENERGIA/2010 - €300 M. FRN DUE 2014	150,000	Euribor 6M + spread	May 2014	May 2014
GALP ENERGIA/2012 - 2016	100,000	Euribor 6M + spread	December 2016	December 2016
GALP ENERGIA/2013 - €600 M. FRN-2017	600,000	Euribor 6M + spread	May 2017	50% @ May 2016 50% @ May 2017
GALP ENERGIA/2012 - 2017	80,000	Euribor 6M + spread	December 2017	December 2017
GALP ENERGIA/2012-FRN-2018	260,000	Euribor 3M + spread	February 2018	February 2018
GALP ENERGIA/2013 - 2018	110,000	Euribor 3M + Spread	March 2018	March 2018
GALP ENERGIA/2013 - €200 M. - 2018	200,000	Euribor 6M + spread	April 2018	April 2018

Galp Energia has notified the holders of the bond issue GALP ENERGIA/2010 – € 300 M. FRN DUE 2014, that it will proceed in accordance with the Terms and Conditions of the Notes, the early repayment of the remaining total amount of the bond issue (€150,000 k) on 12 May, the date of payment of the current interest period.

## Notes Issue

Galp Energia has established, as part of its financing plan, an Euro Medium Term Note Programme (€5,000,000,000 EMTN)

Under the EMTN Programme, on 15 November 2013, Galp Energia carried out an issuance of notes amounting to €500,000 k, due on 25 January 2019 and a coupon of 4.125%, which are admitted to trading on the London Stock Exchange.

In this transaction acted as joint bookrunners, BBVA, BNP Paribas, Caixa – Banco de Investimento, Deutsche Bank and JP Morgan.

## **23. RETIREMENT AND OTHER EMPLOYEE BENEFITS**

During the period ended 31 March 2014, there were no significant changes compared to the consolidated financial statements of the Company on 31 December 2013. Additional questions refer to the consolidated financial statements of the Company on 31 December 2013 and the respective Index.

# Results and consolidated information – First quarter of 2014

## 24. OTHER PAYABLES

The caption “Non-current and current other payables” as of 31 March 2014 and of 31 December 2013 are as follows:

Captions	March 2014		December 2013	
	Current	Non-current	Current	Non-current
State and other public entities:				
VAT payables	237,582	-	257,732	-
Tax on oil products	120,475	-	75,229	-
Social Security contributions	6,339	-	6,530	-
Personnel and corporate income tax withheld	8,097	-	8,250	-
CESE - Contribuição Extraordinária sobre o Setor Energético (Nota 9)	5,209	-	-	-
Other taxes	20,106	-	27,261	-
Advances on sales (Note 16)	130,988	-	149,312	-
Suppliers - tangible and intangible assets	129,255	98,321	139,329	98,938
Overlifting	31,089	-	4,889	-
Payable from the block 14 consortium in Angola (insufficiency of "profit-oil" payable)	-	-	-	-
Personnel	6,873	-	7,433	-
Guarantee deposits and guarantees received	3,043	-	2,666	-
Trade receivables credit balances	2,901	-	2,989	-
Loans - associated, participated and related companies (Note 28)	365	136,154	365	135,319
Trade receivables advances	1,734	-	978	-
Other payables - associated, participated and related companies (Note 28)	20	-	2,238	-
Other payables - other shareholders	1,290	-	1,235	-
Loans - other shareholders	-	12,646	-	12,648
ISP - congeners debit	1,424	-	1,409	-
Other creditors	36,928	4,144	31,081	3,717
	<b>743,718</b>	<b>251,265</b>	<b>718,926</b>	<b>250,622</b>
Accrued costs:				
External supplies and services	97,980	-	72,729	-
Holiday pay, holiday subsidy and corresponding personnel costs	36,336	-	29,877	-
Accrued interest	31,856	-	23,276	-
Adjustment to tariff deviation - other activities - ERSE regulation	17,580	-	15,399	-
Overdraft interest	4,215	-	5,486	-
Fast GALP prizes	7,885	-	7,836	-
Accrued insurance premiums	7,434	-	2,510	-
Adjustment to tariff deviation - regulated revenue - ERSE regulation (Note 14)	11,616	13,566	5,618	13,309
Financial neutrality - ERSE regulation	337	-	394	-
Financial costs	963	-	940	-
Accrued personnel costs - other	87	-	74	-
Productivity bonus	17,633	-	15,570	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation (Note 14)	-	15,520	-	10,138
Other accrued costs	17,600	3,788	11,593	2,814
	<b>251,522</b>	<b>32,874</b>	<b>191,302</b>	<b>26,261</b>
Deferred income:				
Services rendered	31,605	-	5,016	-
Investment government grants (Note 13)	10,368	263,602	10,384	266,153
Fibre optics	404	1,698	404	1,799
Other	10,633	67	10,684	69
	<b>53,010</b>	<b>265,367</b>	<b>26,488</b>	<b>268,021</b>
	<b>1,048,250</b>	<b>549,506</b>	<b>936,716</b>	<b>544,904</b>

The caption “Advances on sales” includes the amount of €130,988 k in respect of liabilities for strategic reserves of Group competitors (Note 16).

The caption “Suppliers – non-current tangible and non-tangible assets” refers essentially to the surface rights.

The amount of €31,089 k in caption “Overlifting” represents the Group’s liability for excess crude oil lifted of its production quota and is measured as described in Note 2.7 e) of the accompanying notes to the consolidated financial statements of the Company as of 31 December 2013.

## Results and consolidated information – First quarter of 2014

The amount of €3,043 k recorded in the caption “Guarantee deposits and guarantees received” includes €2,094 k relating to Petrogal’s liability as of 31 March 2014 for customer deposits received on gas containers in use that were recorded at acquisition cost, which is, approximately, their fair value.

The amount of €136,154 k recorded in the caption “Loans – associated, participated and related companies” concerns:

- In March 2012, WIP granted loans in the amount of €259,655 k (\$358,873,000) to Petrogal Brasil, S.A., i) €136,154 k that bear interest at market rates and have defined maturity of 10 years, are recorded in the caption “Loans – other shareholders (non-current)”; ii) €123,511 k do not bear interest and there is no intention of repayment likened Sahre Capital (*quasi capital*), therefore it is reflected in the caption “Non-controlling interests” (Notes 20 and 21). In the period ended 31 March 2014 the amount of €5,073 k regarding loans obtained concerning related companies is recognised under the caption “Interest”.

The amount of €12,646 k in the caption “Loans – other shareholders” mainly relates to:

- €8,938 k recorded in non-current payable to Enagás, SGPS, S.A. for loans obtained by subsidiary Setgás – Sociedade de Distribuição de Gás Natural, S.A., which bear interest at market rate;
- €1,205 k recorded as non-current payable to EDP Cogeração, S.A. related to shareholders loans obtained by the subsidiary Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A., which bear interests at market rate and does not have a defined reimbursement plan; and
- €2,477 k recorded as non-current payable to Visabeira Telecomunicações, SGPS, S.A., relates to shareholder loans obtained by the subsidiary Beiragás – Companhia de Gás das Beiras, S.A., which bears interest at market rates and does not have a defined reimbursement plan.

The amount of €7,885 k recorded under accrued costs – Fast Galp prizes is Petrogal’s liability for Fast Galp card points issued but not yet claimed until 31 March 2014, which are expected to be exchanged for prizes in subsequent periods.

Investment government grants are to be recognised as income over the useful life of the assets. The amount to be recognised in future periods amounts to €273,970 k (Note 13).

Income from the contract of assignment of rights to use telecommunication infrastructures is recorded in caption “Deferred income – fiber optics” and is recognised in earnings during the period of the contract. The balance of deferred income on 31 March 2014, to be recognized in future period amounts to €2,102 k.

# Results and consolidated information – First quarter of 2014

## 25. PROVISIONS

The changes in provisions in the period ended 31 March 2014 were as follows:

Caption	Opening balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Perimeter changes	Ending balance
Lawsuits	14,256	269	(145)	(635)	-	(1)	-	13,744
Investments (Note 4)	3,130	1,130	-	-	-	27	-	4,287
Taxes	32,890	1,052	-	-	-	3	-	33,945
Environment	3,781	-	-	(303)	-	-	-	3,478
Abandonment costs	88,227	6,164	-	-	-	154	-	94,545
Other risks and charges	11,865	1,567	-	(1,546)	-	(3)	-	11,883
	<b>154,149</b>	<b>10,182</b>	<b>(145)</b>	<b>(2,484)</b>	<b>-</b>	<b>180</b>	<b>-</b>	<b>161,882</b>

The increase in provisions, net of the decreases, was recorded as follows:

Provisions (Note 6)	1,691
Abandonment blocks provision costs	6,164
Increase for IRP – oil income tax (Angola) (Note 9)	1,052
Results in investments in associates and jointly controlled entities (Note 4)	<u>1,130</u>
	<u><u>10,037</u></u>

### Lawsuits

The provisions for current Lawsuits in the amount of €13,744 k mainly includes: €5,472 k regarding liabilities concerning the subsoil occupation taxes of the subsidiary Petróleos de Portugal – Petrogal, S.A., in respect of the process against the Council of Matosinhos, €555 k related to the non-compliance with the contractual conditions of service station management, €1,109 k relating to tax litigations with public entities by Galp Energia España, S.A., and €1,381 k concerning the dispute by contractual misstatement in the monthly amount of €17,708.00 since October 2007, between the subsidiary CLCM - Companhia Logística de Combustíveis da Madeira, S.A. and APRAM – PorAdministração dos Portos da Região Autónoma da Madeira, S.A.

### Financial investments

The provision for investments reflects the statutory commitment of the Group to its associates that present negative equity as detailed in Note 4.

### Taxes

The caption “Tax provisions”, in the amount of €33,945 k includes mainly:

- €17,443 k of additional liquidations of Petroleum Income Tax (PIT);
- €7,394 k concerning a tax contingency, related with corrections to 2001 and 2002 corporate income tax of the subsidiary Petrogal;

## Results and consolidated information – First quarter of 2014

- iv) €5,322 k related with 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 with the interpretation of the taxation rules for capital gains before 2000; and
- v) €3,377 k concerning the tax risk associated with the sale of the interests in ONI, SGPS, to Galp Energia, SGPS, S.A.

### Environmental

The amount of €3,478 k in the caption “Environmental provisions” aims to sustain the costs related with legally mandatory soil decontamination of some facilities occupied by the Group, where by legal enforcement there is decision for decontamination. During the period ended 31 March 2014 an amount of €303 k was used on the refinery soil decontamination.

### Abandonment of blocks

The amount of €94,545 k recorded in provisions for the abandonment of blocks includes essentially, the amount of €83,520 k for facilities located in blocks 1 and 14 in Angola and the remaining amount of €10,025 k for Brazilian facilities. This provision aims to cover all costs to be incurred with the dismantling of assets and soil decontamination at the end of the useful life of those areas.

### Other risks and charges

On 31 March 2014 the caption “Provisions – other risks and charges”, amounting to €11,883 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 in Sines;
- ii) €2,364 k concerning oil tax on biofuels; and
- iii) €1,744 k related with the debits during 2012 regarding the land occupation (Cabo Ruivo) claimed by the Administração do Porto de Lisboa.

## 26. TRADE PAYABLES

As of 31 March 2014 and of 31 December 2013 the amounts recorded in the caption “Suppliers” were as follows:

Captions	March 2014	December 2013
Trade payables - current accounts	309,513	859,334
Trade payables - invoices pending	557,619	650,299
	<b>867,132</b>	<b>1,509,633</b>

The balance of the caption “Trade payables – invoices pending” mainly corresponds to the purchase of crude oil raw material, natural gas and goods in transit.

## 27. OTHER FINANCIAL INSTRUMENTS – DERIVATIVES

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, in accordance with IAS/IFRS, as “financial assets at fair value through profit and loss” or “financial liabilities at fair value through profit and loss”. The interest rate financial derivatives that are contracted to hedge the variation in interest rates on borrowings are designated as “cash flow hedges”. Interest rate financial derivatives that are contracted to hedge changes in borrowings fair value or other risks that might affect the profit and loss are designated as “fair value hedges”.

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

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

- Level 1 – the fair value of assets or liabilities is based on quoted market net assets at the date of the balance sheet;
- Level 2 – the fair value of assets or liabilities is determined through valuation models based on observable market inputs; and
- Level 3 – the fair value of assets or liabilities is determined through valuation models, whose main inputs are not observable in the market.

The fair value of financial derivatives (swaps) was determined by financial entities using observable market inputs and using generally accepted techniques and models (Level 2). Futures are traded in the market and subject to a Clearing House, and as such their valuation is determined by quoted prices (Level 1).

### Financial derivatives – swaps

#### Interest rate swaps

The interest rate swaps as of 31 March 2014 presented the following characteristics:

Type of derivative over Interest rate	Interest Rate	Nominal value	Maturity	Fair value of the derivatives in €k
<b>Liability</b> Swaps	<b>Cash-flow hedge</b> Pays between 1.48% e 1.59% Receives Euribor 6m	€ 122.500 k	2014	(867)

# Results and consolidated information – First quarter of 2014

Interest rate derivative financial instruments in portfolio present during the period ended 31 March 2014 and 31 December 2013 the following changes:

Interest rate derivatives	Assets		Liabilities	
	Current	Non-current	Current	Non-current
<b>Fair value as of 1 January 2013</b>	54	-	(745)	(7,326)
Purchased during the year	-	-	-	-
Payment / (receipt) of interest during the year	-	-	6	1,467
Receipt / (payment) of interest reflected in the income statement	-	-	(6)	(1,468)
Increase / (decrease) in fair value reflected in the income statement	(54)	-	(1)	42
Increase / (decrease) in fair value reflected in equity	-	-	477	1,590
<b>Fair value as of 31 March 2013</b>	-	-	(269)	(5,695)
<b>Fair value as of 1 January 2014</b>	-	-	(1,241)	-
Purchased during the year	-	-	-	-
Payment / (receipt) of interest during the year	-	-	366	-
Receipt / (payment) of interest reflected in the income statement	-	-	(366)	-
Increase / (decrease) in fair value reflected in the income statement	-	-	-	-
Increase / (decrease) in fair value reflected in equity	-	-	374	-
<b>Fair value as of March 2014 (Note 17)</b>	-	-	(867)	-

Interest incurred and obtained from interest rate derivatives are accounted for in the captions “Financial costs” and “Financial income”.

The changes in cash flow hedges fair value reflected in equity are as follows:

Fair value change in equity	March 2014	March 2013
Subsidiaries	374	2,066
Non-controlling interest	-	(2)
	<b>374</b>	<b>2,064</b>
Associates	(12)	69
	<b>362</b>	<b>2,133</b>

# Results and consolidated information – First quarter of 2014

## Commodities swaps and options

Swaps and options on commodities on 31 March 2014 presented the following characteristics:

Types of derivative on Commodities	Characteristics	Nominal value	Maturity	Fair value of the derivatives in €k
<b>Assets</b>	<b>Fair value through profit and loss</b>			
Swaps	Natural gas	Buy 421.967 MWh	2014-2015	61
Swaps	Natural gas	Sell 87.719 MWh	2014	162
Swaps	Oil refining margin	Sell 9.000.000 bbl	2014-1015	17,268
Option - Cap	Natural gas	Buy 99.175 MWh	2014-2015	23
<b>Liabilities</b>	<b>Fair value through profit and loss</b>			
Swaps	Electricity	Buy 619.135 MWh	2014-2015	(1,520)
Swaps	Natural gas	Buy 1.403.987 MWh	2014-2015	(687)
Swaps	Natural gas	Sell 10.892 MWh	2014	(2)
Option - Floor	Natural gas	Sell 99.175 MWh	2014-2015	(35)
				<b>15,270</b>

The impact as of 31 March 2014 and of 2013 in the caption “Cost of sales” is as follows:

Derivatives on Commodities	Assets		Liabilities	
	Current	Non-current	Current	Non-current
<b>Fair value as of 1 January 2013</b>	<b>1,483</b>	<b>8</b>	<b>(1,803)</b>	<b>(20)</b>
Purchased during the period	-	-	-	-
Sold during the period	-	-	707	-
Increase/ decrease on the sale accounted for in the income statement	-	-	(707)	-
Increase / (decrease) in fair value reflected in the income statement	8,399	1,095	(1,626)	(1,170)
Increase / (decrease) in fair value reflected in equity	-	-	-	-
<b>Fair value as of 31 March 2013</b>	<b>9,882</b>	<b>1,103</b>	<b>(3,429)</b>	<b>(1,190)</b>
<b>Fair value as of 1 January 2014</b>	<b>9,383</b>	<b>6,066</b>	<b>(496)</b>	<b>(297)</b>
Purchased during the period	-	-	-	-
Sold during the period	(3,867)	-	2,654	-
Increase/ decrease on the sale accounted for in the income statement	3,868	-	(2,654)	-
Increase / (decrease) in fair value reflected in the income statement	(1,901)	3,964	(1,640)	190
Increase / (decrease) in fair value reflected in equity	-	-	-	-
<b>Fair value as of 31 March 2014 (Note 17)</b>	<b>7,483</b>	<b>10,030</b>	<b>(2,136)</b>	<b>(107)</b>

# Results and consolidated information – First quarter of 2014

## Cross currency swaps

The cross currency swaps in the portfolio on 31 March 2014 presented the following characteristics:

Type of derivative on exchange rate	Characteristics	Nominal value	Maturity	Fair value of derivatives in €k
<b>Assets</b>	<b>Fair Value through results</b>			
Forwards	Pays USD Receives EUR	\$208.151 k / €152.395 k	2014	1,350
Cross Currency Interest Rate Swaps	Pays Euribor 3m + 2% Receives US Libor 3m + 2%	\$413.750 k / €299.816 k	2014	265
<b>Liabilities</b>	<b>Fair Value through results</b>			
Non-Deliverable Forward	Pays BRL Receives USD	R\$104.777 k / \$44.583 k	2014	(995)
Forwards	Pays USD Receives EUR	\$63.007 k / €46.355 k	2014	(618)
Cross Currency Interest Rate Swaps	Pays Euribor between 3m and 6m + spread between 2% and 4% Receives US Libor between 3m and 6m + spread between 2% and 4,05%	\$658.470 k / €95.802 k	2014	(1,202)
				<b>(1,200)</b>

The impact as of 31 March 2014 and of 2013 in the caption “Results” is as follows:

Derivatives on Exchange Rate	Assets		Liabilities	
	Current	Non-current	Current	Non-current
<b>Fair value as of 1 January 2013</b>	4,770	-	(6,479)	-
Increases / (decreases) during the period	-	-	7,374	-
Increase / (decrease) resulting from currency translation	228	-	-	-
Increase / (decrease) in fair value reflected in financial results	(2,533)	-	-	-
Increase / (decrease) in fair value reflected in exchange rate results	6,563	-	(895)	-
Increase / decrease in fair value reflected in translation reserves	-	-	-	-
<b>Fair value as of 31 March 2013</b>	9,028	-	-	-
<b>Fair value as of 1 January 2014</b>	105	-	(9,974)	-
Increases / (decreases) during the period	-	-	(63)	-
Increase / (decrease) resulting from currency translation	-	-	(2,451)	-
Increase / (decrease) in fair value reflected in financial results	-	-	2,451	-
Increase / (decrease) in fair value reflected in exchange rate results	1,511	-	7,223	-
Increase / decrease in fair value reflected in translation reserves	-	-	(2)	-
<b>Fair value as of 31 March 2014 (Note 17)</b>	1,616	-	(2,816)	-

# Results and consolidated information – First quarter of 2014

## Financial derivatives – futures

Galp Energia Group also trades commodity futures. Given their high liquidity, as they are traded in the market, they are classified as financial assets at fair value through profit and loss included in the caption “Cash and cash equivalents”. The gains and losses on commodity futures (Brent) are classified in the caption “Cost of sales” while CO<sub>2</sub> futures are classified in the caption “Other operating costs”. As the futures are traded on the stock exchange, subject to a Clearing House, the gains and losses are continuously recorded in the income statement.

The gains and losses and financial position amount related to futures (Brent) are as follows:

Commodity futures (Brent)	Assets		Liabilities	
	Current	Non-current	Current	Non-current
<b>Fair value as of 1 January 2013</b>	<b>2,294</b>	-	-	-
Purchased during the period	12,704	-	-	-
Sold during the period	(14,016)	-	-	-
Increase / (decrease) on the transaction reflected in cost of sales	1,493	-	-	-
<b>Fair value as of 31 March 2013</b>	<b>2,475</b>	-	-	-
<b>Fair value as of 1 January 2014</b>	<b>2,294</b>	-	-	-
Purchased during the period	7,874	-	-	-
Sold during the period	(10,404)	-	-	-
Increase / (decrease) on the transaction reflected in cost of sales	236	-	(78)	-
<b>Fair value as of 31 March 2014 (Note 18)</b>	-	-	<b>(78)</b>	-

Beside the above mentioned futures, the Group trades electricity futures, which are designated as financial assets at fair value through profit and loss – held for sale. Gains and losses with these futures are classified as operating results and changes in fair value of open positions as financial results. These gains and losses are recorded continuously in the consolidated income statement, as follows:

Electricity derivatives	Assets		Liabilities	
	Current	Non-current	Current	Non-current
<b>Fair value as of 1 January 2013</b>	<b>2,557</b>	-	-	-
Purchased during the period	2,013	-	-	-
Sold during the period	1,369	-	-	-
Increase / (decrease) on the fair value reflected in financial results	(3,213)	-	-	-
<b>Fair value as of 31 March 2013</b>	<b>2,726</b>	-	-	-
<b>Fair value as of 1 January 2014</b>	<b>5,022</b>	-	-	-
Purchased during the period	12,050	-	-	-
Sold during the period	2,237	-	-	-
Increase / (decrease) on the transaction reflected in cost of sales	(6,478)	-	-	-
Increase / (decrease) on the fair value reflected in financial results	(9,014)	-	-	-
<b>Fair value as of 31 March 2014 (Note 18)</b>	<b>3,817</b>	-	-	-

## Results and consolidated information – First quarter of 2014

As of 31 March 2014, Galp Power, S.A., holds 1,900 CO<sub>2</sub> Futures lot with maturity in December 2014. These futures represent 1,900,000 ton/CO<sub>2</sub> with a value of €1,710 k recorded as on 31 March 2014 and are classified as financial assets at fair value through profit and loss – held for sale. The Market-to-Market (MTM) gains and losses are recorded in the caption “Financial income and losses” of the consolidated financial statements, as follows:

CO2 Futures	Assets		Liabilities	
	Current	Non-current	Current	Non-current
<b>Fair value as of 1 January 2013</b>	<b>1.351</b>	-	-	-
Purchased during the period	675	-	-	-
Sold during the period	2.115	-	-	-
Increase /(decrease) on the fair value reflected in financial results	(2.790)	-	-	-
<b>Fair value as of 31 March 2013</b>	<b>1.351</b>	-	-	-
<b>Fair value as of 1 January 2014</b>	<b>1.710</b>	-	-	-
Purchased during the period	-	-	-	-
Sold during the period	475	-	-	-
Increase /(decrease) on the transaction reflected in operating results	-	-	-	-
Increase /(decrease) on the fair value reflected in financial results	(475)	-	-	-
<b>Fair value as of 31 March 2014 (Nota 18)</b>	<b>1.710</b>	-	-	-

## 28. RELATED PARTIES

During the period ended 31 March 2014, there were no significant changes in related parties comparing with the consolidated financial statements on 31 December 2013. For additional information refer to the consolidated financial statements of the Company on 31 December 2013 and the respective accompanying notes.

## 29. REMUNERATION OF THE BOARD

The remuneration of the Galp Energia Corporate Board members for the periods ended 31 March 2014 and 31 March 2013 is detailed as follows:

	March 2014					March 2013						
	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total
<b>Corporate Boards of Galp Energia SGPS</b>												
Executive management	973	188	75	725	3	1,964	922	188	40	244	12	1,406
Non-executive management	192	-	-	-	-	192	193	-	-	-	-	193
Supervisory board	25	-	-	-	-	25	25	-	-	-	-	25
General shareholders meeting	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1,190</b>	<b>188</b>	<b>75</b>	<b>725</b>	<b>3</b>	<b>2,181</b>	<b>1,140</b>	<b>188</b>	<b>40</b>	<b>244</b>	<b>12</b>	<b>1,624</b>
<b>Corporate boards of associate companies</b>												
Executive management	516	-	2	12	-	530	543	-	1	10	-	554
General shareholders meeting	516	-	2	12	-	530	543	-	1	10	-	554
	<b>1,706</b>	<b>188</b>	<b>77</b>	<b>737</b>	<b>3</b>	<b>2,711</b>	<b>1,683</b>	<b>188</b>	<b>41</b>	<b>254</b>	<b>12</b>	<b>2,178</b>

## Results and consolidated information – First quarter of 2014

The amounts of €2,711 k and €2,178 k, recorded in the periods ended 31 March 2014 and 2013 respectively, include €2,447 k and €1,969 k recorded as employee costs (Note 6) and €264 k and €209 k recorded as external supplies and services.

The caption "Bonus" in 2014 includes the amount of €470 k regarding 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 the 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.

Information on the fees billed by the Statutory Auditors and an external auditor is disclosed in the corporate governance report.

### 30. DIVIDENDS

During the period ended 31 March 2014, there were no allocation or distribution of dividends.

### 31. OIL AND GAS RESERVES

The information regarding Galp Energia's oil and gas reserves 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.

The information on reserves is included in the document entitled "Supplementary Information on Oil and Gas (unaudited)" attached to the notes of the consolidated financial statements on 31 December 2013.

### 32. FINANCIAL RISK MANAGEMENT

During the period ended 31 March 2014, there were no significant changes in the management of financial risks, given the already disclosed in the consolidated financial statements of the Company on 31 December 2013. For additional information refer to the consolidated financial statements of the Company, on 31 December 2013 and the corresponding accompanying notes.

## 33. CONTINGENT ASSETS AND LIABILITIES

During the period ended 31 March 2014, there were no significant changes in contingent assets and liabilities. For additional information refer to the consolidated financial statements of the Company, on 31 December 2013 and the corresponding accompanying notes. For additional information refer to the consolidated financial statements of the Company, on 31 December 2013 and the corresponding accompanying notes.

## 34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

As of 31 March 2014, Galp Power, S.A., holds 1,900 CO<sub>2</sub> futures lot with maturity in December 2014 (Note 27). These futures represent 1,900,000 ton/CO<sub>2</sub>. The futures acquired are expected to be sufficient to address any shortfalls that might exist in licenses.

For other information on environmental matters, refer to the accompanying notes to the Company's consolidated financial statements on 31 December 2013.

## 35. SUBSEQUENT EVENTS

There are no relevant subsequent events between 30 September 2013 and the date of the approval of the financial statements.

## 36. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 28 April 2014.

However, they are still subject to approval by the general shareholders meeting, in accordance with the CSC in force in Portugal. The Board of Directors believes that these financial statements reflect a true and fair view of the company's operations, financial performance and cash flows.

## 37. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International IFRS as adopted by the EU (Note 2.1) some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

# Results and consolidated information – First quarter of 2014

---

**THE ACCOUNTANT:**

Carlos Alberto Nunes Barata

---

**THE BOARD OF DIRECTORS:**

Chairman: Américo Amorim

Vice-Chairman: Manuel Ferreira De Oliveira

Luis Palha da Silva

Members: Paula Amorim

Filipe Crisóstomo Silva

Carlos Gomes da Silva

Sérgio Gabrieli de Azevedo

Stephen Whyte

Vitor Bento

Abdul Magid Osman

Luís Manuel Moreira de Campos e Cunha

Miguel Athayde Marques

Carlos Costa Pina

Rui Paulo Gonçalves

Luís Manuel Pego Todo Bom

Fernando Gomes

Diogo Mendonça Rodrigues Tavares

Joaquim José Borges Gouveia

José Carlos da Silva Costa

Jorge Manuel Seabra de Freitas

# Results and consolidated information – First quarter of 2014

## DEFINITIONS

### CRACK SPREAD

Difference between the price of an oil product and the price of Dated Brent.

### EBIT

Operating profit.

### EBITDA

Operating profit plus depreciation, amortisation and provisions.

### EBT

Earnings before taxes.

## GALP ENERGIA, COMPANY OR GROUP

Galp Energia, SGPS, S.A. and associates.

## BENCHMARK REFINING MARGIN

The benchmark refining margin is calculated with the following weighting: 45% hydrocracking margin + 42.5% Rotterdam cracking margin + 7% Rotterdam base oils + 5.5% Aromatics.

## ROTTERDAM HYDROCRACKING MARGIN

The Rotterdam hydrocracking margin has the following profile: -100% Brent dated, +2.2% LGP FOB Seagoing (50% Butane + 50% Propane), +19.1% PM UL NWE FOB Bg., +8.7% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +45.1% ULSD 10 ppm NWE CIF Cg. +8.9% LSFO 1% FOB Cg; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent; Freight 2014: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$6.23/ton. Yields in % of weight.

## ROTTERDAM CRACKING MARGIN

The Rotterdam cracking margin has the following profile: -100% Brent dated, +2.3% LGP FOB Seagoing (50% Butane + 50% Propane), +25.4% PM UL NWE FOB Bg., +7.5% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +33.3% ULSD 10 ppm NWE CIF Cg. and +15.3% LSFO 1% FOB Cg.; C&L: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent; Freight 2014: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$6.23/ton. Yields in % of weight.

## ROTTERDAM BASE OILS MARGIN

Base oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13.0% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, 34.0% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg., + 14% Base Oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% CIF NWE Cg.; Losses: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Arabian Light; Freight 2014: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$6.23/ton. Yields in % of weight.

# Results and consolidated information – First quarter of 2014

---

## ROTTERDAM AROMATICS MARGIN

Rotterdam aromatics margin: -60% PM UL NWE FOB Bg., -40% Naphtha NWE FOB Bg., +37% Naphtha NWE FOB Bg., +16.6% PM UL NWE FOB Bg., +6.5% Benzene Rotterdam FOB Bg., +18.5% Toluene Rotterdam FOB Bg., +16.6% Paraxylene Rotterdam FOB Bg., +4.9% Orthoxylene Rotterdam FOB Bg. Consumption: -18% LSFO 1% CIF NEW. Yields in % of weight.

## REPLACEMENT COST (RC)

According to this method of valuing inventories, the cost of goods sold is valued at the cost of replacement, i.e. at the average cost of raw materials on the month when sales materialise irrespective of inventories at the start or end of the period. The Replacement Cost Method is not accepted by accounting standards – either Portuguese GAAP or IFRS – and is consequently not adopted for valuing inventories. This method does not reflect the cost of replacing other assets.

## 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.

# Results and consolidated information – First quarter of 2014

## ABBREVIATIONS:

<b>ANP:</b> Agência Nacional do Petróleo, Gás Natural e Biocombustíveis do Brasil (Brazil's energy regulator)	<b>kboepd:</b> thousand barrels of oil equivalent per day
<b>APETRO:</b> Associação portuguesa de Empresas petrolíferas (Portuguese association of oil companies)	<b>kbopd:</b> thousand barrels of oil per day
<b>bbl:</b> oil barrel	<b>LNG:</b> liquified natural gas
<b>BBLT:</b> Benguela, Belize, Lobito and Tomboco	<b>m:</b> million
<b>Bg:</b> Barges	<b>m<sup>3</sup>:</b> cubic metres
<b>bn:</b> billion	<b>mbbl:</b> million barrels
<b>boe:</b> barrels of oil equivalent	<b>mm<sup>3</sup>:</b> million cubic metres
<b>BSR:</b> Buoyancy Supported Risers	<b>mt:</b> million tonnes
<b>Cg:</b> Cargoes	<b>NBP:</b> National Balancing Point
<b>CIF:</b> Costs, Insurance and Freights	<b>NYSE:</b> New York Stock Exchange
<b>CORES:</b> Corporacion de reservas estratégicas de productos petrolíferos	<b>n.m.:</b> not meaningful
<b>CO<sub>2</sub>:</b> Carbon dioxide	<b>OTC:</b> Over-The-Counter
<b>D&amp;A:</b> Depreciation & amortisation	<b>PM UL:</b> Premium unleaded
<b>DST:</b> Drill Stem Test	<b>p.p.:</b> percentage points
<b>E&amp;P:</b> Exploration & Production	<b>PSA:</b> Production Sharing Agreement
<b>€:</b> Euro	<b>R&amp;D:</b> Refining & Marketing
<b>EWT:</b> Extended Well Test	<b>RC:</b> Replacement cost
<b>FCC:</b> Fluid Catalytic Cracking	<b>RCA:</b> Replacement cost adjusted
<b>FOB:</b> Free on Board	<b>RDA:</b> Reservoir Data Acquisition
<b>FPSO:</b> Floating, production, storage and offloading unit	<b>Tcf:</b> trillion cubic feet
<b>G&amp;P:</b> Gas & Power	<b>TL:</b> Tômbua-Lândana
<b>GWh:</b> Gigawatt hour	<b>Ton:</b> tonnes
<b>IAS:</b> International Accounting Standards	<b>ULSD CIF Cg:</b> Ultra Low sulphur diesel CIF Cargoes
<b>IBAMA:</b> Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis	<b>USD/\$_:</b> Dollar of the United States of America
<b>IFRS:</b> International Financial Reporting Standards	<b>USA or US:</b> United States of America
<b>LSFO:</b> Low sulphur fuel oil	<b>WAC:</b> Weighted-Average Cost
<b>k:</b> thousand	<b>WAG:</b> Water alternating gas injection
<b>kbbl:</b> thousand barrels	

## **DISCLAIMER:**

This report has been prepared by Galp Energia, SGPS, S.A. ("Galp Energia" or the "Company") and may be amended and supplemented.

This report does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or otherwise acquire securities of the Company or any of its subsidiaries or affiliates in any jurisdiction or an inducement to enter into investment activity in any jurisdiction. Neither this report nor any part thereof, nor the fact of its distribution, shall form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever in any jurisdiction.

This report may include forward-looking statements. Forward-looking statements are statements other than in respect of historical facts. The words "believe", "expect", "anticipate", "intends", "estimate", "will", "may", "continue", "should" and similar expressions usually identify forward-looking statements. Forward-looking statements may include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; energy demand and supply; developments of Galp Energia's markets; the impact of regulatory initiatives; and the strength of Galp Energia's competitors.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Although Galp Energia believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Important factors that may lead to significant differences between the actual results and the statements of expectations about future events or results include the Company's business strategy, industry developments, financial market conditions, uncertainty of the results of future projects and operations, plans, objectives, expectations and intentions, among others. Such risks, uncertainties, contingencies and other important factors could cause the actual results of Galp Energia or the industry to differ materially from those results expressed or implied in this report by such forward-looking statements.

The information, opinions and forward-looking statements contained in this report speak only as at the date of this report, and are subject to change without notice. Galp Energia and its respective representatives, agents, employees or advisors do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this report to reflect any change in events, conditions or circumstances.

## Galp Energia, SGPS, S. A.

### Investor relations

Pedro Dias, Head  
Otelo Ruivo, IRO  
Catarina Aguiar Branco  
Cátia Lopes  
Maria Borrega  
Pedro Pinto

### Contacts:

Tel: +351 21 724 08 66  
Fax: +351 21 724 29 65  
Morada: Rua Tomás da Fonseca, Torre A,  
1600-209 Lisboa, Portugal

Website: [www.galpenergia.com](http://www.galpenergia.com)

Email: [investor.relations@galpenergia.com](mailto:investor.relations@galpenergia.com)

Reuters: GALP.LS  
Bloomberg: GALP PL