Energy creates value

Annual Report and Accounts 2015

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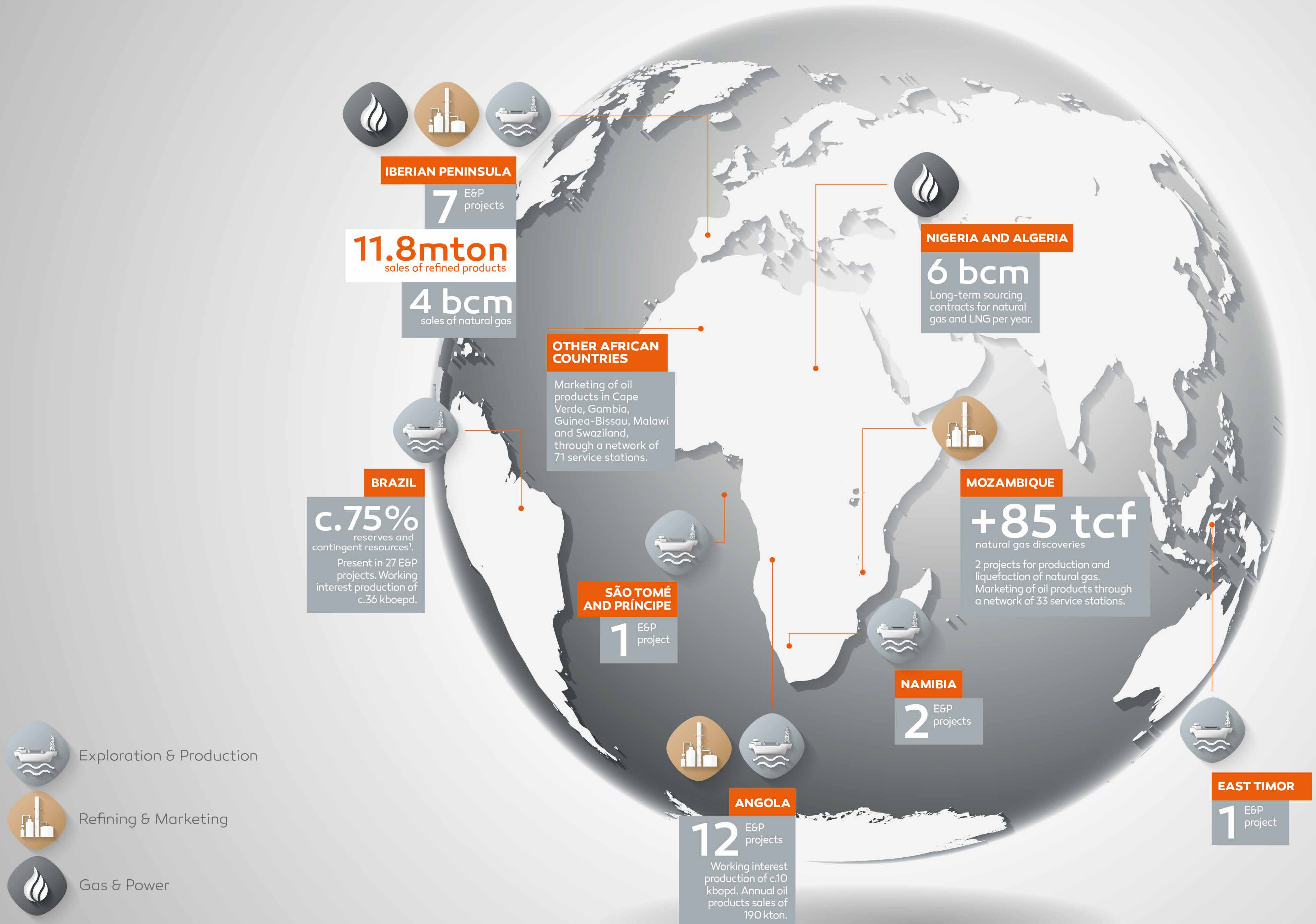
Contents

Galp is an integrated energy player that sustainably creates value for its shareholders, with a portfolio of assets with a unique growth profile within the industry.

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

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

Distribution and marketing of natural gas and electricity in Iberia, with a solid LNG structured trading activity.



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

Financial indicators

Million euros (except otherwise noted)

	2013	2014	2015
Turnover RCA	19,622	17,904	**15,517**
Turnover IFRS	19,622	18,021	**15,517**
Ebitda RCA	1,142	1,314	**1,564**
Ebitda IFRS	1,042	825	**1,200**
Ebit RCA	590	774	**995**
Ebit IFRS	401	180	**449**
Net income RCA	310	373	**639**
Net income IFRS	189	(173)	**123**
Capital expenditure	963	1,161	**1,283**
Operational cash flow	1,081	1,193	**1,700**
Change in net debt	475	348	**(98)**
Net debt	2,172	2,520	**2,422**
Net debt including loan to Sinopec [1]	1,301	1,630	**1,699**
Net debt to Ebitda RCA	1.9x	1.9x	**1.5x**
Net debt incl. loan to Sinopec to Ebitda RCA	1.1x	1.2x	**1.2x** [2]
Earnings per share RCA (€/share)	0.37	0.45	**0.77**
Dividend per share (€/share)	0.2880	0.3456	**0.41472**
Payout ratio	77%	77%	**54%**
ROACE RCA	5%	5%	**7%**

[1] Considering loan to Sinopec as cash and equivalents.

[2] Ratio considers net debt including loan to Sinopec of €723 m as cash, plus €173 m corresponding to Sinopec MLT Shareholder Loan to Petrogal Brasil.

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

Sines Refinery

Exploration & Production

Galp is currently focused on the development of its upstream projects, especially following the world-class oil and gas discoveries in the pre-salt Santos basin in Brazil and in the Rovuma basin in Mozambique. The Exploration & Production (E&P) business is anchored in these two countries alongside Angola, although Galp's diversified portfolio spans across seven countries and over 50 E&P projects. Galp is expected to deliver production growth that is unparalleled in the industry based on discoveries already made, with the E&P business being the Company's current primary growth driver.

	2013	2014	2015
2P Reserves[1] (mmboe)	579	638	**701**
2C Contingent resources[1] (mmboe)	1,853	1,672	**1,343**
Average working interest production (kboepd)	24.5	30.5	**45.8**
Average net entitlement production (kboepd)	20.8	27.1	**43.2**
Average realised sale price ($/boe)	100.8	88.7	**43.5**
Ebitda RCA (€m)	396	444	**356**
Capital expenditure (€m)	723	1,017	**1,103**

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

Refining & Marketing

Galp is a leading player in Iberia, operating across refining, distribution and oil marketing activities. It operates an integrated refining system comprising two refineries in Portugal with a total processing capacity of 330 thousand barrels of oil per day (kbopd), and a distribution network in Iberia including approximately 1,300 service stations. While the Refining & Marketing (R&M) business is centred in Iberia, the Company continues to expand its marketing of oil products activity in selected markets in Africa.

	2013	2014	2015
Raw materials processed (kboe)	101,554	92,864	**114,572**
Refining margin ($/boe)	1.9	2.8	**6.0**
Refined products sales (mton)	17.2	16.8	**18.6**
Sales to direct clients (mton)	9.5	9.1	**9.1**
Number of service stations	1,435	1,449	**1,435**
Ebitda RCA (€m)	311	412	**800**
Capital expenditure (€m)	153	108	**110**

Gas & Power

Through its Gas & Power (G&P) business, Galp distributes and supplies natural gas both in Iberia and in the broader international market, where it has been consolidating the trading activity. In Iberia, where Galp is a relevant player, it has also been consolidating the power business in order to increase integration. Galp is currently the only Iberian operator with a triple offering of oil products, natural gas and electricity.

	2013	2014	2015
Natural gas sales to direct clients (mm^3)	4,056	3,759	**3,843**
NG/LNG trading sales (mm^3)	3,034	3,713	**3,822**
Natural gas distribution network (km)	12,159	12,348	**12,533**
Sales of electricity (GWh)	3,647	3,792	**4,636**
Ebitda RCA (€m)	416	438	**382**
Capital expenditure (€m)	85	29	**65**

1 To Our Stakeholders

1.1

Statement from the Board of Directors

Américo Amorim

Chairman of Galp

Statement from the Chairman

Dear Shareholders,

2015 was undoubtedly a highly challenging year for the Oil & Gas industry. The continuing oil-price slump has led players in the industry to proceed with consolidating and increasing the efficiency of their operations, which should have a positive impact on shareholder returns, especially in the medium and long-term.

In this environment, Galp's strategy is proving to be of great relevance.

The Company remains committed to optimising business efficiency not only in downstream and gas, where we have already seen important progress in maximising return on capital employed, but also in the Exploration & Production business, where project execution and optimisation is extremely important, particularly considering the potential value creation for the Company.

Importantly, the average cost of production in Galp's portfolio of sanctioned E&P projects is very competitive in the current context and reflects the quality of the assets it has acquired over time, namely in the pre-salt Santos Basin, Brazil. This is why I consider Galp to be among the companies better positioned to face the current oil market scenario.

I would also like to underline the importance of the Company's integration strategy, which proved remarkably successful in 2015. The recovery in European refining margins following the cycle of lower commodity prices, coupled with sustained demand for oil products, especially gasoline in the Atlantic Basin, has helped Galp deliver record results. In an adverse macro environment, the Company has been able to maintain a solid capital structure, which is to be maintained with strict financial discipline.

Critical to achieving these results was the business integration across the oil and gas value chain and the focus on operating efficiency as well as Galp's dynamism, having demonstrated its ability to sustainably seek new opportunities, especially in the international market.

To ensure that the Company continues to sustainably deliver value in the long term, Galp and the Board of Directors are committed to implementing responsible policies with a particular focus on promoting transparent governance practices, upholding ethical principles and human rights, and adhering to adequate safety and environmental protection practices. Galp will also continue to invest in human capital to develop the skills needed to support the execution of its strategy.

In accordance with the dividend policy in place since 2012 of providing an average annual increase of 20% until 2016, the Board of Directors will propose, at the General Shareholders Meeting, a dividend of €0.41472 per share regarding the 2015 financial year, amounting to a total of €345 million.

I would like to thank all of you who have supported Galp's strategy and who contribute to its successful execution. I would especially like to thank shareholders, employees, our partners, customers, suppliers and creditors for their contribution throughout 2015.

Américo Amorim

Chairman of the Board of Directors

Carlos Gomes da Silva
CEO of Galp

Statement from the CEO

Dear stakeholders,

2015 confirmed the importance of being able to respond quickly and effectively to significant changes in exogenous variables. This year was volatile, unpredictable and marked by low oil and natural gas prices, with a continuing oversupply of hydrocarbons due to a number of concurrent factors. The main reasons for this oversupply were the fact that OPEC countries, and especially Saudi Arabia, aimed at maintaining market share and that tight oil and shale gas production increased in the US, supported by increased efficiency and improved technology. Expectations of capacity additions and increase in production, most notably from Iran, also impacted the market. This latter would be confirmed in early 2016.

Despite the challenging environment, a sound strategy and management decisions ensured resilient results, with Galp achieving RCA net income of €639 million, an increase of 71% compared with 2014. This record level of earnings was supported by Galp's integrated approach and presence across the Oil & Gas value chain, coupled with a proven ability to deliver critical projects and improve the reliability and effectiveness of its operations.

In Exploration & Production activities, increased production partly mitigated the significant effect of lower international oil prices, reaching a record of approximately 60 thousand barrels of oil and gas per day. This milestone was largely driven by production from the Lula/Iracema field in the Santos Basin, Brazil, where at the end of the year, three production units (FPSO) were at plateau and a fourth in ramp-up, with levels of productivity unmatched in the sector.

I wish to highlight the excellent execution of this important project. In 2015, BM-S-11 partners and suppliers successfully deployed the fourth FPSO ahead of schedule. In 2016, the delivery of two additional FPSO production units will contribute to sustained growth in production throughout the year. At the same time, during 2015 the consortium implemented relevant measures to mitigate the execution risks associated with the three replicant units to be assigned to the Lula field until 2018, with a joint overall output capacity of 450 kbopd.

Also in the Santos Basin, we have proceeded with relevant activities regarding the development of the BM-S-8 and BM-S-24 blocks, including an intensive appraisal programme on the Carcará discovery and the submission of the Declaration of Commerciality for Sepia East.

Throughout 2015, progress was also made across our broader E&P portfolio, and particularly in Angola and Mozambique. In Angola, development work continued in block 32, with the start of production scheduled for 2017, while the Lianzi field started production, partially offsetting the natural decline in production from other fields in block 14. In Mozambique, the consortium for Area 4 in the Rovuma basin, of which Galp is a partner, continued maturing the engineering solution and customisation for both onshore (Mamba) and offshore (Coral) projects.

In Refining & Marketing, we have been able to ensure high reliability and availability levels, enabling us to capture favourable international refining margins. Galp's oil product distribution and marketing business also made an important and positive contribution to our results. Galp's value proposition, which was further enhanced by new product launches and a reformulated customer loyalty programme, helped us leverage the oil product market recovery in Iberia. In 2015, the Iberian market expanded by around 2%, the highest annual growth in nine years.

In the Gas & Power business, we pursued, and realised new opportunities for sale of liquefied natural gas on the international market and further developed our network trading business in Europe. In Portugal, we strengthened our position in the electricity market, while in Spain we repositioned the supply of natural gas activity by focusing on the business-to-business segment.

Galp's strategy and strong operating performance have brought us to the end of financial year 2015 with a robust financial position, providing the flexibility and confidence to implement our investment plan through the end of the decade. I therefore reiterate our commitment to a solid capital structure and strict financial discipline.

The future will bring more responsibility and greater challenges. We expect the macroeconomic environment to remain uncertain and volatile, with an extended period of low oil prices, but also some economic recovery in Iberia. The Company will therefore focus its efforts on the execution and profitability of its projects, on maximising value extraction from its current assets and businesses. This will need to be complemented by developing new projects and opening new markets to promote the creation of sustainable long-term value for our stakeholders.

Successful delivery of our strategy will hinge to a great extent on a people development approach that values both technical skills and soft skills, deepening our culture of merit and entrepreneurship. In 2015, we continued to invest in advanced training programmes designed to meet the skill profiles required for the successful implementation of the Company strategy.

Protecting shareholder value will also require continued investment in Research & Technology to ensure our ongoing readiness to respond to the new challenges we face and retain a leading position among our peers.

Protecting the environment, our people, assets and the communities in which we operate will remain an unwavering commitment, for which Galp has been well ranked by credible organisations such as the Dow Jones Sustainability Index, the Carbon Disclosure Project and the Corporate Knights.

I would like to thank our shareholders for their vote of confidence and crucial support in what has been a transitional year in the Company's corporate governance structures. I reaffirm our full commitment to implementing our strategy with best-practice governance and transparency and promoting ethical conduct at all levels of our Organisation. This year has also seen Galp reach a milestone in our relationship with the capital market, with free float exceeding 50% of our share capital and our investor base growing significantly.

Finally, I would like to thank our employees, customers, suppliers and partners for their efforts and collaboration, which have been crucial to our business performance during the year, and more importantly, to achieving our future goals.

We therefore look to the future with confidence, assured of the commitment and professionalism of our employees and partners, and knowing that true strategy lies in the ability to promptly, effectively, and in a timely manner make the changes needed to ensure and protect our future value: "acting today thinking about tomorrow"

Carlos Gomes da Silva
Chief Executive Officer

1.2

Galp in the capital markets

Information to shareholders

Galp's share capital consists of 829,250,635 shares. Of these, 771,171,121 shares, or 93% of the share capital, have been admitted to trading on the Euronext Lisbon stock exchange. The remaining 58,079,514 shares, or 7% of the Company's share capital, are indirectly held by the Portuguese state through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not listed for trading.

In 2010, Parpública issued bonds exchangeable into Galp shares, representative of its total shareholding.

Shares held by Parpública may be converted into common shares on completion of the privatisation process. Conversion is effective immediately on request, without the need for any approval from any of the Company's governing bodies.

CODES AND TICKERS OF GALP SHARE

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

Qualifying holdings

Galp's shareholding structure has evolved over recent years. In 2015, the Company's free float increased from 46.66% to 54.66%, following the disposal by Eni S.p.A. (Eni) of its remaining shareholding in the Company.

The increase in free float has contributed to a higher liquidity and exposure to the capital market. A number of entities now hold qualifying holdings in Galp's share capital, as disclosed by the Company pursuant to articles 16 and 17 of the Portuguese Securities Code (CVM).

Qualifying holdings in Galp's share capital are calculated in accordance with articles 16 and 20 of the CVM. These articles require Galp shareholders to notify the Company when their holdings reach, exceed or are below certain thresholds. Those thresholds are 2%, 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of voting rights.

The Company's shareholding structure at year end is summarised below.

SHAREHOLDING STRUCTURE AT 31 DECEMBER 2015

Shareholders	N.º of shares	% of voting rights
Amorim Energia, B.V.		
Holding	317,934,693	38.34%
Other attributable situations	-	-
Total attributed	317,934,693	38.34%
Parpública - Participações Públicas (SGPS), S.A.		
Holding	58,079,514	7.00%
Other attributable situations	-	-
Total attributed	58,079,514	7.00%
BlackRock, Inc.		
Holding	20,307,726	2.45%
Other attributable situations	-	-
Total attributed	20,307,726	2.45%
Standard Life Investments (Holdings) Limited		
Holding	17,512,906	2.11%
Other attributable situations	-	-
Total attributed	17,512,906	2.11%
Black Creek Investments Management Inc.		
Holding	-	-
Other attributable situations[1]	16,966,453	2.05%
Total attributed	16,966,453	2.05%
Templeton Global Advisors Limited		
Holding	16,870,865	2.03%
Other attributable situations	-	-
Total attributed	16,870,865	2.03%
Schroders plc		
Holding	16,715,797	2.02%
Other attributable situations	-	-
Total attributed	16,715,797	2.02%
The Bank of New York Mellon Corporation		
Holding	-	-
Other attributable situations[2]	16,665,319	2.01%
Total attributed	16,665,319	2.01%
CI Investments Inc.		
Holding[3]	16,693,913	2.01%
Other attributable situations	-	-
Total attributed	16,693,913	2.01%

[1] Through the management of shares held by 13 funds that have delegated proxy powers to Black Creek for discretionary exercise of voting rights.
[2] Regarding the management of positions held by funds which are part of The Bank of New York Mellon Corporation.
[3] Shares held by 27 funds, including 14,944,013 shares under management by Black Creek to which CI investments has granted proxy on the corresponding voting rights.

Amorim Energia, B.V. (Amorim Energia) is based in The Netherlands and its shareholders are Power, Oil & Gas Investments, B.V. (35%), Amorim Investimentos Energéticos, SGPS, S.A. (20%) and Esperaza Holding, B.V. (45%).

It is important to note that following the conclusion of the sale by Eni, the agreements signed between Amorim Energia, Caixa Geral de Depósitos, S.A. (CGD) and Eni ceased to be applied with respect to CGD and Eni when the two completed the disposal of their interests in Galp's share capital. Pursuant to article 20(1)(c) of the CVM, these agreements provided that the voting rights attached to the shares held by each party to the shareholders agreement, were attributed to the remaining shareholders. As a result, at year end 2015, Amorim Energia held a qualifying holding of, and the voting rights corresponding to, 38.34% of the Company's share capital.

Parpública is a state-owned entity that manages Portuguese state holdings in a number of companies.

BlackRock, Inc. (BlackRock) is a global investment management firm founded in 1988. It is based in New York and listed on the New York Stock Exchange.

Standard Life Investments (Holdings) Limited (Standard Life) is an investment management firm founded in 2006 and based in Edinburgh, UK.

Black Creek Investment Management Inc. (Black Creek) is an investment fund management firm founded in 2004 and based in Toronto, Canada.

Templeton Global Advisors Limited is a financial investment firm founded in 1992, in Nassau, the Bahamas. It is a subsidiary of Franklin Resources Inc., based in San Mateo, California.

Schroders plc (Schroders) is a multinational asset management company founded in 1804 and based in London. It is listed on the London Stock Exchange and is a constituent of the FTSE 100 index.

CI Investments Inc. (CI Investments) is an investment fund manager based in Toronto, Canada, and founded in 1965.

The Bank of New York Mellon Corporation (BNY Mellon) is an investment management company founded in 2007 and based in New York.

Transactions in qualifying holdings during 2015

In early 2015, BlackRock and Templeton Global Advisors Limited held a 2.45% and 2.03% shareholding, respectively, in Galp.

In March 2015, Standard Life announced a holding of 2.112% in the Company's share capital.

During May 2015, Eni announced an offer to repurchase its exchangeable bonds issued in 2012, corresponding to approximately 4% of Galp's share capital.

In August, BNY Mellon announced a holding of 2.010% in Galp's share capital.

During October, Eni sold shares representing approximately 4% of the Company's share capital, and in November announced the sale of its remaining stake in Galp, to institutional investors through an accelerated book building process. As a result, Eni, which in 2012 held an interest of 33.34% in the Company's share capital, no longer has any shareholding in Galp.

In November, Schroders announced a holding of 2.016% in the Company's share capital.

In December, Black Creek announced a holding of 2.046% in Galp's share capital. Also in December, CI Investments announced it then held a 2.013% interest in the Company's share capital, including 14,944,013 shares under management by Black Creek, to which CI Investments has granted voting rights.

JPMorgan Chase & Co. announced a qualifying holding and economic long position of 2.106% in the Company in 2015, while UBS Group AG announced a qualifying holding of 2.263% in the Company. However, both announced a reduction of their holdings in Galp, and in the economic long position held by JPMorgan Chase & Co., during the year.

Also during 2015, EuroPacific Growth Fund (EUPAC) and its parent group, The Capital Group Companies, Inc (CGC), announced a reduction of their shareholding in the Company from 2.037% and 4.902% to 0% and 1.651%, respectively.

Share capital free float

At the end of 2015, 54.66% of Galp's shares were freely traded on the market. Around 87% of this free float, or 48% of total share capital, was held by institutional investors. At year end, the Company's institutional investor base included shareholders from around 35 countries across four continents. Investors outside Europe accounted for 61% of free float and were largely concentrated in North America, where institutional investors held 33% of the free float. Individual investors accounted for approximately 7% of Galp's share capital.

Galp share performance

At the end of 2015, Galp had a market capitalisation of approximately €8.9 billion (bn), a 27% increase from year end 2014.

Galp shares outperformed both the PSI-20 index (the benchmark index for the Portuguese stock market) and the SXEP index (the European index for the Oil & Gas industry) in 2015, with the first gaining 11% and the second declining 8%.

It is important to note that the dated Brent price fell by around 35% during 2015.

Total shareholder return for the year, including share price appreciation and dividends paid, was 32%.

GALP STOCK PERFORMANCE AGAINST SXEP AND PSI-20 IN 2015

In 2015, 712 million Galp shares were traded in regulated markets, equivalent to 1.6x the Company's free float. Average daily traded volume in regulated markets was 2.8 million shares, of which 1.6 million were traded on Euronext Lisbon.

The increase in free float, to 54.66% contributed to higher share liquidity during 2015.

During 2015, the share price bottomed at €7.81 on 6 January and peaked at €12.48 on 16 April.

At the end of 2015, Galp share price had gained 85% compared to the IPO price in October 2006.

Analyst coverage

At 31 December 2015, the average target price out of the 23 analysts covering Galp share was €12.08, with 43% expressing a Buy recommendation, 52% a Hold recommendation and the remainder making a Sell recommendation.

ANALYST TARGET PRICE

	Average	Maximum	Minimum	Medium
Price-target (€)	12.08	16.25	8.50	12.00

During 2015, Exane suspended its coverage of Galp share, while Macquarie re-initiated coverage in December.

Dividend policy

The dividend policy in place since March 2012 provides for an average annual dividend increase of 20% between financial years 2012 and 2016. This policy is designed to reward shareholders, considering the expected earnings' growth profile.

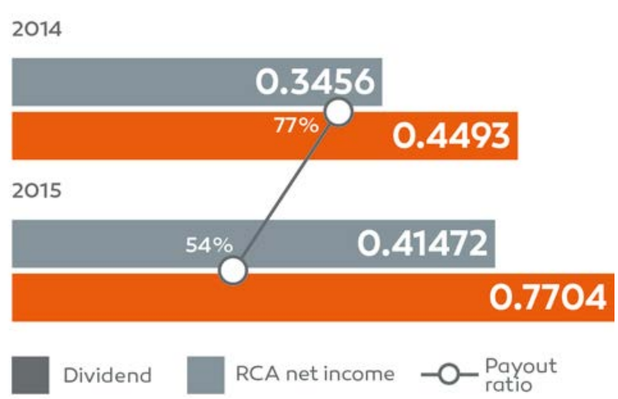
It is important to note, however, that Galp continues to retain the capital needed to implement its investment programme, which is essential to the successful execution of its strategy.

In April 2015, Galp's General Shareholders Meeting approved the final dividend related to the 2014 financial year of €0.3456 per share, 20% above the dividend for 2013.

In 2016, the Company's Board of Directors will propose a dividend of €0.41472 per share at the General Shareholders Meeting, 20% more than the dividend for the previous year.

As part of the Company's goal of paying an interim dividend, in September, a interim dividend of €0.20736 per share was paid.

DIVIDEND AND NET INCOME (€/SHARE)



Based on the share price as of 31 December 2015, Galp's dividend yield was 4%.

Participation in the General Shareholders Meeting

In 2015, Galp's General Shareholders Meeting was held on 16 April for the primary purpose of approving the annual report and accounts for 2014, deliberating on the proposed allocation of profit for the year and appointing the members of the Company's governing bodies, including the Board of Directors, for the term 2015-2018.

In 2015, 150 shareholders attended the General Shareholders Meeting, representing approximately 80% of the Company's share capital.

All proposals submitted to the General Shareholders Meeting in the year were approved by majority vote.

Information to bondholders

In 2013, Galp launched a Euro Medium Term Note (EMTN), programme. This programme is part of the Company's financing strategy, which aims at diversifying its sources of funding and extending the average debt maturity.

The Company conducted two debt issuances in 2013 and 2014, for a total of €1 bn. These securities were listed for trading on the London Stock Exchange.

DEBT ISSUANCE UNDER THE EMTN PROGRAMME

Title	ISIN	Date of Issuance	Maturity	Amount	Coupon
Galp 4.125% 01.2019	PTGALIOE0009	25-11-2013	25-01-2019	€500 m	4.125%
Galp 3.000% 01.2021	PTGALJOE0008	14-07-2014	14-01-2021	€500 m	3.000%

On 31 December 2015, the bonds issued in 2013 were trading with a yield of 2.30%, tighter by approximately 195 basis points (b.p.) since pricing. The bond issued in 2014 was traded at a yield of 2.85% by the end of 2015, corresponding to a decrease of 28 b.p. since pricing.

Exchangeable bonds

Whilst Galp has not issued exchangeable bonds, a number of debt instruments exchangeable into Galp shares are traded in the market, particularly those issued by reference shareholders.

In September 2010, Parpública issued bonds convertible into Galp shares corresponding to its entire 7% holding in the Company. These bonds have a maturity of seven years and carry a fixed coupon of 5.25% and an exercise price of €15.25 per share.

In May 2013, Amorim Energia issued exchangeable bonds corresponding to approximately 3% of the Company's share capital. These bonds mature in 2018 and pay a coupon of 3.375% per year. The exercise price is €15.8919.

In 2015, Eni repurchased the exchangeable bonds it had issued in 2012, corresponding to 8% of the Company's share capital. At year end 2015, following its disposals concluded throughout the year, Eni no longer had any holding in Galp's share capital.

Treasury shares and Company-held bonds

The General Shareholders Meeting held on 16 April 2015 granted the Board of Directors the power to acquire and dispose of Company own shares and bonds. The timing and size of transactions are determined taking account of market conditions and a set of criteria defined and approved by the General Shareholders Meeting. These criteria are available on the Galp website.

The number of treasury shares may not exceed 10% of the Company's share capital at any time and the Board of Directors may decide on the purchase or sale of Company shares over a period of 18 months.

With regard to bonds, from the date of the relevant decision, the number of bonds to be purchased may not exceed the equivalent of 10% of the aggregate nominal amount of issued bonds. Bonds may be acquired or sold within 18 months by the Board of Directors.

On 31 December 2015, Galp had no treasury shares or own bonds in its portfolio.

Galp performance on key sustainability indices

Galp adheres to strict sustainability practices, which it incorporates in its strategy formulation. A sustainable strategy ensures greater competitiveness and allows opportunities and risks to be anticipated and managed, as well as protecting value in the long term.

The Company's management model is aligned with practices that support sustainable strategy execution and ensures Galp acts responsibly and ethically with best-practice governance and transparency.

In 2015, Galp was again distinguished by a number of awards and sustainability rankings, and recognized globally for its reporting practices and quality.

These indices include the Dow Jones Sustainability Indices (DJSI) and CDP - Driving Sustainable Economies' (CDP) Climate 'A' List and Climate Disclosure Leadership Index (CDLI).

Dow Jones Sustainability Index

Galp was ranked for the fourth consecutive year among the most sustainable companies in the world according to DJSI criteria. It was one of four companies listed in the Oil & Gas Producers sector within DJSI Europe and one of 12 in DJSI World. Galp earned top scores for payment transparency and water-related risk management, as well as being recognised in the environmental dimension, which includes climate strategy, biodiversity and environmental reporting.

CDP

Galp was among only 5% of companies to be ranked on CDP's the Climate A List in recognition of its initiatives to reduce greenhouse gas emissions and manage the risks and opportunities associated with climate change.

The Company has also retained its status as leader in Iberia for greenhouse gas emissions reporting quality, and were again included in the CDLI with a top disclosure score of 100 points.

Financial calendar 2016

In accordance with best practice, Galp announced in December the dates of interest to shareholders in 2016.

FINANCIAL CALENDAR 2016

Event	Data
4th Quarter 2015 Trading Update	January, 25
4th Quarter 2015 Results and conference call	February, 8
Capital Markets Day 2016	March, 15
Annual Report & Accounts 2015 (Audited)	April, 5
1st Quarter 2016 Trading Update	April, 15
1st Quarter 2016 Results and conference call	April, 29
Annual General Shareholders Meeting	May, 5
2nd Quarter 2016 Trading Update	July, 15
2nd Quarter 2016 Results and conference call	July, 29
3rd Quarter 2016 Trading Update	October, 14
3rd Quarter 2016 Results and conference call	October, 28

Yet to be carried out Accomplished

The disclosure of the trading update and the quarterly results documents is released before the opening of Euronext Lisbon for trading. These dates are subject to change.

2 Galp in the Energy Sector

2.1

Challenges

The Oil & Gas industry has followed, and often been the promoter of, major technological and social changes during the past century. It has continually faced and overcome challenges and adapted to changes in the strategic environment. Screening and identifying current challenges, as well as anticipating future needs and trends are fundamental inputs to Galp's strategic planning.

What impact will marginal production costs have on the profitability of the E&P activity?

Marginal oil and gas production costs are driven by a range of variables. Average hydrocarbon recovery factors, exploration and development costs and the tax burden all have a direct impact on the marginal production costs.

Innovation and technological development have continuously improved exploration and development costs as well as recovery factors, supporting increasingly efficient hydrocarbon production. The steep learning curves in upstream deepwater and shale oil production activities have led to a substantial increase in the operational efficiency and cost reductions.

There is potential for further improvement, namely through greater process standardisation and simplification and deeper knowledge sharing among stakeholders: operators, partners, service providers and governmental entities.

A prolonged scenario of oil prices at the levels seen in the last year should also lead producing countries to consider their tax framework competitiveness despite the budget pressures many are facing since, understanding that if current levels are maintained, hydrocarbons exploration and production could be at risk.

Through the comprehensive analysis of these factors, it is expectable to see a gradual and structural reduction of marginal production costs and a sustainable return on assets at crude prices lower than the average prices over recent years. However, as reserves from producing assets decline and global demand increases, driven by consumption from emerging economies, marginal production costs in the sector will tend to rise due to the need for new investments. As a result, in the long term, oil prices are expected to rise.

How will the global gas market absorb the increased LNG production capacity expected by 2025?

If all liquefied natural gas (LNG) projects under construction or planned to be developed by the middle of the next decade are confirmed, a temporary gas surplus is expected. However, if new projects are not approved, this surplus is expected to lead to a deficit from the mid 2020s onwards.

Further supporting this scenario, increased supply-side pressure in the short term will tend to provide natural gas with a competitive advantage over other energy options, potentially accelerating the transition from coal to natural gas. International climate change policies and the Paris Agreement signed at the end of 2015 should help accelerate this transition.

Increased natural gas liquefaction installed capacity should lead to an increase in maritime transportation of natural gas and should create a global market for LNG, with regional market prices differing only on the basis of logistics costs.

How will the European refining sector deal with the excess installed capacity?

Although current installed capacity is seemingly in excess of projected European market demand, in 2016 refining margins are expected to remain above the average margins over previous years, sustained by global demand for gasoline and excess crude supply exerting downside pressure on raw materials pricing.

The lifting of the ban on US crude exports and the return of Iranian crude to the European market should improve the competitiveness of Europe's refining industry. Planned investments in new refining capacity and upgrades to existing capacity, especially in the Middle East and Russia, could be partly threatened by the decrease in revenues in oil producing countries. Any delay or reduction in production capacity in these regions will reduce pressure on the European refining industry.

However, a surplus of refining capacity in Europe can still be expected in the medium term, compelling the sector to increase its efforts to remain competitive on a global level, by streamlining current capacity and investing to improve their efficiency and flexibility. Refineries with a geographical location that enables a significant part of their production to be marketed within their natural area are expected to be at an advantage.

How will the energy sector respond to the dilemma of increased global demand conditioned by active decarbonisation policies?

All global energy demand scenarios for the coming decades forecast a very large share of crude oil and natural gas in the energy mix, with an increase in the total consumption of these two resources. Oil products still have no alternatives to replace them on a large scale in a wide range of applications, such as transport and petrochemicals. Natural gas is likely to be the primary source of energy with the highest absolute growth and will play a key role in the transition to a lower carbon economy as a natural alternative to coal, which will see a decline in consumption. The Oil & Gas industry will therefore play a key role in managing the transition into a lower carbon economy.

The sector's overall mission will remain that of optimising its operations, keeping the market supplied while adhering to the most stringent environmental practices, and minimising potential negative impacts across the value chain, including through energy efficiency initiatives.

This goal can only be achieved through increased investment in innovation and technological development. Past investments secured the current supply of natural resources to global markets. Current and future investments will support both the transition to a less energy-intensive global economy and improved quality of life.

2.2

Our strategy

A sustainable strategy ensures greater competitiveness and allows opportunities and risks to be anticipated and managed, as well as protecting value in the long term.

Galp is an integrated energy player aiming to sustainably create value for its shareholders. In this context, a clear company development and growth strategy has been defined, with a focus on the reinforcement of the E&P activities, integrated with an efficient and competitive downstream and gas business. All this supported by a solid financial capacity, skilled human capital and sustainable practices.

This strategy will allow Galp to capitalise on its assets and competitive strengths, while facing the dynamics and challenges of the energy sector, which requires a sustainable response to growing global energy demand and volatility in commodity prices.

The first priority to successfully deliver this strategy is the focus on the ongoing projects, protecting their value by ensuring on schedule and on budget execution, while implementing the best practices in safety and environmental protection.

Extracting maximum value from current assets and businesses will be equally crucial. Higher oil and gas recovery factor across the Company's E&P assets, cost and efficiency improvements, and a focus on human capital and technological development are some of the tools which will enable a greater value extraction from the Company's businesses.

Lastly, to secure the sustainability and future growth of the Company, new areas for value creation will be developed, through new projects, businesses and markets, especially focused at the post 2020 period.

Human Capital

The successful strategy execution will depend to a great extent on a differentiated human capital development approach. This should address not only technical skills but also soft skills, such as the ability to influence stakeholders at all levels of the Organisation.

Galp's human capital strategy is focused on attracting, developing, motivating and retaining people, and is expressed as a new culture of autonomy, accountability and merit. It will be crucial to provide employees with a value proposition that enhances their competencies by providing new challenges in an organisation that values excellence.

Successful strategy execution will also depend to a large extent on the effectiveness of the organisational and governance model and how well it is aligned with the Company's goals. These models should outline requirements and leadership levels for current processes and technology, people, individual experience and skills, and how functional responsibility and autonomy are defined and implemented.

Partnerships

Galp actively manages its relations with stakeholders and works to develop lasting and successful partnerships with leading energy players and the scientific and technological communities. The Company believes cooperation and sharing experiences are key to creating value and to developing and implementing new and innovative technological solutions.

Research & Technology

Galp actively promotes innovation, research and technological development, which are central to extracting added value from its asset portfolio and to its sustainability.

The Company invests in projects that increase the value and reduce the risk of its assets, with a current focus on the E&P business, as well as on projects to increase energy efficiency and reduce the carbon footprint.

Financial Discipline

To execute its business strategy successfully, a solid capital structure and a high level of financial discipline will be crucial. In the Company's current stage, capital is primarily allocated to the E&P business, namely to the development of sanctioned projects, supported by a portfolio management approach that enables the Company to generate liquidity, diversify risk and monitor and crystallise value. Adequate execution of this strategy, through strict financial discipline, should ensure that shareholder value is protected and shareholder return is adequate in the Company's context.

Operational Excellence

Galp continually seeks to develop sustainable businesses by leveraging its competitive strengths. The Company continually evaluates its performance and benchmarks against best practices in the sector. In addition, Galp permanently evaluates new opportunities that may further realise its vision.

Exploration & Production

Galp aims to protect and extract maximum value from its current portfolio of E&P assets – including its world-class assets in the pre-salt Santos Basin, Brazil, and in the Rovuma basin, in Mozambique. Galp also aims at strengthening its position as an active non-operator partner and pursuing growth through a well-defined, disciplined and value-creating exploration activity.

Due to the volatility that characterises the oil industry, emphasis will be on structural cost reductions to support optimal development solutions and operating efficiency and ensure the long-term resilience of Company assets at any oil-price level. By ensuring project resilience, Galp will be able to maintain a competitive asset portfolio that can be developed even in a scenario where fossil fuels lose some relevance in the global energy context as part of the effort against climate change.

To ensure the success of this strategy, Galp will continue to invest in building the skills of its E&P team and in strengthening its capacity to influence consortia to cut costs and enhance project developments. The focus is on optimising and standardising processes and leveraging synergies across the parties involved and across the projects in which the Company is involved in.

Using an integrated approach that ensures the long-term sustainability of its portfolio, Galp aims to further develop the exploration activity based on clear and stringent criteria on geography, capital allocation, and maintaining relevant production levels and material project stakes, aligning the Company's activities with its growth profile.

At the same time, the Company will also focus on developing a portfolio that ensures the increase in production of natural gas, in response to the greater expected demand for this resource in a lower carbon economy.

Galp is also looking to further develop its position and technological capabilities, expertise and experience as an operator. This will be relevant to developing its E&P activities in a more sustainable manner and facilitating success and control, as well as raising its profile and ability to participate in new consortia.

Refining & Marketing

Galp seeks to extract more value from its R&M business by improving its competitive position within the European refining industry and in marketing oil products and related services in Iberia and Africa.

Important to this will be the integration of the refining and marketing operations to match the profiles and volumes of production and those sold in the refineries' areas of influence. Greater focus will be given on energy efficiency and process optimisation of the refining system will enable cost reductions and an increase in returns on capital employed.

Galp will also seek to improve the performance of the oil and oil product trading business in global markets by exploring opportunities to leverage its geographic proximity to African and North American markets.

Gas & Power

The share of natural gas and electricity in the European and global energy is expected to continue to grow over the coming decades, making Galp's G&P business an essential pillar in its strategy as an integrated energy player.

The Company will need to ensure the future sourcing of natural gas following the expiration of current contracts; build a diversified, competitive and flexible portfolio; and secure access to natural gas infrastructure, including transport and storage capacity, to support the commercial activity.

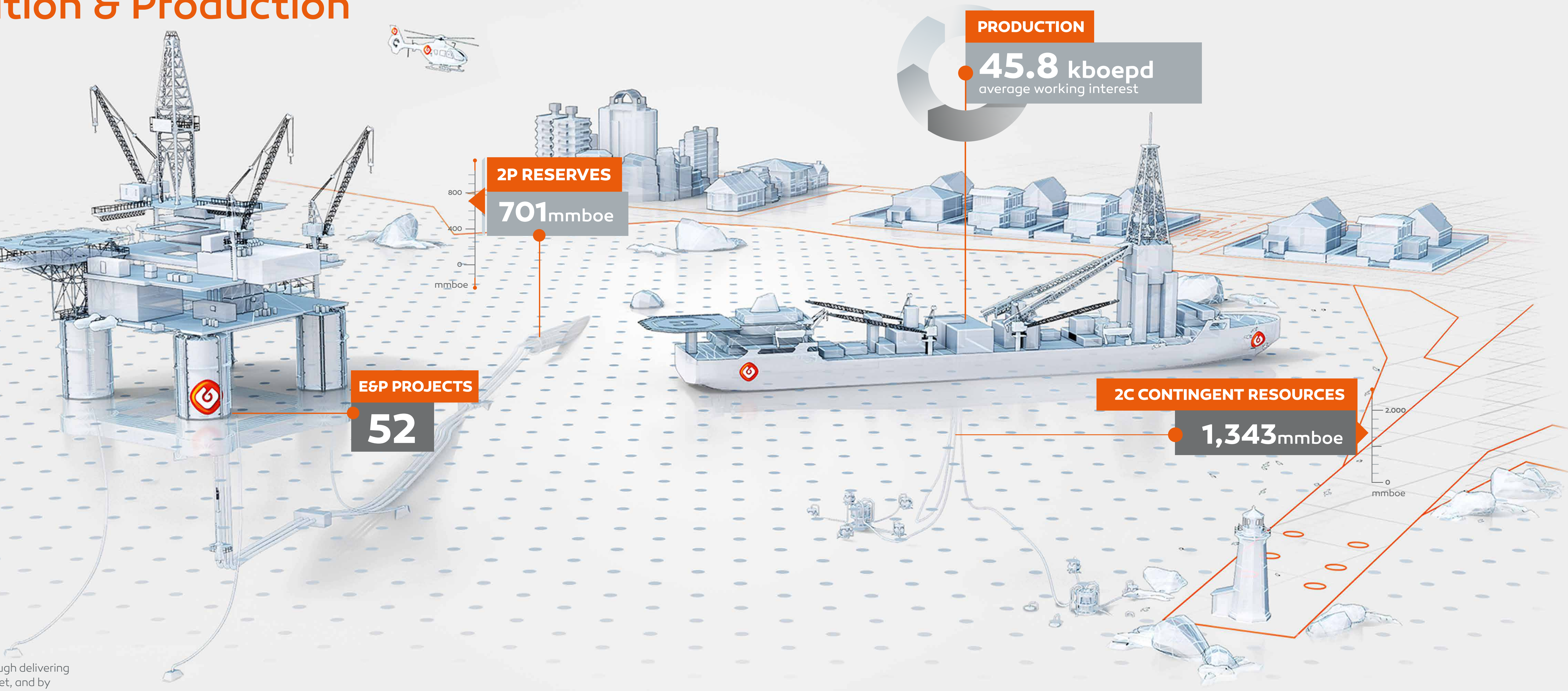
Galp must maintain its strategic position as an integrated supplier of natural gas and electricity in the Iberian market, while also exploring opportunities in new markets.

Trading activity will continue to promote a balance between medium and long-term contracts and spot operations, to support the supply activity and to take advantage of market opportunities.

3 Strategy Execution

3.1

Exploration & Production



Strategic goals

- Protect project value through delivering on-schedule and on-budget, and by optimising development solutions, in order to maximise the value of the Company's portfolio.
- Ensure the sustained growth of hydrocarbon production by delivering already identified projects and pursuing value-adding opportunities throughout the project development and production lifecycle.
- Enhance Galp's internal expertise and influence on consortia, further developing Galp's position as an active partner in non-operated projects.
- Further develop exploration activity based on clear objectives and stringent criteria on geography, capital allocation and considering the Company's growth profile.
- Build expertise as an operator.

2015 Headlines

- 2P reserves increased 10% to 701 million barrels of oil equivalent (mmboe) at year end; 2C contingent resources declined 20% to 1,343 mmboe.
- 276% reserve replacement ratio (RRR), compared with a prior three-year average of 380%.
- Record working interest production of around 60 thousand barrels of oil equivalent per day (kboepd), with an annual average production of 45.8 kboepd as a result of increased production from the Lula/Iracema project.
- Continued development of the Lula/Iracema fields, with the floating production, storage and offloading (FPSO) Cidade de Mangaratiba reaching plateau production and FPSO Cidade de Itaguaí starting production in July 2015.
- Start of production from Lianzi, in block 14k, and progress on construction of the FPSOs to be deployed in block 32, in Angola
- Plan of Development (PoD) submitted for Atapu, Berbigão and Sururu areas in block BM-S-11, in the Santos Basin.
- Declaration of Commerciality (DoC) for Sépia East, in block BM-S-24, submitted in November.
- Exploration and appraisal activity in the Santos, Amazonas and Potiguar basins, and drill stem test (DST) in the Atapu, Berbigão and Carcará areas in the Santos Basin.
- Unitisation agreement between Mamba (Area 4) and Prosperidade (Area 1), and progress on the negotiation of the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) for the offshore Coral floating liquified natural gas (FLNG) project and gas offtake contract agreed, in the Rovuma basin.
- Exploration portfolio strengthened by accessing block 6 off São Tomé and Príncipe, with an operating interest.

KEY INDICATORS	2013	2014	2015
Average working interest production (kboepd)	24.5	30.5	**45.8**
Average net entitlement production (kboepd)	20.8	27.1	**43.2**
Average sale price ($/boe)	100.8	88.7	**43.5**
Production cost ($/boe)	13.7	13.4	**9.8**
DD&A [1] ($/boe)	28.6	19.9	**14.8**
Ebitda RCA (€m)	396	444	**356**
Ebit RCA (€m)	232	295	**145**
Capital expenditure (€m)	723	1,017	**1,103**

Note: unit values on a net entitlement basis.
[1]Includes provision for abandonment.

E&P PORTFOLIO

Galp has an E&P portfolio which includes over 50 projects across seven countries at various stages of exploration, development and production.

The most prominent projects are in Angola and Brazil, where Galp has production assets, and in Mozambique. Particularly important are the projects in the pre-salt Santos Basin, in Brazil, and in the Rovuma Basin, in Mozambique, two of the largest oil and natural gas discoveries in recent decades.

The Company's portfolio of exploration projects spans diverse geographies and geologies, including emerging and frontier basins.

Galp engages in various projects through solid partnerships with Oil & Gas companies that are internationally recognised for their technical expertise, which is critical in supporting project development and delivery.

Reserves and resources evolution

Reserves and resources have been subject to an independent review by DeGolyer and MacNaughton (DeMac).

The Company's portfolio of reserves has been reinforced, namely as a result of the maturation of projects under development.

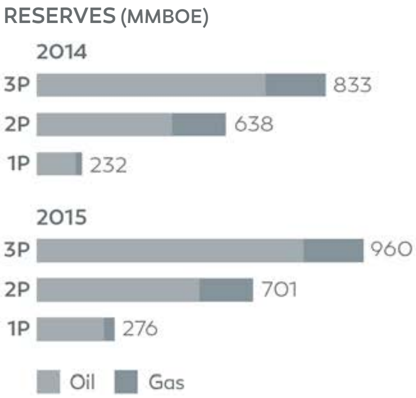
In 2015, Galp's reserves base increased mainly as a result of Iara area PoD, which resulted in the addition of reserves from that area.

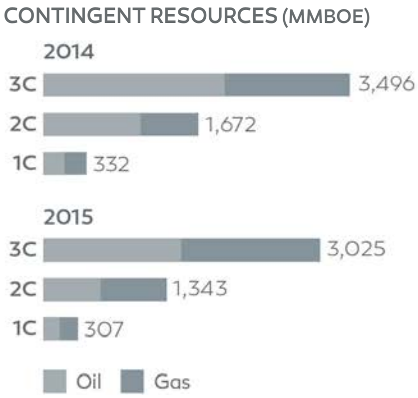
Appraisal and development activity throughout the year in the Lula/Iracema field increased the knowledge about the reservoir and contributed to a greater degree of confidence with respect to reserves.

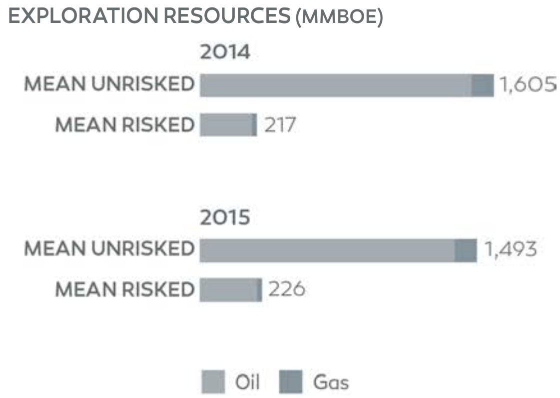
Proved and probable (2P) reserves increased 10% compared with the previous year end reaching 701 mmboe. At year end 2015, natural gas reserves accounted for 14% of total 2P reserves, in line with recent year figures.

2C contingent resources also decreased by 20% YoY to 1,343 mmboe, as a result of the relinquishment of block BM-S-21 and the PoD submission for Iara in Brazil. Contingent resources in Mozambique stood in line with the previous year.

Exploration resources at year end were 226 mmboe on a risked basis, and were mainly located in Brazil and Portugal.







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

Assets under development and in production

Galp has assets in the development and production phases in Angola and Brazil, where we have production assets, and in Mozambique.

In 2015, Galp recorded an average working interest production of 45.8 thousand barrels of oil equivalent per day (kboepd), up 50% YoY, with increased production in Brazil offsetting the decrease in Angola.

Daily working interest production exceeded for the first time 50 kboe during 2015, a milestone in Galp's growth strategy, with production at year end reaching approximately 60 kboepd.

In Brazil, working interest production was 36.0 kboepd, supported by a steady plateau production of FPSOs Cidade de Angra dos Reis (FPSO #1) and Cidade de Paraty (FPSO #2), and by the increase in production of FPSO Cidade de Mangaratiba (FPSO #3). This unit reached plateau production in October, just 13 months after starting production and ahead of plan, largely helped by the high reservoir productivity in the Iracema area.

Also important was the deployment of FPSO Cidade de Itaguaí (FPSO #4) on the Iracema area at the end of July.

In Angola, working interest production was 9.8 kbopd, 8% down YoY as result of the natural decline of producing fields in block 14, even though partially offset by the Lianzi tie-back that started production in the end of October.

Net entitlement production increased by approximately 60% YoY to 43.2 kboepd, driven by higher working interest production in Brazil.

In Angola, net entitlement production remained at 2014 levels following an increase in cost oil production rates under production sharing agreements (PSA) that offset the impact on working interest production.

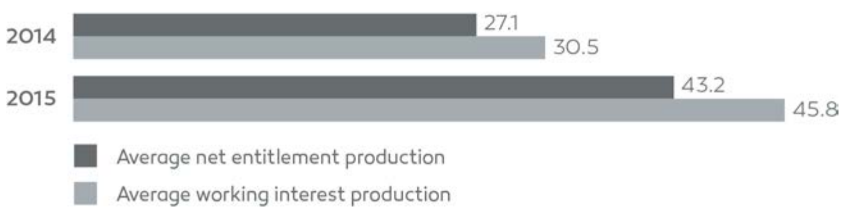
Galp is focused on the development of the Lula/Iracema reservoirs, which is expected to support the largest contribution to production growth in the coming years.

The Company is also developing block 32 in Angola, other pre-salt assets in the Santos Basin, in Brazil, and the LNG project in the Rovuma Basin, in Mozambique, the latter two being important drivers of medium and long-term production growth.

Galp is committed to excellence in delivering development projects on schedule and on budget, and on continuously optimising development solutions.

The Company is also engaged in appraisal and pre-development activities with the potential to increase recoverable resources and in further defining project development activities, particularly in the pre-salt Santos Basin and especially in the Iara (Atapu/Berbigão/ Sururu), Carcará and Júpiter/Sépia areas.

AVERAGE PRODUCTION (KBOEPD)



Brazil

Galp has a range of assets in the development phase in Brazil, and especially in the prolific Santos Basin.

Working interest production in Brazil rose to 36.0 kboepd in 2015, an increase of 82% following the successful ongoing execution of the development plan of Lula/Iracema project.

Lula/Iracema

The Lula/Iracema project, in block BM-S-11, started commercial production in 2010 with the deployment of FPSO Cidade de Angra dos Reis. A total of five FPSOs were installed up to early 2016 and another five are expected to be deployed.

Throughout 2015, important progress was made on the Lula/Iracema development, with highlights including:

I) steady plateau production from FPSOs #1 and #2 in the Lula Pilot and Lula Northeast areas, respectively;

II) plateau production reached by FPSO #3 in the Iracema South area, 13 months after the start of production, and ahead of schedule;

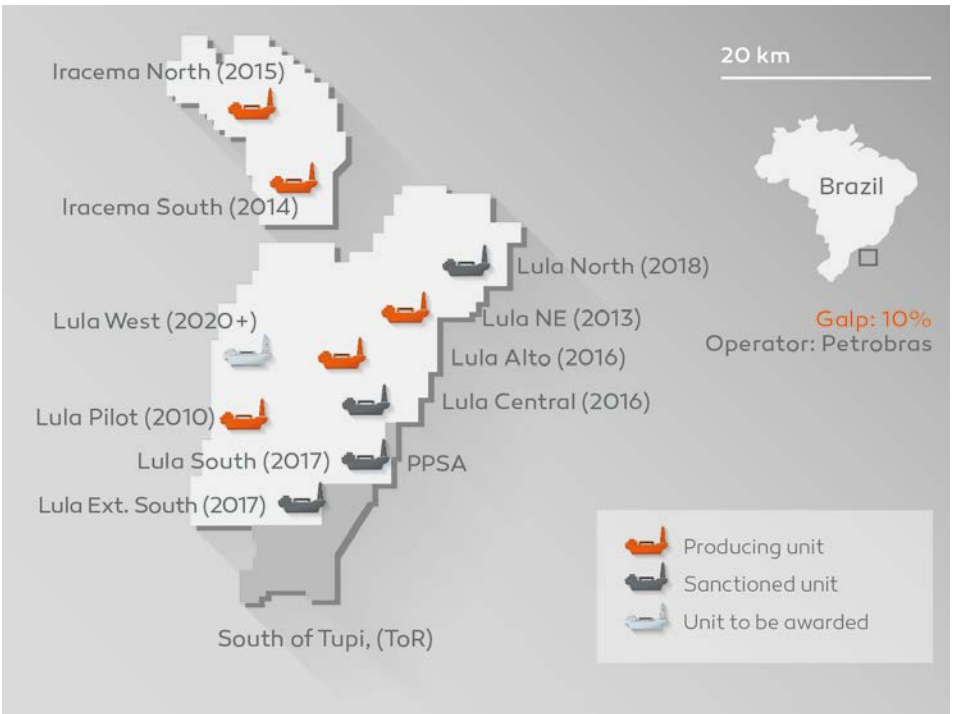
III) early start of production from FPSO #4 in Iracema North;

IV) mitigation measures taken to ensure timely delivery of the replicant FPSOs;

V) completion of the Cabiúnas gas pipeline, with the start of operation scheduled for the first half of 2016.

Also as part of the Lula/Iracema development, in 2015 the BM-S-11 consortium – together with Petrobras, Petróleo Brasileiro, S.A. (Petrobras, owner of a 100% interest in the Transfer-of-Rights area) and Pré-Sal Petróleo S.A. (PPSA) submitted to the Brazilian oil industry regulator, ANP, a Production Unitisation Agreement, for which a decision is expected to during 2016.

FPSO ALLOCATION IN LULA/IRACEMA



In the Lula Pilot area, FPSO #1 is now operating with five producing wells and with five injection wells, including two water alternating gas (WAG) injection wells, one gas injection well and two water injection wells. During 2015, water production was observed from P8H, the horizontal well connected to the FPSO. An analysis indicated that this is the combined result of water injection into the reservoir, the high permeability in the area and proximity between the injector well and the horizontal producer well. The FPSO has operated steadily despite this effect. Following the scheduled tie-back of the Lula West extended well test (EWT) and of an additional producer well, both during the first half of 2016, this production unit is expected to remain at plateau at least until 2019, a total of seven years at plateau.

In the Lula NE area, six producing wells and five injection wells were connected to FPSO #2 by year end 2015 out of a total of 14 planned wells, of which eight are producing wells.

In the Iracema South area, FPSO Cidade de Mangaratiba (FPSO #3) reached plateau production in November following the connection of the fifth producer well, just 13 months after start of production. Five producing wells and five injection wells were connected to FPSO #3 by year end 2015 out of a total of 16 planned wells, of which eight are producing wells.

In Iracema North, FPSO Cidade de Itaguaí (FPSO #4) started production at the end of July. At year end 2015, FPSO #4 was producing approximately 90 kbopd from three producing wells. Three injector wells were also connected at year end. The development plan includes the connection of 17 wells, of which 14 have already been drilled.

FPSO CIDADE DE ITAGUAÍ

REPLICANT FPSO

Construction of the remaining FPSO units for this project continued throughout 2015.

In February 2016, FPSO Cidade de Maricá (FPSO #5) started production from a single producer well in the Lula Alto area. This unit was converted at the China Ocean Shipping Company (COSCO) shipyard, and the remaining integration work was conducted at Brasa shipyard in Brazil. Out of a total of 17 wells under the development plan for the area, the consortium had concluded drilling of six producer wells and four injector wells by year end 2015.

FPSO Cidade de Saquarema (FPSO #6), to be allocated to the Lula Central area and expected to start production in mid-2016, is currently at the Brasa shipyard in Brazil for completion of topsides integration. The unit was converted at the Chengxi shipyard in China.

Replicant FPSOs

FPSO replication is an innovative concept that, among other advantages, supports a high level of component standardisation and engineering optimisation.

Of the six replicant units under construction for the BM-S-11 block, three are expected to be deployed in Lula/Iracema.

The replicant FPSOs for Lula/Iracema are scheduled to be delivered starting in 2017 and deployed in the South, Extreme South and North areas of the Lula field.

Topsides installation on the Lula South FPSO proceeded during 2015 at the Brasfels shipyard in Brazil, with only the integration of the CO_2 and gas compression and injection modules remaining to be completed. Another milestone was the arrival of the hull for the Lula North FPSO at Offshore Oil Engineering Co. Ltd (COOEC) in China, for topsides integration. Construction of the hull for the Lula Extreme South FPSO continued at the COSCO shipyard in China.

In 2015, the consortium re-assigned the contract for construction of the CO_2 and gas compression and injection modules previously awarded to IESA Óleo e Gás S.A. (IESA). The scope of work was divided in three parts. Two parts have been awarded to COSCO and BJC Heavy Industries Plc (BJC), with the third remaining subject to a review of contractor performance.

The contract for integration of topsides for the Lula North unit was transferred to the COOEC shipyard during the second quarter of 2015 under an agreement between the BM-S-11 consortium and Integra Offshore Consortium to ensure successful completion.

Natural gas infrastructure

The pre-salt Santos Basin development projects are being developed to allow natural gas to be either injected into the reservoir or exported onshore via gas pipelines. The capacity of natural gas compression and injection equipment installed on the FPSOs, and the injection wells included in the development plans, provide the flexibility to manage production without creating constraints relating to the natural gas outflow.

Natural gas production from Lula/Iracema is partly exported onshore to Brazil's domestic gas market, and the remainder is reinjected to maintain reservoir pressures, improving long-term reservoir management and enhancing life-of-field recovery. The Lula Pilot and Lula NE projects are connected to the Lula-Mexilhão gas pipeline, which has been in operation since 2011.

During 2015, Petrobras completed works on the Mexilhão fixed platform to accommodate a new dedicated riser for natural gas and expand the platform into a pre-salt gas hub. Further work on the platform is planned for 2017 to increase production capacity from 7.5 to 10 million cubic metres (mm³) per day.

NATURAL GAS EXPORT FROM SANTOS BASIN

Galp is also participating in the construction of a second gas pipeline from the pre-salt Santos Basin to improve natural gas production management and increase operational flexibility.

Construction of a gas pipeline, which connects to Cabiúnas, began in 2014 after the required environmental licenses were secured from the Brazilian federal environmental authority (IBAMA). With an export capacity of approximately 15 mm³ of natural gas per day, the pipeline has been completed and is undergoing commissioning for the start of operation in the first half of 2016.

Opportunities to maximise value

Galp and its partners are committed to pursuing value-creating opportunities in their projects. We foster a strong R&T culture in which technology is used to explore and develop oil and gas resources, improve production processes and reduce associated operating risk and costs. The safety and reliability of equipment and operations is a priority for all research and development teams.

Pre-salt research and development has translated into improved efficiency in appraisal and development operations, better reservoir management approaches and optimised recovery.

More efficient drilling and completion operations

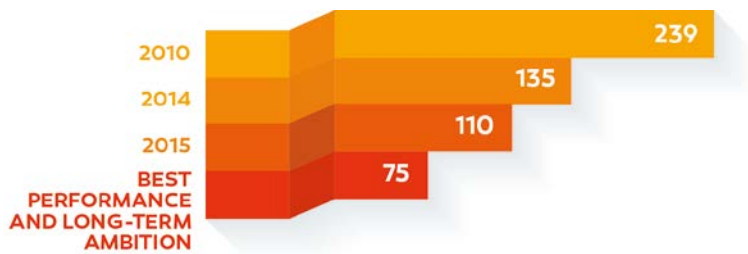
Research and development to date has led to a reduction in average well drilling and completion duration.
In Lula/Iracema, average well drilling and completion duration decreased from 239 days in 2010 to approximately 110 days in 2015, an improvement of 46% in average efficiency over a period of five years.

The best performance to date was achieved in 2015 in the Lula Central area, where drilling and completion were concluded in only 75 days.

Although the formations in the location of wells to be drilled may be heterogeneous, the consortium is aiming to continually leverage the learning curve, in order to obtain additional efficiency gains.

With drilling and completion accounting for a large portion of the total investment in project development, the consortium is focused on continually improving their efficiency. Examples of ways to improve efficiency include optimising well design and drilling programmes, reducing downtime by leveraging crew experience, and using specialised rigs for the different stages of well drilling.

AVERAGE DRILLING AND COMPLETION TIMES (DAYS)



4D seismic programme

In 2015, following approval by the Brazilian federal environmental authority (IBAMA), the consortium initiated a 4D seismic acquisition programme that is scheduled to be completed in 2016. The data will provide a deeper understanding of the spatial distribution of reservoir features and support the definition of optimal production solutions, as well as providing information on pressure and saturation changes during development to determine the location of producer and injection wells.

Carbon dioxide capture associated to natural gas

During the development phase, production from some pre-salt wells was observed to be associated with CO_2. This carbon dioxide is separated using selectively permeable molecular membrane systems. The separated CO_2 is reinjected into the reservoir to increase reservoir pressure and recovery, while avoiding its release into the atmosphere.

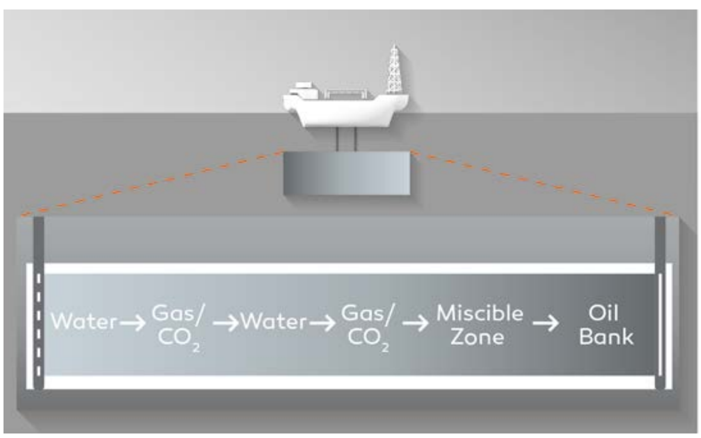
WAG injection

WAG technology is crucial to the consortium's efforts to leverage the potential of enhanced oil recovery mechanisms. The WAG process involves injecting water and gas alternately and for specific periods of time to increase oil recovery. Injecting CO_2-rich gas reduces residual oil and oil viscosity, facilitating oil displacement into the producer well while controlling reservoir pressure.

In the Lula Pilot development, WAG injection was initiated in 2013, setting a world record in gas injection depth.

WAG injection is expected to provide a sustained improvement in oil recovery over the years, optimising reservoir management.

WAG PROCESS



Developing corrosion and fatigue-resistant risers

In the Lula NE field development, rigid risers were installed directly supported by a buoyancy supported riser (BSR) system and were the first Steel Catenary Risers (SCR) to use inner carbon-steel liners as a corrosion resistant layer. These risers were installed using the reel-lay method, which has the advantage of being faster than conventional methods.

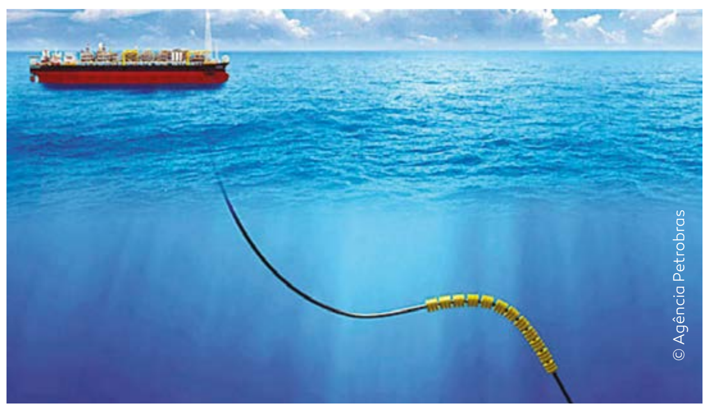
In the Iracema South area, a flexible riser was installed to a depth of 2.2 km, the largest depth on record. The flexible riser system is a multilayer pipe consisting of metal and polymer materials, designed specifically to resist corrosion.

Experience to date demonstrates that the riser specifications and technologies used in BM-S-11 field developments have improved durability beyond the certified life of the risers, and can help improve future maintenance programmes in production operations.

Optimising riser installation systems

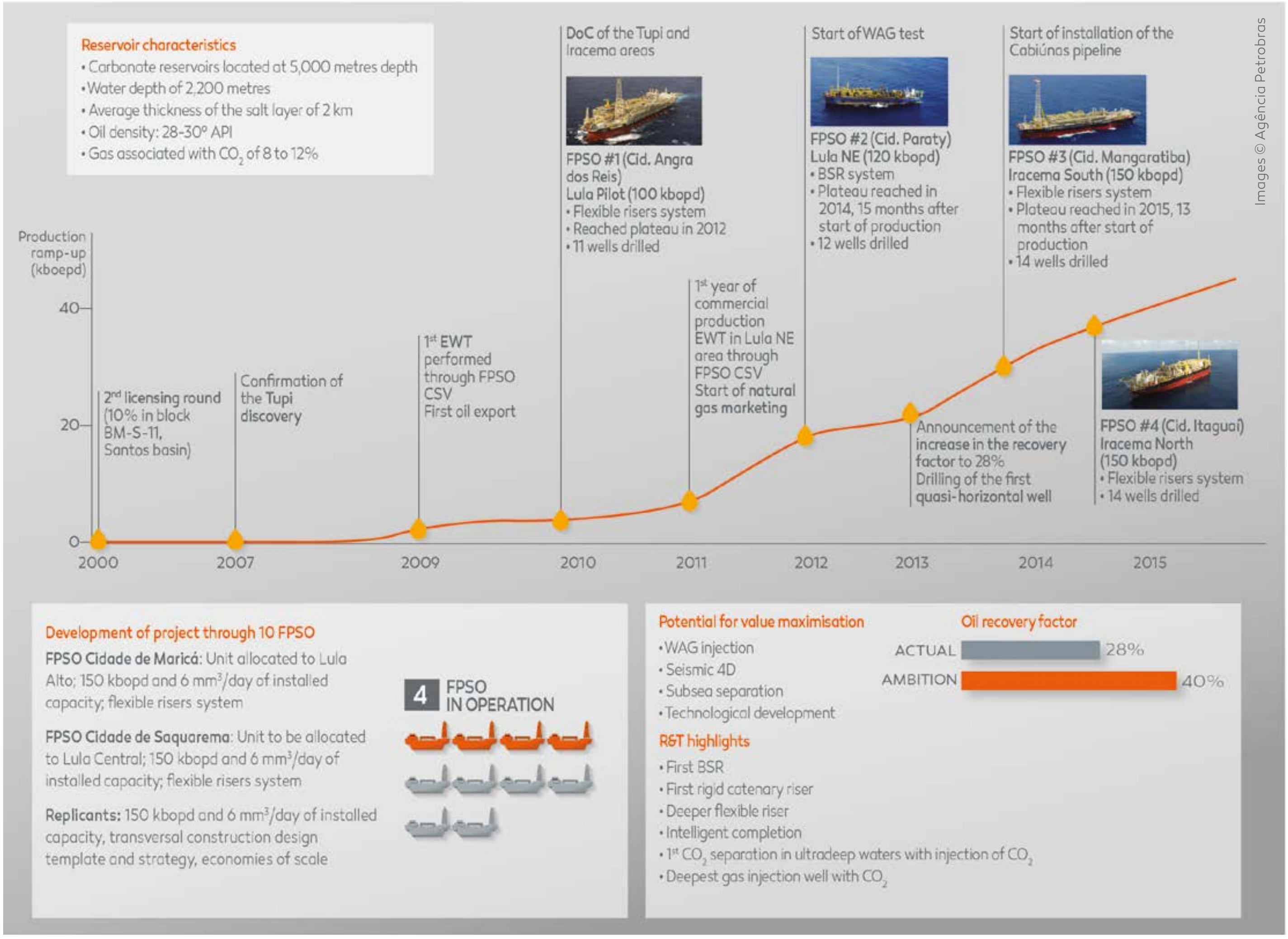
In the Lula/Iracema project development, the consortium has worked to optimise riser installation methods using lazy-wave risers systems. The system is designed to reduce hang-off tension using floats placed at a mid-portion of the riser, which then becomes wave-shaped while the touchdown portion is in a catenary configuration. Floats help reduce hang-off loads as well as motion at the touchdown point, increasing riser life and preventing dynamic compression.

LAZY-WAVE RISER SYSTEM



Pioneering subsea separation technology

Galp and its partners have researched into subsea separation technology to reduce costs and increase production of oil and natural gas. This pioneering technology allows oil and water separation systems to be installed on the seabed, from which separated water can be reinjected into the reservoir, reducing the requirement for equipment at production units.



Iara, BM-S-11

In the Iara area, in the pre-salt Santos Basin, the consortium has focused on gradually developing and enhancing knowledge about the fields. In 2015, the consortium has delivered to ANP the development plan for the Atapu, Berbigão and Sururu accumulations.

FIELDS IN THE GREATER IARA

In June 2015, development plans were submitted to ANP for three accumulations in the Iara area (BM-S-11) and extending to the Entorno de Iara (Transfer of Rights) area, designated as Atapu, Berbigão and Sururu, following submission of the Declaration of Commerciality for these areas in 2014. The consortium is awaiting approval from ANP.

Three replicant FPSOs are planned to be deployed for the initial development of Greater Iara, two of which will start production in 2018 in the Atapu South and Berbigão/Sururu areas. The third FPSO unit location is pending on further technical evaluation.

In 2015, one reservoir data acquisition (RDA) well was drilled and two drill stem tests (DST) were performed.

RDA-4 was drilled in the Berbigão area during the first half of 2015 to improve knowledge of the reservoir and evaluate its extent. After drilling the well, a DST was initiated in August in the same area to identify the pressure, permeability and productivity of this area of the reservoir.

A DST was also performed in Atapu to further improve understanding of that area.

For a better understanding of the Sururu area, a tri-azimuth seismic programme is underway producing high quality and high definition results. The consortium plans to drill an RDA well and perform a DST in 2016 for improved knowledge of reservoir characteristics in this area.

Sépia East and Júpiter/Bracuhy, block BM-S-24

Block BM-S-24 consists of the Sépia East and Jupiter/Bracuhy areas. In Sépia East, a DoC was submitted for the area to be unitised with Sépia (100% Transfer of Rights). For the Júpiter area, the exploration period was extended by five years, following request to the ANP.

BLOCK BM-S-24

Sépia East

For the Sépia East area, a DoC was submitted to ANP following completion of exploration activity in Sépia, which revealed excellent porosity, permeability and high-quality oil.

The unitisation process began in 2015 for the Sépia (100% Petrobras) and Sépia East areas to a joint development of the field under a Production Individualisation Agreement. The DoC for the Sépia area had been submitted in September 2014.

The consortium plans to submit the development plan for Sépia/Sépia East in 2016 and will perform an EWT throughout the year. The start of production from Sépia is expected in 2020.

Júpiter/Bracuhy

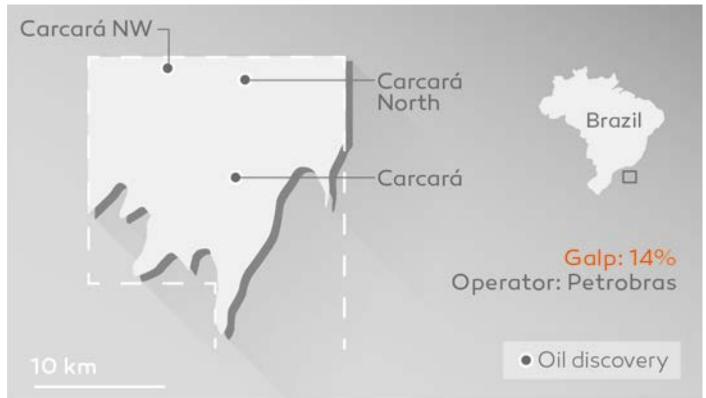
In 2015, the consortium submitted an application to ANP for a five-year extension of the exploration period before submission of the DoC for the Jupiter area, which was granted in early 2016. This will allow time for a more in-depth analysis of current data and further technological studies.

The consortium is also conducting a range of engineering studies essentially focusing on reservoirs, CO_2 infrastructure and transport, flow assurance and metallurgy to support the development plan for the Jupiter area.

Carcará, block BM-S-8

In the Carcará area of the pre-salt Santos basin, the consortium continued with appraisal activities to better define the development plan for the area.

BLOCK BM-S-8, CARCARÁ



In 2015, two appraisal wells were drilled and a DST was performed.

The BM-S-8 consortium concluded the second phase of drilling of the Carcará Northwest (NW) appraisal well and of the Carcará North well during the year, with both wells revealing light oil columns with no contaminants and excellent quality carbonate reservoirs. The results proved the extension of Carcará discovery to the north and west.

After drilling the Carcará North well, a DST was performed at two intervals in the reservoir, this being the first formation test to be performed in this discovery. The test indicated excellent levels of productivity, and well production potential is estimated to be equivalent to or better than the best producer wells in the pre-salt Santos Basin, further supporting commercial development potential of the discovery.

The Carcará North and Carcará NW wells were drilled using managed pressure drilling (MPD) equipment suited to the high-pressure conditions of the reservoir.

The consortium expects to submit a DoC by March 2018.

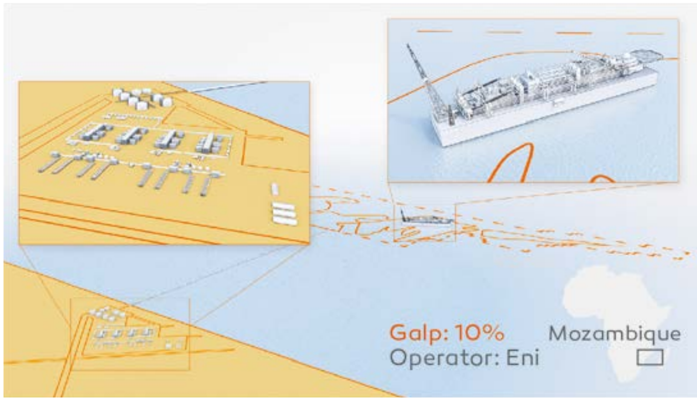
Mozambique

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

The initial development plan for Area 4 of the Rovuma basin includes the development of a FLNG unit for the Coral field and two onshore LNG trains for the Mamba project.

In 2015, the Area 4 consortium continued with the preparation of the first phase of development of the Coral project, including negotiation of EPCIC contracts and the LNG sales contract. The consortium also negotiated with the Government of Mozambique the development plan for the area, which was approved during February 2016.

AREA 4



Regarding the Mamba onshore project, EPCIC proposals are currently being prepared. In 2015, an agreement was concluded between the partners developing the Mamba (Area 4) and Prosperidade (Area 1) projects and is pending approval by the Government of Mozambique.

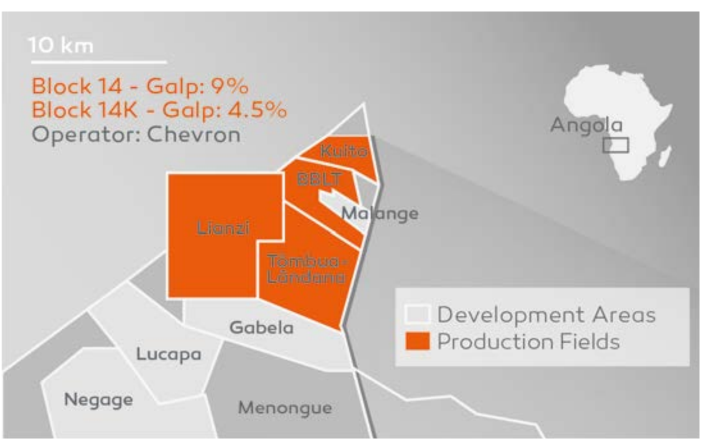
For the two LNG projects – Coral offshore FLNG and Mamba Onshore LNG – Galp has incorporated technical staff into the team developing the front-end engineering and design (FEED) together with the operator.

Galp is a member of the consortium for Area 4 with a 10% stake, along with Eni East Africa (operator) with a 70% interest, and Kogas and Empresa Nacional de Hidrocarbonetos (ENH), each with a 10% interest. China National Petroleum Corporation (CNPC) has an indirect stake of 20% through Eni East Africa.

Angola

Galp has assets under development in blocks 14, 14k and 32 and currently has two production platforms in block 14 and 14k, with a total production capacity of 355 kbopd. In block 32, the consortium expects to start production by 2017.

BLOCKS 14/14K



In 2015, working interest production in Angola decreased to 9.8 kbopd as a result of both the maturity of the Benguela-Belize-Lobito-Tomboco (BBLT) and Tômbua-Lândana (TL) fields in block 14 and the temporary shutdown of the compliant piled tower (CPT) on the BBLT field in block 14.

During the year, the Lianzi field tie-back to the CPT in the BBLT field, in Block 14, was completed. The consortium used this tie-back operation, which resulted in a 33-day shut-down period, for a platform turnaround.

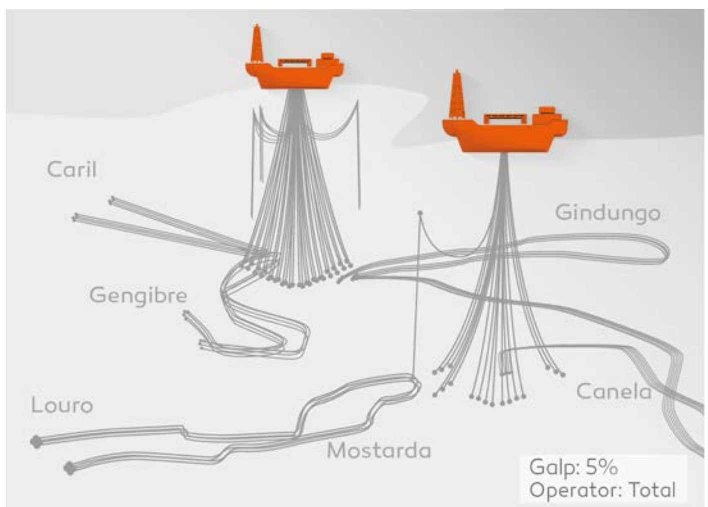
The Lianzi field in block 14k started production in October with three producer wells and one injector well.

Following re-evaluation of the BBLT and Tômbua-Landana field development design, and in order to reduce costs, the consortium decided to postpone the drilling activities planned for the year.

Regarding block 32, the consortium proceeded with the Kaombo field development activities, initiating the drilling campaign during the last quarter of 2015.

During the year, the consortium also negotiated the PSA fiscal terms with the Angolan authorities, in order to optimise the development of the block. The development plan includes installation of two FPSO units each with a production capacity of 125 kbopd. The FPSO conversions are being carried out in Singapore, with the Kaombo North unit expected to start production in 2017 and the Kaombo South FPSO in 2018.

BLOCK 32 DEVELOPMENT CONCEPT



Exploration assets

Creating value through exploration activity continues to be a strategic goal. Exploration activities involve identifying and maturing prospects currently in the portfolio and drilling prospects with significant potential.

In 2015, Galp focused the drilling campaign on previously identified exploration plays, namely the Santos, Potiguar and Amazonas basins in Brazil.

Exploration activities will continue in 2016 and will include drilling the Company's first exploration well off Portugal.

Brazil

BASINS IN WHICH GALP HAS A PRESENCE

In block BM-S-8, appraisal activities in 2015 were focused on the Carcará area. Drilling of the Guanxuma prospect is planned for 2017.

In the offshore Potiguar basin, in which Galp holds a 20% stake, the consortium completed drilling of the Pitu North appraisal well in 2015 under licence BM-POT-17. The results proved the extent of the Pitu discovery and confirmed good permeability and porosity conditions in the reservoir. Also under this license, the consortium is planning a 3D seismic data acquisition programme spanning 7,180 square kilometres (km²) in 2016/2017 for further evaluation of prospectivity potential in the Pitu and Tango areas.

POTIGUAR OFFSHORE BASIN

Under licence BM-POT-16, the appraisal plan for the Araraúna prospect includes an exploration well and 8,695 km² of 3D seismic data acquisition up to 2018.

In the offshore Pernambuco basin, in which Galp holds a 20% stake in two blocks, an extension of the exploration period to 2017 has been granted.

In the offshore Barreirinhas basin, in which the Company has a 10% stake, the consortium proceeded with interpretation of 2D seismic data, and initiated a 3D seismic data acquisition programme spanning 2,500 km².

In the onshore Amazonas basin, the consortium (Galp (40%), Petrobras (60%)) continued with the exploratory drilling campaign to analyse the area's potential, completing the drilling of the two wells. During the year, the consortium relinquished two exploration areas (AM-T-85 and AM-T-62) and retained AM-T-84 following a discovery of hydrocarbons, namely natural gas, with a drilling commitment in 2016.

Angola

In Angola, Galp has offshore assets under exploration in blocks 14 and 32.

Towards the end of 2015, the consortium for block 32 initiated negotiations with the concession holder for a two-year extension of the first exploration phase for that area.

Portugal

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

In the three Alentejo blocks operated by Eni – Santola, Lavangante and Gamba – work during the year focused on maturing prospects and preparing to drill the first exploration well, Santola-1, planned for 2016.

ALENTEJO BASIN

In the Peniche basin, Galp has a 30% stake in the Camarão, Amêijoa, Mexilhão and Ostra blocks. In 2015, the consortium completed 3D seismic acquisition and initiated the reinterpretation process for prospects in the Camarão area. The decision to drill an exploration well or abandon the area should be made by 2017.

São Tomé and Príncipe

BLOCK 6

In 2015, Galp acquired a 45% stake and operatorship of block 6 off São Tomé and Príncipe. Block 6 is located at a water depth of up to 2,500 m, in an area spanning 5,024 km^2.

Galp's partners in this project are Kosmos Energy Ltd. with a 45% stake, and ANP (representing the government) with a 10% stake.

The consortium plans to acquire seismic to improve understanding of prospectivity in the block.

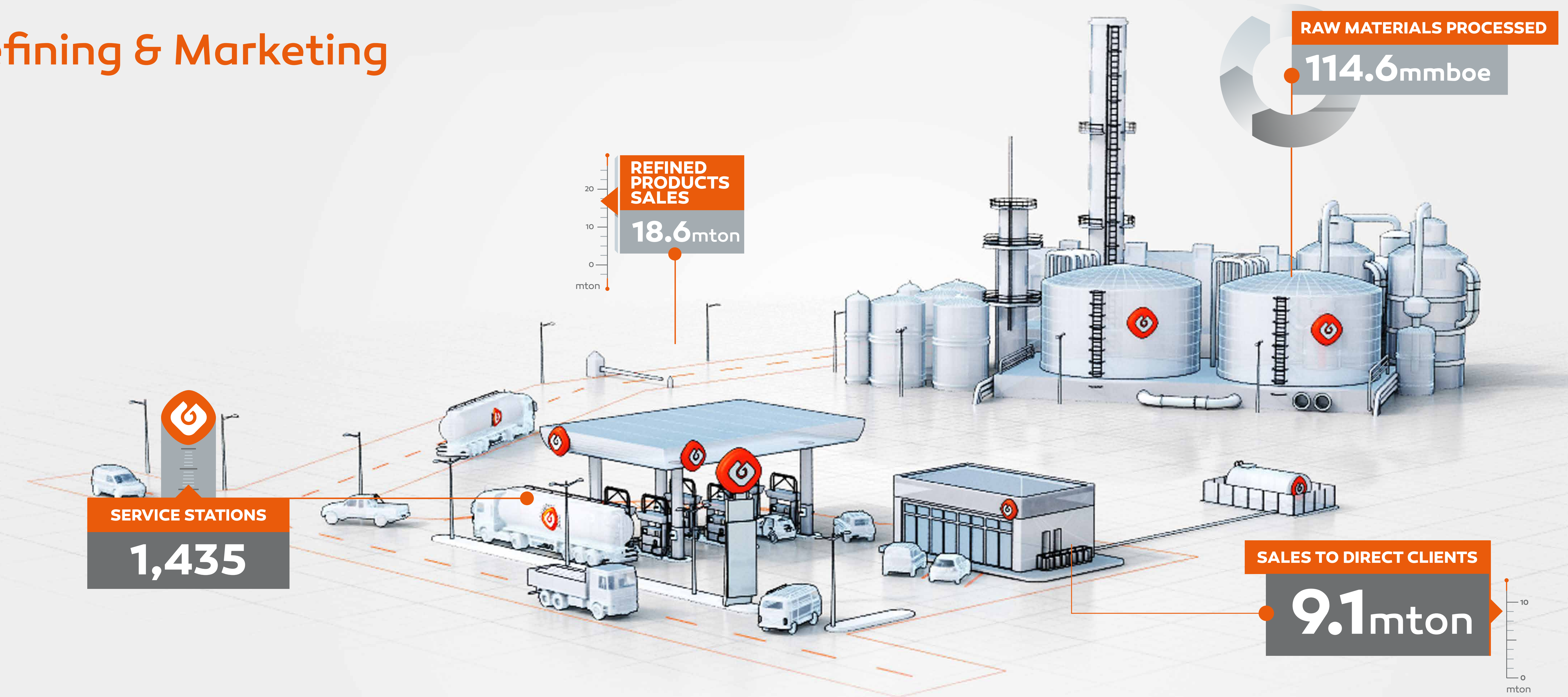
Namibia

In Namibia, Galp is evaluating the data obtained during the exploratory campaign in 2013 in order to evaluate whether to continue exploration activities in the region.

East Timor

In East Timor, Galp has a 10% interest in block E. In 2015, the consortium secured an extension of the exploration period to 2017 to improve knowledge of the area and further mature identified prospects.

3.2
Refining & Marketing



Strategic goals

- Integrate refining and marketing activities, increasing the alignment between the profile and volume of production and sales.
- Focus on energy efficiency and process optimisation throughout the refining system to support reductions in costs and in capital employed.
- Ensure the competitiveness of marketing of oil products in Iberia.
- Increase sales in international markets, including by leveraging the expected growth in the African market.
- Maximise and allocate cash flows to Galp's growth businesses.

2015 Headlines

- 2015 was characterised by a recovery in refining margins in the international market, with Galp's refining margin for the year standing at $6 per barrel of oil equivalent (boe), benefiting from past investment in the refining upgrade.
- Continued implementation of energy and operational efficiency initiatives to improve profitability.
- Iberian oil market recovered 2%, supported by economic improvement in the region.
- Development of a new value proposition for the marketing business to support customer acquisition and loyalty schemes.

KEY INDICATORS	2013	2014	2015
Raw materials processed (kboe)	101,554	92,864	**114,572**
Galp's refining margin ($/boe)	1.9	2.8	**6.0**
Refining cash costs[1] ($/boe)	2.4	2.6	**1.7**
Impact of refining margin hedging[2] ($/boe)	0.1	0.1	**(0.8)**
Refined products sales (mton)	17.2	16.8	**18.6**
Sales to direct clients (mton)	9.5	9.1	**9.1**
Number of service stations	1,435	1,449	**1,435**
Number of convenience stores	830	834	**832**
Ebitda RCA (€m)	311	412	**800**
Ebit RCA (€m)	5	99	**526**
Capital expenditure (€m)	153	108	**110**

[1]Excluding refining margin hedging impact.
[2]Impact on Ebitda.

Galp operates an integrated refining and marketing business. Its refining system comprises two recently upgraded refineries in Portugal and the largest part of its marketing activities are located in Iberia, which allows for relevant synergies and competitive advantages.

It's vast oil product distribution network makes Galp one of the leading operators in the region. The Company is also present in selected African markets in oil marketing activities.

Galp benefits from access to maritime terminals and storage facilities in Portugal and Spain, with a combined capacity of around 8.8 mm³. The Company also has interests in logistics companies in Portugal and benefits from access to several pipelines in Iberia, spanning a total of 4.2 thousand km.

In Mozambique, Galp has initiated construction of two liquid fuel handling and storage terminals, one in Beira and the other in Matola, which are expected to start operations in 2017. These projects will help develop the fuel marketing business in the country and secure access to a competitive source of oil products, including for re-exports to neighbouring countries, improving the Company's strategic position in the region. The facilities will have a total storage capacity of 111,000 cubic metres (m³).

The R&M business is an important source of cash flow for Galp. Planned initiatives will focus on increasing the profitability of its activities in order to maximise cash flows to support the Company's growth plan, currently focused on E&P.

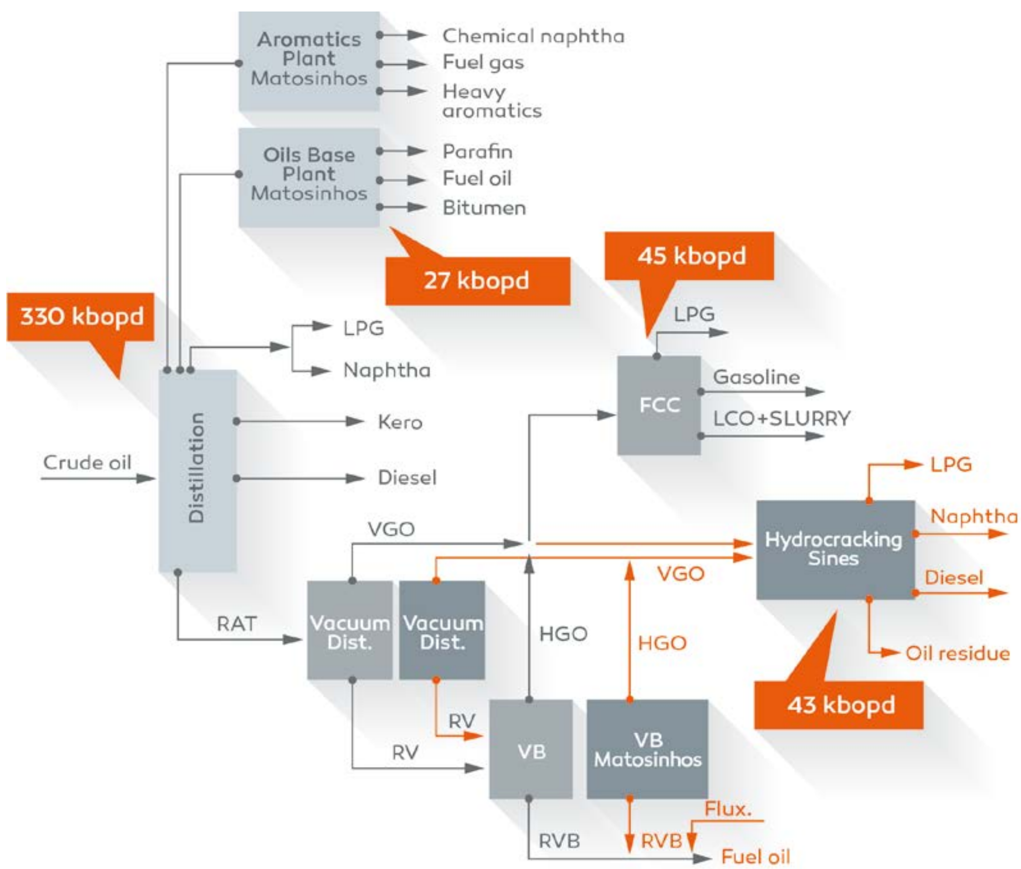
Initiatives in this area, including cost optimisation and working capital management, particularly on inventories and receivables, have supported the increase of the return on capital employed in recent years.

Galp remains focused on maximising value throughout the oil value chain and has worked to further integrate the crude production and supply and trading businesses. In 2015, Galp received its first dynamic positioning tanker – the NT Sallie Knutsen – with a capacity of approximately one million barrels, which will be part of the Company's own logistics to ensure oil offloading in the Santos basin. Dynamic positioning systems allow vessels to automatically control their position alongside FPSO units, a requirement for crude offloading operations off Brazil. Galp has entered into time charter agreements for another two dynamic positioning vessels, which are under construction in Asia and which should be available in 2017.

Refining

Galp's refining system comprises two refineries on the west coast of Portugal, with a total processing capacity of 330 kbopd. With a Nelson complexity index of 8.6, the refining system provides flexibility in terms of sourcing and production mix, supported by hydrocracking and fluid catalytic cracking (FCC) units at the Sines refinery. Galp also has an aromatics plant, with a capacity of 440 thousand tonnes (kt)/year, which produces raw materials for the petrochemical industry and solvents.

GALP REFINING PROCESS DIAGRAM

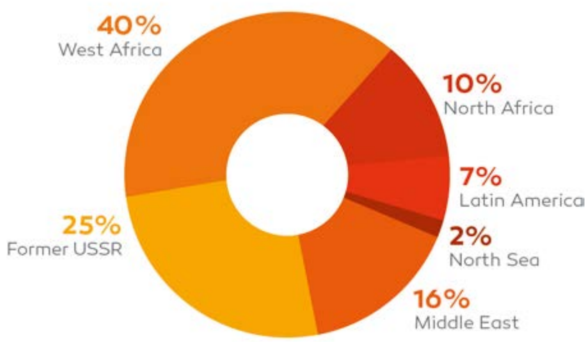


The refining system's high complexity and flexibility has allowed Galp to take advantage of market conditions in a year in which the refining activity benefited from favourable refining margins in Europe. The highest conversion units, the hydrocracking and FCC complex, operated at maximum capacity throughout the year, reflecting their high reliability and availability.

Galp optimises the sourcing of crude oil and other raw materials in order to maximise refining margins, taking into account the target production profile, as well as the sourcing diversification and the specifications of its refining system, which now has a greater capacity to process heavier feedstocks.

It should be highlighted that the crude sourcing diversification policy also allows for the mitigation of the potential effects of unpredicted events, such as supply disruptions in certain producing regions.

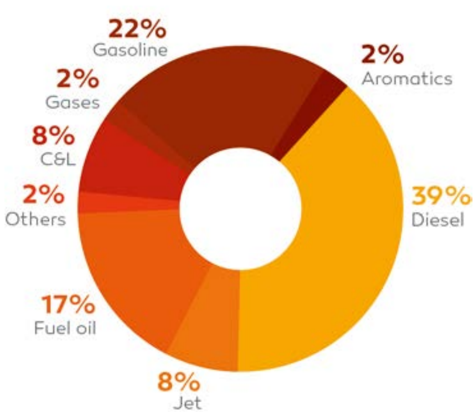
CRUDE SOURCES IN 2015



In 2015, approximately 114.6 mmboe of raw materials were processed, with crude accounting for 89% of the total. Galp imported crudes from 17 countries during the year. Medium and heavy crudes, which historically tend to have a lower cost than light crudes, accounted for 82% of the total.

In response to demand in its target markets, middle distillates and gasoline were the most relevant within the Company's production mix, accounting for 47% and 22%, respectively, of total production. Own consumptions and losses accounted for 8% of total raw materials processed.

PRODUCTION PROFILE IN 2015



Another highlight in 2015 was the increased production of vacuum gas oil (VGO), an important component for the production of middle distillates. This increase was enabled by process changes, distillation modifications to accommodate the import and treatment of light residuum, changes in the operation of the FCC and elimination of slops from the Sines refinery, maximising access to this component.

Galp remains focused on the strategic objective of maximising energy efficiency and optimising refining processes. In particular, energy efficiency initiatives are being implemented at the Sines and Matosinhos refineries, focused on equipment and process optimisation and energy cost.

Galp has continued to implement the Reliability Centered Maintenance (RCM) system at both refineries. The goal is to continue to develop a culture of reliability and focus on reinforcing the organisation and implementation of RCM initiatives that can improve unit reliability and the overall efficiency of the refining activity. In the first half of 2016, a partial outage for maintenance was conducted at the Sines refinery for replacement of the hydrocracker catalyst.

Galp is also applying lean six sigma as a method of achieving continuous improvement, minimising variability, reducing waste and managing personnel.

Marketing of oil products

The marketing business is focused on high-value markets, including Iberia, where Galp is a relevant player, as well as some African countries where expected market growth is attractive and where there are synergies with other Company activities in the region.

In 2015, 18.6 million tonnes (mton) of oil products were sold, an increase of 10% year-on-year (YoY), as 2014 was negatively impacted by the planned outage at the Sines refinery, which impacted the availability of products. Sales to direct clients accounted for around 49% of total volume sold, with exports and sales to other operators accounting for 33% and 18%, respectively. The marketing business continued to make a positive contribution to business results, benefitting from the recovery in Iberia.

Core marketing activities are operated under Galp's own brand, both through the Company's large service stations network and on direct sales to wholesale clients.

Galp has been reorganising the marketing business structure in Portugal and Spain in order to leverage on additional Iberian synergies and increase competitiveness and operational efficiency and maximise return on invested capital.

SERVICE STATION IN PORTUGAL

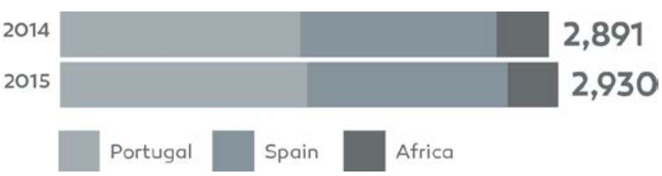
Sales to direct clients

Sales to direct clients in Iberia and some selected African markets are a primary focus of Galp's marketing business. These markets are believed to have the greatest value creation potential based on the Company's quality and geographic advantages of refining and logistics assets.

In 2015, sales to direct clients stood in line YoY at 9.1 mton. Sales volumes in Africa accounted for around 8% of all sales to direct clients.

In the retail segment, sales volumes increased 1%, namely on the back of the economic recovery in Iberia.

RETAIL SEGMENT SALES (KTON)



In compliance with a new law approved in 2015, which requires all service stations in Portugal to sell fuels without additives, Galp has adapted its offering to include this type of fuel. The Company continues to also sell additive-enhanced fuels in order to remain faithful to its value proposition and commitment to the quality of the products and services provided. Additive-enhanced fuels continued to account for the largest share of volumes sold.

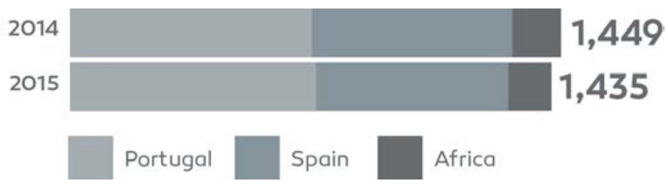
At year end 2015, Galp retained its leadership position in Portugal with a retail market share of around 30%, in line with 2014. In Spain, the market share was 5% in 2015. The Company's Iberian market share therefore averaged around 10% in retail.

Non-fuel products sold at service stations accounted for 3% of total sales.

Galp maintains its successful partnership with the largest food retail group in Portugal (Sonae), reaching 1.35 million customers in 2015, a 30% increase YoY, having benefitted from the launch of a new loyalty card (Universo), and leveraging synergies between the two companies.

Galp has also enhanced customer acquisition and loyalty initiatives. An important initiative was the Energia³ plan, through which customers benefit from an integrated offer of fuel, natural gas and electricity at a discount, which during 2015 contributed to the acquisition of over 40 thousand clients. During the year, this pioneering initiative was also extended to the Spanish market.

NUMBER OF SERVICE STATIONS

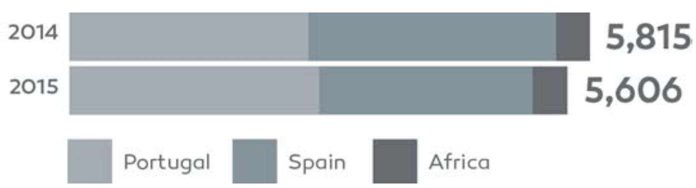


Galp's service station network at year end included 1,435 service stations, of which 1,297 are in Iberia and 138 are in Africa. The reduction in the number of service stations is part of an optimisation plan.

In the wholesale segment, sales decreased 5% YoY in 2015 as a result of the rationalisation of the portfolio of Iberian clients, namely industrial customers.

It is important to highlight that volumes sold in the marine bunkers and jet sub-segments increased, reflecting the Company's competitive value proposition in both the Portuguese and Spanish market.

WHOLESALE SEGMENT SALES (KTON)



Sales to other operators

Although Galp's focus is on sales to direct clients, Galp assures, through the production from its refineries, sourcing to other operators in Iberia, increasing product sales within refineries' natural market.

In 2015, sales to other operators reached 3.4 mton.

Exports

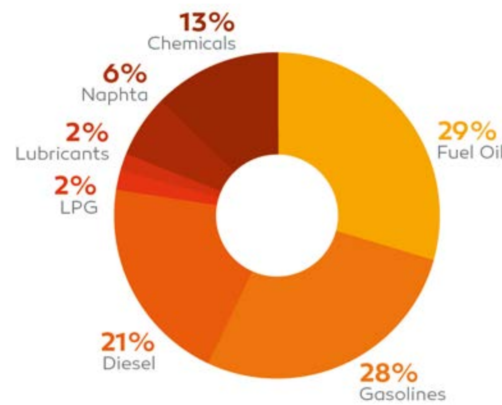
Galp operates in the international export market as an additional route for marketing production from refineries. The Company prioritises markets in close proximity to the refining system, although it may also explore opportunities in other markets.

In 2015, exports outside Iberia totalled 6.1 mton, an increase of 46% YoY, with the turnaround at the Sines refinery during 2014 affecting the volume of products available for export in that period.

Fuel oil, gasoline and diesel accounted for 29%, 28% and 21% of total exports, respectively, destined mostly to the USA, France and the Netherlands.

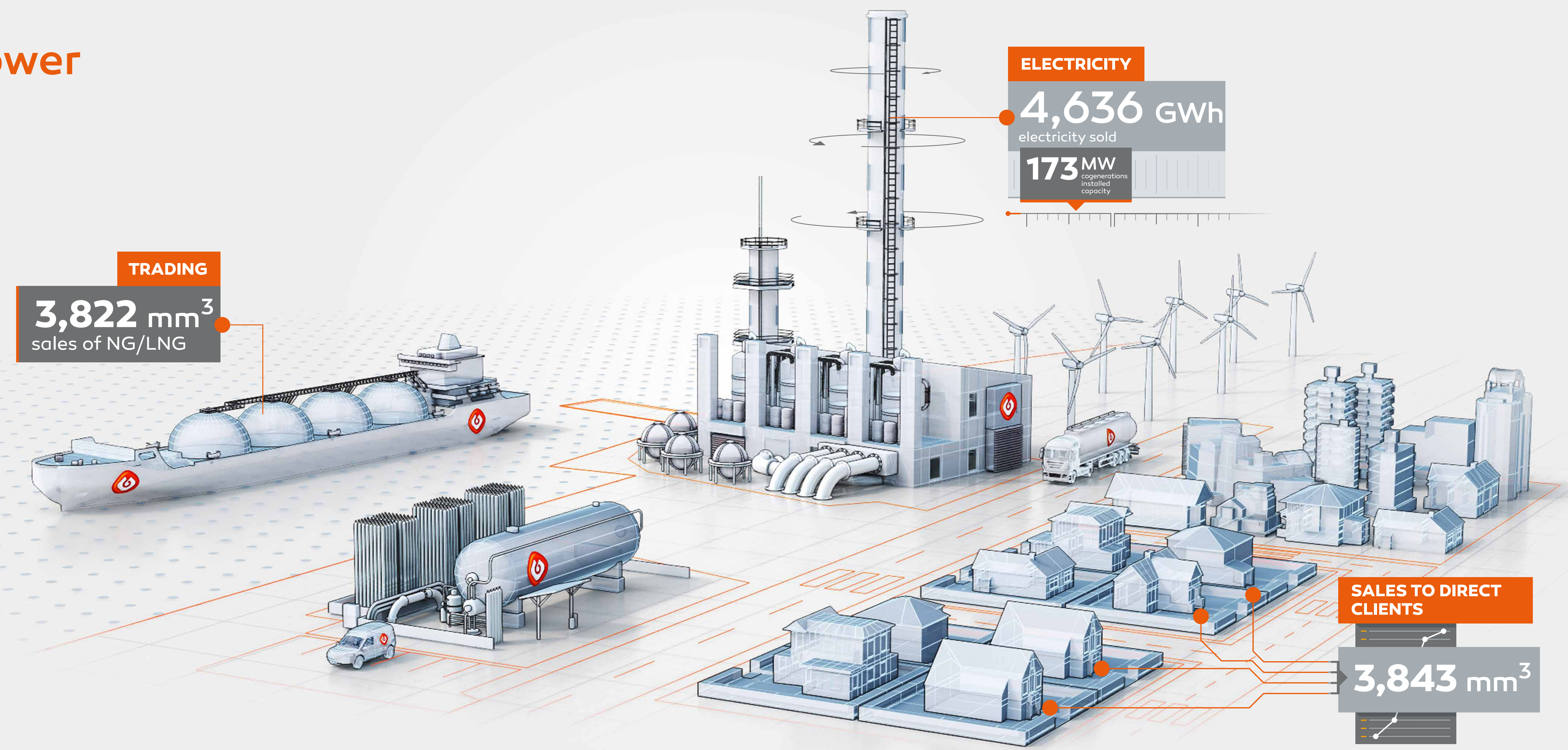
Despite the increase in gasoline production in the USA, Galp has not experienced any restrictions on gasoline exports to the region. A feedstock profile largely consisting of medium and heavy crudes in the case of Galp, combined with the geographic advantage of its refining system, allow the Company to place heavier gasoline components in the U.S. market, especially in the East Coast.

EXPORTS BY PRODUCT IN 2015



3.3

Gas & Power



Strategic goals

- Ensure a relevant base for natural gas demand in Iberia and evaluate new markets for expansion.
- Ensure long-term natural gas sourcing, accommodating the end of current contracts and building a diversified and flexible portfolio.
- Ensure access to natural gas infrastructure, namely transport and storage capacity, that support the supply activity.
- Consolidate the international NG/LNG trading business, securing medium and long-term LNG sales contracts and exploring arbitrage opportunities in other markets.

2015 Headlines

- Natural gas sales volumes remained stable at approximately 7.7 billion cubic metres (bcm).
- Consolidation of the NG/LNG business in the international market and continued pursuit of new opportunities.
- Increased sales to direct clients driven by higher volumes sold in the electrical segment.
- Stable contribution from the regulated infrastructure business.
- Continued integration of the natural gas and power businesses through a combined offering for the retail segment.

KEY INDICATORS	2013	2014	2015
Natural gas sales to direct clients (mm^3)	4,056	3,759	**3,843**
Sales of NG/LNG in trading (mm^3)	3,034	3,713	**3,822**
NG distribution network infrastructure (km)	12,159	12,348	**12,533**
Cogenerations installed capacity (MW)	254	205	**173**
Electricity sold (GWh)	3,647	3,792	**4,636**
Ebitda RCA (€m)	416	438	**382**
Ebit RCA (€m)	338	363	**303**
Capital expenditure (€m)	85	29	**65**

The G&P business combines natural gas sourcing, distribution, supply and trading, as well as electricity generation and supply. During 2015, Galp has continued to integrate its natural gas and power businesses to support a more competitive offering on the market.

Natural gas distribution and supply activities are largely carried out in Iberia. Galp is also present in the international NG/LNG market, where it has been consolidating the trading activities.

In the supply & trading activities, Galp aims to ensure a relevant demand base in the Iberian market, whilst consolidating natural gas and LNG sales in the international market, mainly based on long-term sourcing contracts. The power activity is integrated with the natural gas activity and supplements the offering of energy products to the Iberian client base. The regulated natural gas distribution infrastructure contributes to the stability of G&P business results.

Positive cash flow generated from the G&P business is allocated to Galp's growth businesses.

Natural Gas

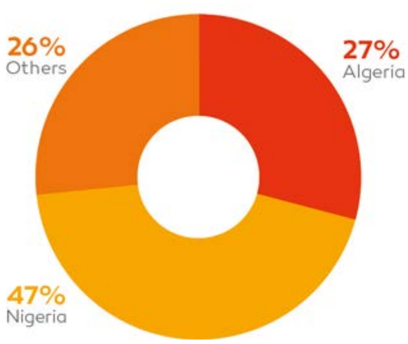
Galp operates across the natural gas supply value chain, with sales of approximately 7.7 bcm in 2015, as well as operating regulated infrastructure for the distribution of natural gas.

Sourcing

Galp has long-term sourcing contracts for a total of 5.7 bcm per year, with maturities starting from 2019. These contracts with Nigeria LNG and Sonatrach provide access to LNG from Nigeria and natural gas from Algeria, respectively.

The Company actively and effectively manages its sourcing opportunities, also maintaining an active presence in the spot market.

NATURAL GAS SOURCING IN 2015



Galp maintained its primary sources of natural gas in 2015, with 47% being sourced from Nigeria and 27% from Algeria. Natural gas is supplied from Algeria via the Europe Maghreb (EMPL), Al-Andalus and Extremadura pipelines, which Galp co-owns. Sourcing contracts in the Spanish and French markets accounted for approximately 2 bcm.

INTERESTS IN INTERNATIONAL GAS PIPELINES

International pipelines	Country	Capacity (bcm/year)	Galp stake
EMPL	Algeria,Morocco	12.0	22.80%
Al-Andalus	Spain	7.8	33.04%
Extremadura	Spain	6.1	49.00%

Supply & Trading

Galp's Supply & Trading business is currently centred on two pillars. The first is the Iberian market, where the Company maintains a stable demand base of approximately 4 bcm per year, and where it is focused on improving the profitability of operations.

Regarding the second pillar – the international NG/LNG market, Galp is working to further consolidate and develop operations and sustainably pursue new opportunities.

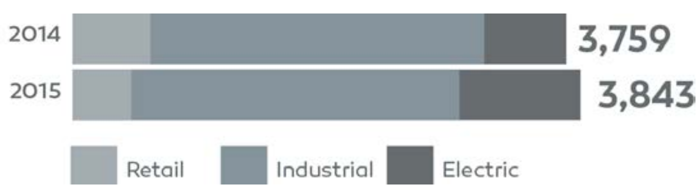
In 2015, Galp sold a total of 7,665 mm^3 of natural gas, an increase of 3% compared with the previous year, supported by higher volumes sold to the electrical segment and also through trading.

Sales to direct clients

Galp maintains a significant client base in Iberia, with around 606 thousand clients at the end of 2015.

In 2015, natural gas sales to direct clients increased YoY to 3,843 mm^3, helped by increased demand from the electrical segment and partly offset by a reduction in the retail and industrial segments.

NATURAL GAS SALES TO DIRECT CLIENTS (MM^3)



In 2015, natural gas consumption in the electrical segment increased by 355 mm^3 to 1,082 mm^3 as a result of higher consumption of natural gas for power generation in Portugal, in replacement of other energy sources, such as hydropower.

Natural gas sales to the industrial segment were 2,397 mm^3, a decrease of 159 mm^3 compared with the previous year due to a decline in demand from large industrial customers, particularly in Portugal.

In the retail segment, natural gas volumes declined by 112 mm^3 from 2014 to 365 mm^3. The decrease was due to stronger competition in Iberia, and also due to the sale of its residential natural gas supply business in Madrid, Spain. This is in line with Galp's objective of focusing Spain's marketing operations on the commercial and industrial segments.

Trading

Through its trading business, Galp has been successfully accessing and expanding into important LNG markets and developing relevant expertise, which will prove to be particularly important when developing the E&P project in the Rovuma basin.

In 2015, the Company further developed the trading business and pursued new opportunities in the international market, including network trading opportunities in Spain and France. Network trading volumes in 2015 accounted for 32% of total traded volumes at 1,224 mm^3, compared with 570 mm^3 the previous year. The increase offset the reduction in LNG trading operations in the international market to 33 from 40 in the previous year. Traded cargoes were largely destined to Latin America and Asia.

Trading volume in 2015 totalled 3,822 mm^3, an increase of 3% compared with the previous year.

Regulated distribution infrastructure

Galp operates natural gas distribution infrastructures in Portugal that are regulated by the Portuguese Energy Market Regulator (ERSE).

Allowed revenues, on which natural gas distribution tariffs are calculated, are a function of the cost of capital of the investments made and the recovery of operating costs and other adjustments, namely the tariff deficit. The cost of capital is calculated as the product of the regulated asset base by the rate of return set by the regulator, plus asset amortisation. Tariff deficit is defined as the difference between actual and estimated allowed revenues for year n-2. The rate of return is calculated taking into consideration the average yield of 10-year bonds issued by the Portuguese state.

The rate of return established for the 2014-2015 regulatory Gas Year was revised from 8.41% to 7.94%, reflecting the yields of benchmark bonds in that period. At the end of 2015, the regulatory asset base was approximately €1.1 bn. In June 2016, ERSE is expected to establish new regulatory parameters for the period 2016-2019, including efficiency targets and rate of return.

Galp has stakes in nine natural gas distribution companies in Portugal, five of which operate under 40-year concession contracts, with the remainder operating under 20-year operation licenses. Galp has worked to optimise operations and standardise processes in order to improve the level of service and the end-user experience.

At year end 2015, Galp operated a distribution network of 12,533 km, with subsidiaries distributing 1.4 bcm of natural gas during the year.

During 2015, Galp increased its stake in Setgás - Sociedade de Distribuição de Gás Natural, S.A. by 33.05% to 99.93%.

Power

The power business, which entails the generation and supply of electricity in Iberia, is integrated with the natural gas activity through the consumption at cogeneration plants, and supporting an integrated offering of electricity and natural gas.

Cogeneration

Galp's portfolio of cogeneration assets in Portugal currently has an installed capacity of 173 megawatts (MW), including cogeneration units at the Sines and Matosinhos refineries, which have important natural gas consumption loads as well important sources of steam for the refineries. Electricity produced, is sold to the network at a regulated price.

COGENERATION PORTFOLIO IN 2015

	Installed capacity (MW)	Sales of electricity to the grid (GWh)	Natural gas consumption (mm^3)
Sines	82	522	190
Matosinhos	82	658	238
Other	9	88	22
Total	173	1,268	450

Trading and supply of electricity

Galp operates in the Iberian Electricity Market (MIBEL) to source electricity for sale in the supply activity. Electricity supply is complementary to the natural gas activity and supports a combined offering in the Portuguese market, namely to the residential segment.

At year end, Galp had 267 thousand power residential customers, in line with the previous year.

The Energia³ programme launched in 2014, in which oil products, natural gas and electricity are offered at a discount, has been a differentiator in the market and has had a positive impact on customer acquisition and retention.

In 2015, electricity sales totalled 3,336 gigawatt hours (GWh), a 52% increase from 2014.

4 Financial Performance

4.1

Executive summary

During 2015, the operating and financial performance benefited from Galp's integrated business profile, with the following highlights:

- RCA Ebitda was €1,564 m, a YoY increase of 19% largely due to the positive performance of the R&M business;
- RCA Ebitda for the E&P business decreased to €356 m, following the lower average sale price of oil and natural gas, despite the 50% increase in working interest production, which averaged 45.8 kboepd mainly due to the increase in production from Brazil;
- In the R&M business, RCA Ebitda reached €800 m, mainly driven by improving refining margins in the international market; the oil marketing business continued to make a positive contribution to results, benefiting from a recovery in the Iberian market;
- RCA Ebitda for the G&P business was €382 m, down €55 m YoY, mostly due to lower results in the power and regulated infrastructure businesses, and despite the increase in sales of natural gas, which reached 7,665 mm^3, reflecting higher sales to the electrical segment and through trading;
- RCA net income reached €639 m, mainly following the improved operational performance; International Financial Reporting Standards (IFRS) net income was €123 m, including a €272 m negative inventory effect, as well as €244 m in non-recurring items, mostly related to E&P impairments;
- Capital expenditure was €1,283 m, of which 86% was allocated to the E&P business and especially to Lula/Iracema field development in Brazil;
- Net debt at the end of 2015 amounted to €2,422 m, or €1,699 m considering the balance of the loan to Sinopec as cash and equivalents, in which case net debt to Ebitda was 1.2x.

Note: Unless otherwise indicated, all results reported in this chapter are RCA. Capital expenditure excludes capitalised interest and includes financial investment from companies that do not fully consolidate.

EBITDA AND EBIT PER BUSINESS SEGMENT IN 2015 (€M)

	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	1,200	357	1,557	7	1,564
E&P	351	-	351	5	356
R&M	466	330	797	4	800
G&P	357	27	384	(2)	382
Others	25	-	25	0	26

	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	449	357	806	189	995
E&P	(25)	-	(25)	170	145
R&M	177	330	508	18	526
G&P	276	27	302	1	303
Others	21	-	21	0	21

4.2

Operating performance

Exploration & Production

E&P RCA Ebitda for the year dropped €88 m YoY to €356 m, following the decrease in the average sale price of oil and natural gas, despite the increase in net entitlement production and the appreciation of the US Dollar against the Euro. The average sale price was $43.5/boe, compared with $88.7/boe in 2014, following a decline in international crude prices.

Production costs of €140 m were €40 m higher than in 2014 due to the increase in production from FPSO Cidade de Paraty (FPSO#2) and Cidade de Mangaratiba (FPSO#3) in Brazil. In unit terms, production costs decreased by $3.6/boe YoY to $9.8/boe, as a result of production dilution.

Depreciation charges increased by €62 m from 2014 to €211 m, as a result of the increased asset base and higher production in Brazil. On a net entitlement basis, depreciation charges decreased by $5.2/boe to $14.8/boe in 2015.

RCA Ebit decreased by €150 m YoY to €145 m. Ebit IFRS decreased by €216 m and was negative by €25 m, considering non-recurring events of €170 m.

Refining & Marketing

During 2015, RCA Ebitda reached €800 m, mainly due to improved results from refining activities.

Galp average refining margin was $6.0/boe during the year, compared to $2.8/boe in the previous year, following the recovery of the refining margins in the international market.

Refining cash costs increased €80 m YoY to €255 m, impacted by the hedging of the refining margin. In unit terms, cash costs were $2.5/boe, or $1.7/boe excluding the impact of the margin hedging.

Marketing of oil products also contributed to the higher results from the R&M business, benefiting from the recovery of the Iberian market.

RCA Ebit for the R&M business reached €526 m during 2015. IFRS Ebit also increased, by €578 m, and amounted to €177 m, having been impacted by non-recurring items of €18 m and an inventory effect of €330 m, mainly driven by the oil price decrease throughout the year.

Gas & Power

During 2015, RCA Ebitda for the G&P business reached €382 m, down €55 m YoY, mostly due to lower results in the power and regulated infrastructure businesses.

RCA Ebitda for the power business decreased €32 m to €2 m, impacted by the sub-optimal operation of the cogeneration in the Matosinhos refinery and the lag in the natural gas purchase price indexes, compared to the pricing formulas of energy produced, particularly during the first half of 2015.

RCA Ebitda for the infrastructure segment dropped 14% to €133 m, impacted by the rate of return revision to 7.94%, compared to 8.41% the year before.

RCA for the natural gas segment was €248 m, in line YoY, with the slight increase in volumes sold offsetting the price decrease.

Depreciation and amortisation stood at €58 m, compared to €63 m in 2014. Provisions accounted for €21 m, compared to €12 m in 2014.

RCA Ebit for the G&P business segment decreased €60 m YoY to €303 m. IFRS Ebit also decreased, by €95 m, and reached €276 m during 2015.

4.3

Consolidated results

During 2015, RCA turnover stood at €15,517 m, a 13% decrease YoY, resulting from lower commodities prices.

RCA operating costs amounted to €13,952 m, down 16% YoY, following an 18% decrease in the cost of goods sold. The supply & services costs increased by 14%, mainly following the increase in the oil and natural gas production activity. Personnel costs stood in line YoY at €330 m.

RCA Ebitda reached €1,564 m, a €250 m increase YoY, which was due to improved results in the R&M business. IFRS Ebitda was up by €376 m, and reached €1,200 m, including an inventory effect of €357 m and non-recurring items of €7 m.

RCA Ebit increased by €221 m, to €995 m, while IFRS Ebit increased by €269 m to €449 m.

RCA PROFIT & LOSS (€M)

	2014	2015	Var.	% Var.
Turnover	17,904	**15,517**	(2,387)	(13%)
Costs of goods sold	(15,133)	**(12,337)**	(2,797)	(18%)
Supply & Services	(1,158)	**(1,316)**	159	14%
Personnel costs	(333)	**(330)**	(3)	(1%)
Other operating revenues (expenses)	35	**31**	(4)	(10%)
Ebitda	**1,314**	**1,564**	**250**	**19%**
Depreciation & Amortisation	(504)	**(544)**	40	8%
Provisions	(36)	**(25)**	(11)	(30%)
Ebit	**774**	**995**	**221**	**28%**
Net income from associated companies	60	**83**	23	39%
Net income from investments	3	**2**	(0)	(11%)
Net interest expenses	(145)	**(98)**	47	32%
Net income before tax and non-controlling interests	**693**	**983**	**290**	**42%**
Taxes[1]	(253)	**(291)**	38	15%
Non-controlling interests	(67)	**(54)**	(13)	(20%)
Net income	**373**	**639**	**266**	**71%**
Non-recurring items	(203)	**(244)**	(41)	(20%)
Net income RC	**170**	**395**	**225**	**n.m.**
Inventory effect	(343)	**(272)**	71	21%
Net income IFRS	**(173)**	**123**	**296**	**n.m.**

[1]Includes Special Participation Tax payable in Brazil and oil tax payable in Angola.

RCA net income from associated companies were up by €23 m, reaching €83 m, due to the contribution of Tupi B.V.. Results from stakes in international pipelines amounted to €67 m.

Financial results RCA were negative by €98 m, an improvement of €47 m YoY, mainly due to an increase in capitalised interest.

Taxes RCA increased by €38 m to €291 m, due to better results. This amount includes taxes on oil and gas production in the E&P business, which decreased to €105 m.

Non-controlling interests amounted to €54 m and were primarily attributable to Sinopec.

RCA net income stood at €639 m, a €266 m increase YoY.

IFRS net income was €123 m, including a €272 m negative inventory effect, as well as €244 m in non-recurring items, which were mostly related to impairments regarding the E&P business, in particular related to the LNG II project in Angola and the impairments on the exploration activity in the Brazilian basin of Amazonas.

Non-recurring items also include around €55 m related to the Portuguese extraordinary contribution to the energy sector (CESE) tax. This provision related with CESE results from the strict applicability of accounting standards. However, Galp's opinion, based on the opinion of renowned legal experts, is that the laws regarding CESE have no legal grounds and accordingly these amounts are not due.

4.4

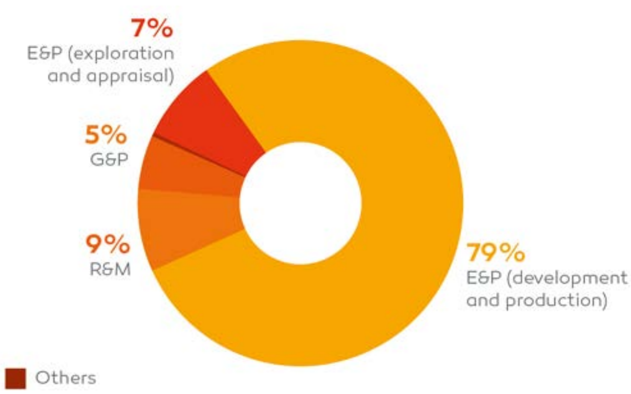
Capital Expenditure

During 2015, capital expenditure amounted to €1,283 m, 86% of which was allocated in the E&P business.

The E&P activity accounted for €1,103 m, 91% of which was allocated to development activities, namely to the construction of FPSO units and the development of Lula/Iracema in Brazil, and block 32 in Angola.

Capital expenditure in downstream and gas activities stood at €176 m, including the €39 m acquisition of the 33.05% additional stake in the natural gas distribution company Setgás. Excluding this impact, total capex allocated to downstream and gas activities was €137 m, having been mainly allocated to maintenance and safety activities in the refineries.

CAPITAL EXPENDITURE BY SEGMENT (%)



4.5

Cash flow

CASH FLOW MAP - INDIRECT METHOD (€M, IFRS)

	2014	2015
Ebit IFRS	180	**449**
Dividends from associates	74	**73**
Depreciation, depletion and amortisation	614	**720**
Change in working capital	326	**458**
Cash flow from operations	**1,193**	**1,700**
Net capex[1]	(1,142)	**(1,190)**
Net financial expenses	(130)	**(124)**
Taxes paid	(159)	**(127)**
Dividends paid	(275)	**(318)**
Others[2]	165	**157**
Change in net debt	**348**	**(98)**

[1]Includes €39 m related to the acquisition of a 33% stake in Setgas during the fourth quarter of 2015, as well as the €69 m divestment from the NG underground storage and the €35 m sale of the Madrilenas companies in 2015.

[2]Includes CTA (Cumulative Translation Adjustment) and partial reimbursement of loan granted to Sinopec.

During 2015, net debt decreased by €98 m, having been positively impacted by cash flow from operations of €1,700 m and by €261 m of loan reimbursement by Sinopec.

Cash flow also benefited from working capital improvement, with working capital amounting to €510 m at the end of 2015. The decrease in working capital primarily stemmed from lower receivables and inventories.

4.6

Financial debt

CONSOLIDATED FINANCIAL POSITION (€M)

	31 Dec. 2014	31 Dec. 2015	Change
Net fixed assets	7,599	**7,892**	294
Working capital	968	**510**	(458)
Loan to Sinopec	890	**723**	(167)
Other assets (liabilities)	(512)	**(515)**	(4)
Capital employed	**8,945**	**8,610**	**(335)**
Short-term debt	303	**493**	189
Medium-long term debt	3,361	**3,060**	(302)
Total debt	**3,664**	**3,552**	**(112)**
Cash and equivalents	1,144	**1,130**	(14)
Total net debt	**2,520**	**2,422**	**(98)**
Total equity	**6,425**	**6,188**	**(237)**
Total equity and net debt	**8,945**	**8,610**	**(335)**
Total net debt including loan to Sinopec	**1,630**	**1,699**	**69**
Net debt to Ebitda	**1.9x**	**1.5x**	**(0.4x)**
Net debt to Ebitda including loan to Sinopec	**1.2x**	**1.2x**	**-**

Net fixed assets increased €294 m and stood at €7,892 m at the end of 2015, €2,077 m of which related to work-in-progress, mostly on E&P projects.

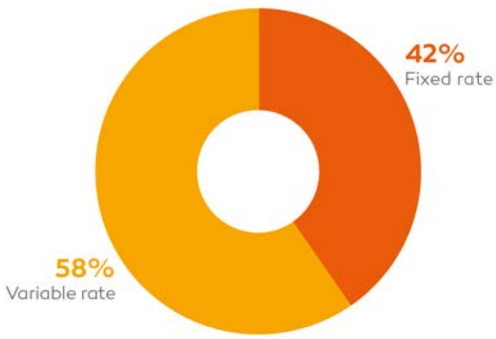
Capital employed at the end of the period amounted to €8,610 m, including the €723 m loan granted to Sinopec.

As of 31 December 2015, net debt stood at €2,422 m, down €98 m from the end of the previous year. Considering the €723 m balance of the Sinopec loan as cash and equivalents, net debt totalled €1,699 m at the end of the year, which translates into a net debt to Ebitda ratio of 1.2x, considering as part of this ratio Sinopec's €173 m shareholder loans to Petrogal Brasil.

DEBT REIMBURSEMENT PROFILE (€M)

At the end of 2015, the average interest rate was 3.75%, down 45 b.p. compared to the end of 2014, and with 42% of total debt on a fixed-rate basis.

DEBT BY INTEREST RATE (%)



Debt had an average maturity of 3.1 years, and medium and long-term debt accounted for 86% of the total.

As of 31 December 2015, around 75% of total debt was scheduled to mature from 2018 onwards.

It is also worth mentioning that, at the end of the year, Galp had unused credit lines of approximately €1.1 bn, 60% of which were contractually guaranteed.

5

Commitment to Stakeholders

5.1

Corporate governance

Galp is governed by the principles of ethics, transparency and consistency. A range of controls and monitoring tools have been developed and implemented, including policies, procedures and internal standards that incorporate local and international best practice in corporate governance.

This chapter addresses the key topics on Galp's corporate governance. For further detailed information, consult the Company's Corporate Governance Report 2015.

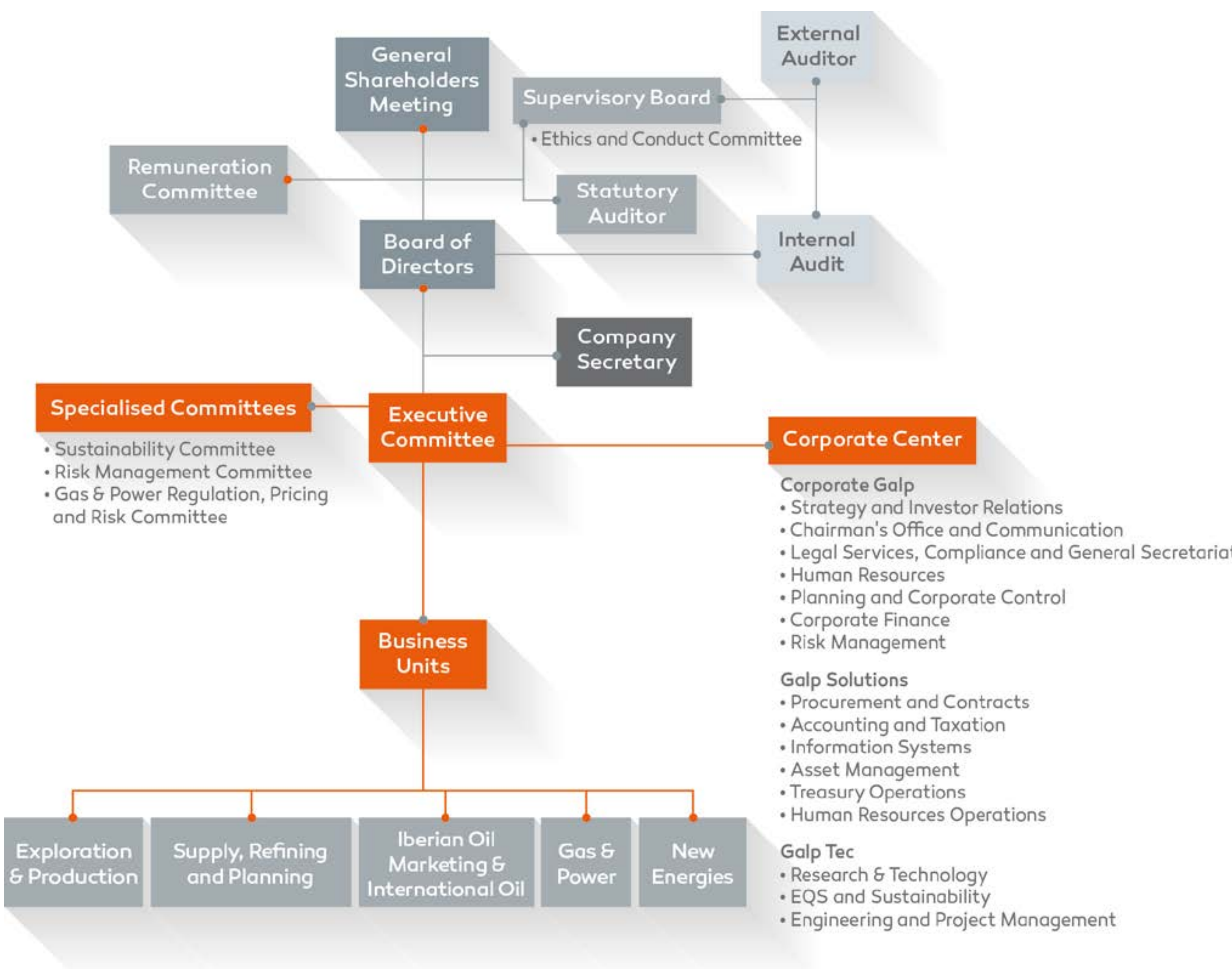
Governance model

Galp's corporate governance model uses a management structure comprising a Board of Directors, an Executive Committee with powers delegated by the Board to exercise day-to-day management of the Company, a robust supervisory framework including the Supervisory Board and the Statutory Auditor, and a Company Secretary providing specialist support to the Company's governing bodies.

The governing bodies within the Company's governance model are mandatory for companies with shares listed for trading in a regulated market and which adopt the one-tier model under article 278(1)(a), article 413(1)(b) and (2)(a) and article 446(A)(1) of the Portuguese Commercial Companies Code (CSC).

Galp's corporate governance model is designed to ensure the transparency and effectiveness of the organisation through a clear separation of powers between the different governing bodies. Whilst the Board of Directors exercises oversight, control and supervision of strategic matters and manages relations between shareholders and other governing bodies, the duties of the Executive Committee – which are delegated by the Board of Directors – are operational in nature and entail the day-to-day management of business units and corporate services.

The Chairman of the Board of Directors has, in addition to such other authority and responsibilities as are provided by applicable laws or regulations, the authority and responsibility to coordinate and supervise relations between the Company and its shareholders, including reference shareholders, in accordance with the Company's objectives, the long-term interests of shareholders and in the interest of ensuring the sustainable development of the business.



Board of Directors

The General Shareholders Meeting is responsible for appointing and replacing the members of the Board of Directors, including the Chairman.

If any member of the Board of Directors is permanently or temporarily impeded from attending, the General Shareholders Meeting replaces that member by co-option, subject to ratification in the following General Shareholders Meeting.

Galp's by-laws establish that members of the Board of Directors are appointed for a renewable term of four calendar years, with the year of appointment counting as a full year. Members of the Board of Directors take office at the time of appointment and remain in office until the nomination, co-option or appointment of a substitute, except that a member who has resigned or been removed remains in office for the periods established in the CSC.

Members of the Board of Directors are nominated from a list, and only nominees on the list are eligible for appointment by shareholders as provided by law and in Galp's by-laws. Directors may only be appointed individually in exceptional cases provided by law (articles 392 to 394 of the CSC). Under article 14(2) of the Company's by-laws, minority shareholders which, either individually or as an established group, have a voting interest in the company of at least 10% and not greater than 20%, have the right to individually nominate one director.

At year end 2015, the Board of Directors consisted of 19 directors, including seven executive directors and 12 non-executive directors. Of the latter, five are considered independent directors based on the independency criteria established by the Portuguese Securities Market Commission (CMVM), the regulator of the Portuguese capital market. It is considered independent whom is not associated with any specific interest group in the Company and is not in any situation that might affect his impartiality of analysis or decision-making, in particular because:

a) has been an employee of the Company or of a company with which it is in a controlling or group relationship in the past three years;

b) has in the past three years provided services or established an active business relationship with the Company or a company with which it is in a controlling or group relationship, either directly or as a partner, director, officer or manager of a company;

c) receives compensation from the Company or from a company with which it is in a relation of domain or group, excluding the remuneration for the exercise of administrative duties;

d) is a partner, spouse or relative in the first degree and up to and including the third degree, in a collateral line inclusive, of a director or an individual with a direct or indirect qualifying holding;

e) is a qualifying shareholder or representative of a qualifying shareholder.

Galp believes the proportion of independent directors among non-executive directors, of 42%, is appropriate for the adopted governance model, the size of the company, its shareholding structure and the respective free float, and is therefore compliant with CMVM recommendations in this regard.

Current directors were appointed during the General Shareholders Meeting held on 16 April 2015 for the four-year period 2015-2018.

Although the members of the Board of Directors are appointed for a term of four years, their continuance as directors depends on a positive outcome from annual performance assessments in the form of a vote of praise and/or confidence given by shareholders in a General Shareholders Meeting in accordance with article 376 of the CSC. A motion of no confidence results in the removal of the director in question in accordance with applicable law.

Similarly, the Remuneration Committee annually assesses directors’ performance and compensation as set out in the Remuneration Policy approved by shareholders in a General Shareholders Meeting.

No limit is set for the maximum number of positions held in companies outside the Group for non-executive directors and within the Group for executive directors. The adequacy of directors' availability to exercise their duties is assessed annually as part of their performance assessment by the Remuneration Committee and by shareholders in a General Shareholders Meeting.

Galp's Board of Directors considers that specific committees are not required for matters such as corporate governance, performance evaluation of Board, appointments and other matters. This is due to the corporate governance model adopted by the Company, which includes a Board of Directors that assesses the operation of the corporate governance system and largely consists of non-executive members (including the Chairman), who monitor the overall performance of the Board of Directors and whether directors' profiles are appropriate for the exercise of their duties. It is also important to note that a Supervisory Board is in place that assesses the governance structure and related matters for effectiveness.

The resolutions of the Board of Directors are adopted by a simple majority of votes, except with respect to specific matters for which the law or the Company's by-laws require more than a two thirds majority.

The Board of Directors is responsible for monitoring strategy execution and assessing the performance of the Executive Committee in achieving established targets and objectives. The Board of Directors held 10 meetings in 2015. Electronic voting was used in three of these meetings.

The main topics discussed by the Board of Directors in 2015 were namely related to monitoring the execution of key E&P projects, especially in Brazil, and evaluating the impact of the current macroeconomic environment on the Company, namely impacts from the international oil price decline. The Board of Directors also discussed the execution of the profitability optimisation strategy for the downstream and gas businesses, as well as the Company's financing strategy aiming at maintaining a robust capital structure and financial discipline.

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Position
Américo Ferreira de Amorim	Chairman, Non-executive Director
Paula Amorim	Vice-Chairman, Non-executive Director
Carlos Gomes da Silva	Vice-Chairman, Chief Executive Officer
Filipe Crisóstomo Silva	Executive Director
Thore E. Kristiansen	Executive Director
Sérgio Gabrielli de Azevedo	Non-executive Director
Abdul Magid Osman	Non-executive Director
Raquel Rute da Costa David Vunge	Non-executive Director
Carlos Costa Pina	Executive Director
Francisco Vahia de Castro Teixeira Rêgo	Non-executive Director
Miguel Athayde Marques	Non-executive Director
Jorge Manuel Seabra de Freitas	Non-executive Director
Carlos da Silva Costa	Executive Director
Pedro Carmona de Oliveira Ricardo	Executive Director
Tiago Câmara Pestana	Executive Director
Rui Paulo da Costa Cunha e Silva Gonçalves	Non-executive Director
Luís Todo Bom	Non-executive Director
Diogo Mendonça Tavares	Non-executive Director
Joaquim Borges Gouveia	Non-executive Director

Executive Committee

The Executive Committee consists of seven Board members and is responsible for the day-to-day management of the Company using the powers delegated, and following the strategic guidelines set out, by the Board of Directors.

The Executive Committee manages the performance of Galp's various business units and corporate services, exercises overall oversight of these units and establishes Company-wide policies.

In 2015, the Executive Committee held 47 meetings.

The rules on the organisation and operation of the Board of Directors and Executive Committee are available at Galp's website.

COMPOSITION OF THE EXECUTIVE COMMITTEE

Carlos Gomes da Silva

CEO since April 2015 and Director at Galp since April 2007.

Experience
More than 20 years of experience in the Oil & Gas sector. Whilst a Director at Galp, he was responsible for the marketing of oil products business, and for the G&P and Oil & Gas Trading businesses.

Filipe Crisóstomo Silva

CFO of Galp, since July 2012.

Experience
Responsible for the investment banking division, since 1999, and Chief Country Officer of Deutsche Bank in Portugal since 2008.

Thore E. Kristiansen

Executive Director at Galp since October 2014, and currently responsible for the E&P business segment.

Experience
Professional experience of more than 25 years at Statoil, where he was responsible for the areas related to the marketing of oil products, trading and exploration and production, with particular focus on Norway, Sub-Saharan Africa and South American countries.

Carlos da Silva Costa

Executive Director at Galp since December 2012, responsible for the Supply, Refining and Planning unit, and several other corporate services, including engineering, purchases and asset management.

Experience
More than 20 years of professional experience in the areas of procurement and engineering in the automotive, hospitality and Oil & Gas industries.

Tiago Câmara Pestana

Executive Director at Galp since April 2015, and is currently responsible for the Iberian and International Oil Distribution unit.

Experience
Professional development in the food retail and distribution area, was the CEO of Dia Portugal Supermercados, a chain of supermarkets that operates 640 shops in Continental Portugal.

Pedro Carmona de Oliveira Ricardo

Executive Director at Galp since April 2015, and is currently responsible for the G&P business segment.

Experience
More than 20 years of experience in the Natural Gas sector. Professional development in the distribution, sale and trading of natural gas.

Carlos Manuel Costa Pina

Executive Director at Galp since April 2012, responsible for various corporate services including risk management and information systems, and also for the New Energies business.

Experience
Former Secretary of State for Treasury and Finance (2005-2011), and has held positions in various international financial institutions. Was a Director at CMVM and Member of the Advisory Board of the Portuguese Insurance Authority.

Supervisory Body

According to the government model adopted, the body that supervises the Company is the Supervisory Board.

Under the terms of article 413, number 1, line b) of CSC, since Galp is a public stock corporation, its financial statements have to be examined by statutory auditors, with their responsibilities stated in article 446 of CSC, and who have to be independent from the Supervisory Board.

COMPOSITION OF THE SUPERVISORY BOARD

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

The Supervisory Board comprises three standing members and one alternate and currently includes two independent members, in accordance with the criteria provided in item 5 of article 414 of CSC – Gracinda Raposo and Pedro Almeida.

The members of the Supervisory Board are elected at the General Shareholders Meeting for a four-year term.

The Company's Supervisory Board was elected for the 2015-2018 term of office, by the General Shareholders Meeting held on 16 April 2015.

The Supervisory Board is responsible for accompanying the preparation and publication of Galp's financial information, appoint, assess and remove the external auditors, and ensure their independence in the event of additional services being rendered. The Supervisory Board is responsible for overseeing the review of the accounting documents and proposing to the General Shareholders Meeting the appointment of the Statutory Audit Firm (SROC) or a Statutory Auditor (ROC). It is also responsible for verifying the efficiency of the risk management system, internal control and internal auditors, and annually assess the performance of the systems and their related procedures. Finally, the Supervisory Board issues an opinion on transactions between the Company and its related parties, and receive, through a committee created for this purpose, communications of any irregularities presented by the shareholders, Company employees, its customers or suppliers.

The regulation that governs the activities of the Supervisory Board can be consulted on Galp's website.

In 2015, 14 Supervisory Board meetings were held. The annual report on the activities of the Supervisory Board for the year 2015 is attached to this report.

In the meeting of 16 April 2015, the General Shareholders Meeting approved the proposal from the Supervisory Board, to elect, for the four-year term, 2015-2018, PricewaterhouseCoopers & Associates (PwC) as the statutory audit firm and José Manuel Henriques Bernardo as alternate member.

Remuneration of governing bodies

An independent assessment of the performance of the executive and non-executive directors is carried out annually by the Remuneration Committee, which comprises three shareholders elected by the General Shareholders Meeting.

The Committee consults non-executive members to assess the performance of the executive members and considers compliance with economic, financial and operational objectives, as defined annually by the Company's governing bodies' remuneration policy and approved in the General Shareholders Meeting.

In addition, the external auditors verify, within the scope of their work, whether the policies and remuneration systems of the governing bodies are being applied.

Galp's remuneration policy reflects the Company's objective to strengthen values, skills, abilities and behaviour, taking into consideration the Company's interest, culture and long term strategy, considering the recommendations of the CMVM and corporate governance best practices, and is reviewed annually and approved by the General Shareholders Meeting. This policy is governed by three principles, based on the Company's interests, culture and long term strategy:

- Attract and motivate the best professionals for the positions to be held in the company, and guarantee stability in exercising these positions by the members of the elected governing bodies;
- Providing suitable remuneration, in market conditions, for the tasks performed, results obtained and business know-how, as part of the powers and responsibilities involved in the roles performed by the members of the governing bodies;
- Reward increased efficiency and productivity and the creation of long-term value for shareholders, through a defined incentive system that is linked to achieving measurable goals from an economic, financial and operational point of view, taking into account sustainable growth in earnings and discouraging excessive risk-taking;

The governing bodies' remuneration policy is also concerned with attracting and motivating the best people for the positions to be held in the Company and the stability in exercising these functions.

To calculate the remuneration of the executive directors, the Remuneration Committee considers the nature of their functions and the responsibilities entrusted to them, as well as the practices observed in the market for equivalent positions in large national and international companies operating in the same sector.

In order to encourage and align the performance of executive directors with the Company's long-term goals, Galp has implemented a policy for defining multi-annual objectives, for successive periods of three years, with a significant portion of variable remuneration thus associated with the performance of the Company during these periods.

Thus, the executive directors receive a fixed monthly salary, plus variable remuneration, consisting of an annual component and a three-year component, with each having a 50% weight in the total variable remuneration. The three-year component, although calculated annually, will only be paid at the end of the three-year period, if the goals established have been achieved.

The variable remuneration calculation is based on several indicators that consider the Company's operating performance, financial discipline and shareholder performance compared to a group of five comparable European companies and to the benchmark for the Portuguese stock index (PSI-20).

The 2013-15 period was the first three-year period for which multiannual goals were established, and the multi-year performance is evaluated on three-year overlapping cycles.

The executive members of the Board of Directors are also entitled to an amount equal to 25% of their fixed remuneration, which is paid 14 times a year for the purpose of establishing a savings plan or similar financial product.

In 2015, the Non-Executive Directors earned exclusively fixed remuneration, of a total of €598 thousand (k), based on the remuneration policy defined by the Remuneration Committee and approved in the General Shareholders Meeting of 16 April, 2015.

Total remuneration paid to members of Galp's Executive Committee amounted to approximately €6 m. Of this, around €4 m referred to fixed remuneration and approximately €1 m refers to variable remuneration for the year 2014. Of this total remuneration, €803 k was allocated to constitute a savings plan and €350 k was related to fringe benefits.

Members of the Supervisory Board earned a total remuneration of around €93 k, as defined by the Remuneration Committee.

Ethics, ethical behaviour and anti-corruption policy

Galp's activities and its relations with its stakeholders are based on high ethical standards and compliance. To ensure compliance with this commitment, Galp has reviewed and improved its risk prevention mechanisms, to strengthen the detection systems, and improve its responsiveness in these areas.

For more details on these issues, consult the Code of Ethics and Conduct, the anti-corruption policy and the procedure to report irregularities on the Galp website.

Code of Ethics and Conduct

In 2015, the Code of Ethics and Conduct was revised, in order to update the Company's global approach to these areas, adapting the way to deal with questions related to ethics and conduct to the new contexts and challenges arising from the geographical expansion and diversification of its business.

The principles and commitments of the Company's code were developed based on the values that characterise the identity of the Company, and can be defined as a corporate culture guided by merit, demands and responsible performance, to strengthen transparency and develop trust in the relationships with its stakeholders.

This Code will be subject to approval by an external body during 2016, in line with best international practices.

Procedure for reporting irregularities and the Ethics and Conduct Committee

In light of the new Code of Ethics and Conduct and of the creation, by the Supervisory Board, of Galp's Ethics and Conduct Committee (ECC), and as proposed by the Executive Committee, the Galp group Policy governing the Reporting of Irregularities had to be updated, and is now known as the Procedure for Reporting Irregularities - Ethics Line.

The Galp Group's Procedure for Reporting Irregularities - Ethics Line seeks to implement the Code of Ethics and Conduct rulings, in line with the recommendations of the CMVM corporate governance code, regarding the internal control functions of the Supervisory Board, with the Ethics and Conduct Committee being the central figure constituted within this body.

Thus, any of Galp's stakeholders, including its employees, members of governing bodies, shareholders, investors, customers, suppliers or business partners can communicate with the Supervisory Board, through a communication addressed to the Ethics and Conduct Committee, any knowledge or suspicion of irregularities or instances of non-compliance with the Code of Ethics and Conduct, or standards that refer to them or that deal with the topics referred to, in the areas of accounting, internal accounting controls, auditing, anti-corruption measures, banking and financial crimes.

The complaints presented through ethic's line are received and processed by Galp's ECC, which reports to the Supervisory Board, the governing body responsible for Company's supervision.

The security of information received about irregularities and its records is guaranteed by Galp's internal rules, in accord with applicable legislation of data protection and information security or that may come into force in the future legislation.

The reporting of irregularities by any interested party shall be in writing via e-mail (opentalk@galpenergia.com) or letter sent to ECC to the following address:

Ethics and Conduct Committee of Galp Energia, SGPS, S.A.
Edifício Galp, Torre A,
Rua Tomás da Fonseca
1600-209 Lisbon, Portugal

Anti-Corruption Policy

The Anti-Corruption Policy has been effective since 2011. It is based on a reference management system, broken down into auxiliary implementation and execution procedures. The policy applies to the Group, governing bodies, employees, customers and suppliers. All corrupt practices are qualified and prohibited, in all their active and passive forms, including any attempt to engage in such activities.

Galp also undertakes control and support tasks for decisions to establish relations with its counterparties (KYC – Know Your Counterparty) and also for its transactions (KYT – Know Your Transaction), in order to mitigate any risk of being associated, inadvertently, with corruption. It has a computerised information system that supports this decision-making process. In addition, it developed a questionnaire (aimed at suppliers and partners) in line with the guidelines from the International Chamber of Commerce.

5.2

Human Capital

Galp's human capital strategy is based on three pillars: promote a culture based on autonomy, accountability and meritocracy, strengthen the Company's reputation as an employer and promote the strategic development of critical skills.

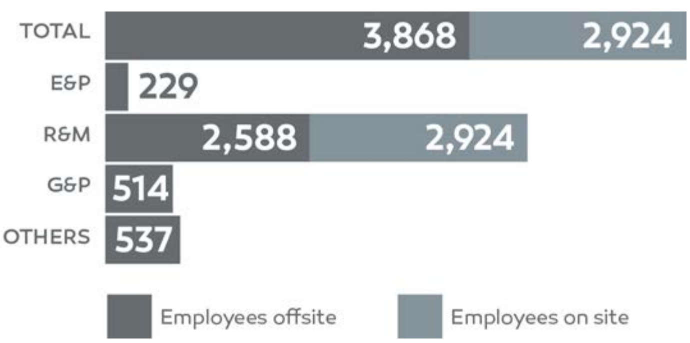
Galp believes that differentiated development of human capital is fundamental to the successful implementation of its strategy. Within this context, the Company is involved not only in attracting talent but also in its retention and sustainable development.

For more information on the Company's recruitment and development of human capital, please consult the Sustainability Report of 2015.

Employee Profile

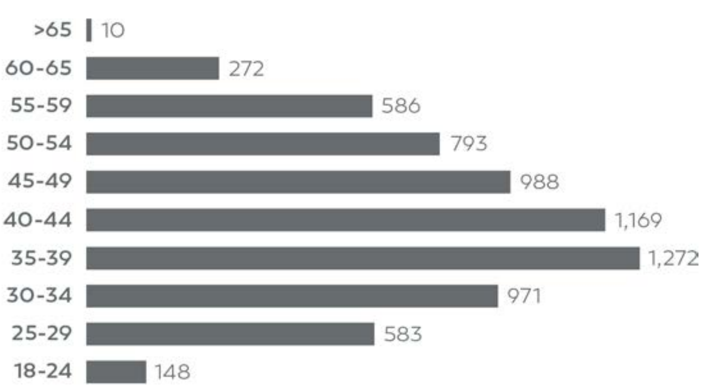
At the end of 2015, Galp had a total of 6,792 employees, of which 2,924 were allocated on-site, that is, at the service stations in Iberia and Africa. It is worth noting the continuous reinforcement of the E&P team, which at the end of the year comprised 229 employees, of which approximately 90 based in Brazil.

EMPLOYEES BY BUSINESS SEGMENT IN 2015



Galp's objective is to encourage a culture of diversity and equality, and also contact between different generations, which enables it to develop an organisational environment that promotes the transfer of knowledge and the creation of value. At the end of 2015, the Company's staff included employees from 48 different nationalities, with women representing 40% of total staff.

EMPLOYEE DISTRIBUTION BY AGE RANGE IN 2015



Acquire talent within a competitive environment

To overcome the challenges presented by a highly competitive industry, such as the Oil & Gas industry, it is fundamental that the Company attracts talent capable of executing its strategy.

Generation Galp is the Company's main tool for external recruitment, the objective of which is to attract and recruit young people with high potential, graduating from top class universities, to contribute towards rejuvenating its staff.

During the year, the programme participants are integrated within the Company, leveraging the development of technical and soft skills, while acquiring diverse knowledge about the Organisation and the industry.

The 2014-2015 programme concluded with a retention rate of 92%, which reflects the Company's ability to attract talent. The 2015-2016 programme accepted 42 participants, from a total of around 9 thousand candidates. Of the total participants, 13 were allocated exclusively to the E&P area, where the development and retention of human capital has particular relevance, considering the Company's current phase.

The Generation Galp programme began in 1998 and since then, 505 employees have been hired, with a retention rate of 76%, which reflects the quality of the Company's offer to its staff.

Differentiated development of human capital

Galp recognises the importance of valuing human capital. The Academia Galp (Galp Academy), currently the main initiative for the differentiated development of human capital, is a training & assessment centre, which promotes integrated training projects, aimed at developing management, technical and behaviour skills. The Academy works in partnership with prestigious higher education institutions, both national and international, enabling employee development to be aligned with the needs of the Company and its strategy.

The Galp Academy currently offers six courses: Advanced Management Training (FormAG); Doctoral Programme and Advanced Training in Refining, Petrochemical and Chemical Engineering (EngIQ); Advanced Studies Programme in reservoir Geo-engineering (GeoER); Masters in Petroleum Engineering (MScEP); Advanced training in Commercial Skills (CompeC); and CFO Simulator, launched in 2015. The Academia AQSS (AQSS Academy) is also being developed, which aims to promote a culture of sustainability, ensuring that employees and management are trained.

In 2015, the Advanced Management Training course provided 16,472 hours of training and 336 people graduated from the course. The objective of FormAG is to provide supplementary training to the Company's management group and to young professionals with high potential, in the areas of advanced management, energy and behavioural skills, in order to prepare them to assume leadership roles.

EngIQ intends to train professionals that are highly qualified in Refining, Petrochemical and Chemical Engineering, through three modules: doctorate in business environment, advanced training and tailor-made modules. During 2015, a total of 4,980 training hours were provided to 36 participants.

CompeC aims to train sales professionals, specialised in the sales process and who are able to consider the full cycle through to post-sale, enhancing profitable sales goals, customer loyalty and creating sustainable relationships with customers. Throughout 2015, the course trained 162 sales professionals, providing a total of 9,038 hours of training.

The CFO Simulator focuses on financial areas, offering the opportunity to assess, in an integrated way, the effect of financial decisions on value creation. The first course was provided to 25 employees, involving a total of 500 hours of training.

Also with a view to investing in its human capital, Galp gave 16 lectures in 2015 on a wide range of topics, from the challenges posed to the Oil & Gas industry to personal development and achieving a balance between professional and personal life.

Develop the E&P team to deliver sustainable value

Galp has developed the skills of its E&P team, given the strategic importance of this business. Consequently, Galp Academy has two courses focused on this area.

MScEP, which held in 2015 its second edition, is the result of a partnership between the Institute of Oil and Gas (IsPG) and Heriot-Watt University. The programme offers a learning experience based on applied activities of research and development (R&D), to meet the specific needs of the Oil & Gas industry. Since it was launched, a total of 65,216 hours of training have been provided, of which 28,670 were during 2015. During the year, a total of 53 students participated in the course, from a total of 516 national and international candidates, and four Brazilian candidates were selected. Of the total students, 32 are Company employees.

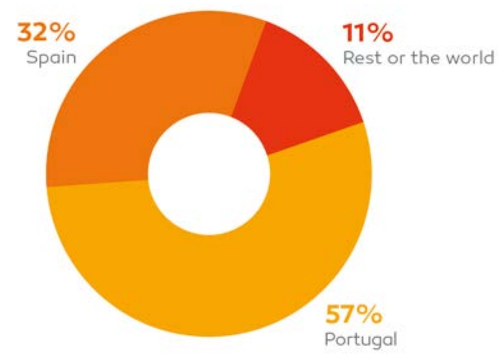
The Institute of Oil and Gas, a partnership between Galp and six Portuguese universities, is a Portuguese organisation aimed at providing advanced training for technical professionals, developing projects that create added value for the consortiums in which Galp participates and creating a network of cooperation between the consortia, universities and other investigation bodies from the sector.

Heriot-Watt University, in Scotland, is a worldwide centre of excellence in teaching, training and investigation of Petroleum Engineering.

The second course taught in this area, GeoER, aims to train geologists, geo-scientists and engineers in the E&P area, providing differentiated expertise, skills and research methods in the field of geoengineering of reservoirs. In 2015, the second edition from this programme, created in partnership with Petrobras, was carried out, with five Galp employees participating, and 3,000 training hours provided.

It is worth highlighting the protocol to develop technical skills between Galp and ENH, under which Galp welcomed 24 trainees during the year.

GEOGRAPHICAL DISPERSAL OF EMPLOYEES IN 2015



5.3

Research & technology

Considering the current context of the Oil & Gas industry, marked by a fall in the oil price, the Company's competitiveness and sustainability will depend largely on the efficiency of its portfolio of projects, particularly in the E&P business. Innovation and technological development may lead to a decrease in the marginal cost of production and may also lead to an increase in recoverable resources.

Galp considers the investment in R&T to be of great strategic importance, currently conducting material projects in this line, even within the sphere of E&P projects in development where it is not an operator. Accordingly, the Company will be able to maintain competitive advantages in a sustained manner, differentiating itself from its peers, and creating value for its stakeholders.

Innovation projects are developed both in-house and in partnership with other scientific and technological companies or entities. In 2015, the continuity of R&T projects in Brazil, aiming at optimising the development of projects in the pre-salt is emphasised.

Focus on R&T to optimise E&P projects

Galp and its partners continue to develop projects that aim to study the potential of applying new technological solutions for increasing efficiency and maximising the extraction of value. For more information on these projects, consult chapter 3.1 Exploration & Production of this report.

As the partnerships with the scientific community are one of the main sources of innovation for Galp, it is worth emphasising the activity of IsPG, created in 2013, which aims to provide technological solutions to the challenges posed by the exploration and production of oil and gas, in particular that developed by Galp.

Within the scope of IsPG, four R&T technological programmes have been defined in Brazil, which are summarised in the table below.

R&T programmes	Description
1. Production of oil in carbonate reservoirs containing fluids with a high percentage of CO_2	• Fixation of CO_2 through dry reforming of natural gas. • Assessment of the effects of injection of CO_2 in the in-situ stability of asphaltenes. • Reaction process of formation of hydrates.
2. Modelling of carbonate reservoirs	• The development of a workflow for geomechanical modelling of reservoirs from seismic and well data.
3. Flow assurance	• Development of flow simulators. • Friction reduction by additives in oil transport.
4. Production facilities and equipment	• Subsea systems. • Coatings for sealing rings and drill bits. • Durability of components for use in deep water. • Systematic study of corrosion of materials used in the equipment in the pre-salt fields.

Of the 18 projects submitted to the ANP, 10 were started before the end of 2015, with a forecasted duration of three years. Of these, seven are focused on the extraction and reuse of CO_2.

During 2015, Galp also started a project to capture and convert CO_2 into methane hydrates, and this is being developed within the sphere of KIC Innoenergy, of the European Institute of Technology. The technology being developed could be used in the E&P and G&P businesses and will reduce the costs and risks of transporting CO_2 not only in pipelines but also in land and maritime transport.

R&T to promote the optimisation of resources and greater energy efficiency

Galp is seeking continuous optimisation of its resources, especially in energy consumption due to the weight that this has on the Company's costs, particularly in the refining activity.

It should be noted that the Lean Six Sigma philosophy, which is intended to control the consumption of resources, has been applied to the refining activity. The goal is continuous improvement, through controlling and consequently combating the existing waste in production processes and in personnel management. In this context the implementation of advanced control for the variability of the process, projects for minimising costs with losses, particularly in fuel, using gas currents, reducing the time of stoppages, improving sewage treatment and reducing additional work are emphasised.

In 2015, Galp continued to develop technological solutions for the marketing of oil products, particularly in service stations, where the Company has invested in the automation of the maintenance of equipment of the service stations. The goal is to continue with innovation in the process of monitoring and managing energy resources and energy supplies, but also to develop technological solutions that continue to meet the customers' expectations.

Galp also promotes various projects through programmes aimed at the transfer of knowledge and innovation between the business reality and the Portuguese academic panorama.

In this context, continuity has been given to the project TOP-REF, launched in 2014 by Galp in partnership with nine other organisations, with the objective of increasing the potential of energy efficiency, particularly in the Sines refinery. Key resources indicators (KRI) have been developed, aimed at normalising the eco-efficiency of industrial processes, thus minimising the environmental impacts of the refinery.

In 2015, the 9th edition of the Galp 20-20-20 programme, the largest Portuguese programme for energy research and efficiency, was held. This initiative has promoted the placing of 21 scholarship holders in Galp's clients, where around 30% of the studies developed will be materialised in the participating companies. Due to the projects implemented under this programme, since their inception in 2007, there have been reductions of 9-12% in the consumption of primary energy and of 12-15% in the emissions of CO_2, with average payback period of four years.

5.4

Health, Safety and Environment

For a well-succeeded strategic execution, Galp considers it fundamental to ensure protection of the environment, of people and assets, at the same time that it contributes to meeting the future energy needs and minimises the carbonic intensity of the activity. These challenges are addressed by the Company's sustainability commitments, which can be consulted in detail in the 2015 Sustainability Report.

Galp thus assumes the challenge of being a benchmark company in matters of health, safety and environment (HSE) and quality in the energy sector, promoting transparency in the communication of their performance, and permitting all interested parties to accompany the respective progress. With this goal in mind, Galp maintains its website updated regarding sustainability related issues, and publishes a Sustainability Report on a yearly basis.

The targets set by the Company under HSE are operationalised and controlled by the Sistema G+ (G+ system), compatible with ISO and OHSAS standards and applicable to all operations and activities under the Company's responsibility. This system permits identifying, managing and mitigating risks inherent to the operation in all phases of the life cycle of Galp's activities, products and services.

Continuous improvement in safety, health, environment and quality is promoted through constant monitoring and auditing, aimed at identifying and subsequently implementing innovative ways of reducing risks.

The audits of environment, quality, safety and energy (AQSE) continue to be an extremely important management tool in regards to risk control and to the impacts of its activities.

During 2015, 42 AQSE audits were conducted, involving 81 internal auditors and 16 external auditors. The internal audits conducted resulted in 383 findings, where 144 refer to non-conformities and 239 to opportunities for improvement.

In 2015, the Company continued to take measures to improve efficiency in the process for following up actions arising from audits, and, accordingly, reported an evolution in the level of management involvement and the inclusion of indicators in the Balanced Score Cards of their activities.

In 2015, Galp maintained the 35 qualifications of its management systems in Environment (ISO 14001), Quality (ISO 9001), Safety (OHSAS 18001), Energy (ISO 50001) and Accreditation of the laboratories (ISO/IEC 17025). The Company also values that its suppliers are certified, as a guarantee of their commitment.

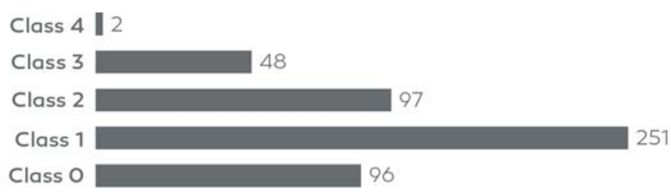
Health and safety as priorities in strategic execution

Health and safety are seen as fundamental goals, and the Company has established the goal of achieving zero accidents with personnel, materials and the environment with a material impact on its activities. Galp promotes training and ensures the adequate know-how of all employees and partners in matters of health, safety and environment, ensuring the analysis and implementation of measures aimed at the mitigation of risks.

In 2015, new campaigns were implemented for the prevention of accidents. In the sphere of the reporting of near misses, it has developed a mobile application for employees that allows them to report the occurrence in a simple manner.

A campaign for raising awareness of the importance of ergonomics, among other matters of occupational health, also took place during the year.

TOTAL NUMBER OF ACCIDENTS IN 2015 PER INCREASING CLASS OF SEVERITY



The number of incidents includes those involving customers and service providers, when these have resulted in damage to assets or which have involved goods or services provided by Galp, even though they have not resulted from the Company's normal activity.

In 2015, regrettably, there were two Class 4 accidents, which were duly investigated. It should be emphasised, however, that for the level of Class 3 and 4 accidents, there was a decrease in the number of cases compared with the previous year, reflecting the culture of prevention implemented.

The Company has been making efforts to reduce the number of personal accidents with loss of employee time. In 2015, the lost time injury frequency rate (LTIFR), i.e. loss of employee time, per million hours worked was, however, above the reference value of the Conservation of Clean Air and Water in Europe (CONCAWE). It is expected that the measures implemented will contribute to a material decrease in accidents in the future.

LOST TIME INJURY FREQUENCY RATE

EMPLOYEES

SERVICE PROVIDERS

EMPLOYEES AND SERVICE PROVIDERS

Minimisation of environmental impact as a strategic objective

As an integrated operator of the energy sector, Galp is aware of its responsibility towards society, particularly with respect to protecting the environment and minimising the impact of its activities.

Given its strategy of expansion in the E&P business, the Company is committed to meeting future energy needs and minimising the carbon intensity of its activity. This commitment, substantiated on Galp's policy on climate change, is translated into six objectives, covering the Company's entire value chain:

- to promote responsible growth in the E&P segment, based on operational and energy efficiency, seeking to minimise the intensity of CO_2 emissions;
- to promote energy efficiency and minimise the intensity of emissions in its operations;
- to follow market trends and promote innovation, research and development in the area of energy and environmental efficiency;
- to assess risks and develop plans to ensure the mitigation and adaptation of climate change related risks with a material impact on Galp's activities;
- to follow and anticipate legislative developments and trends in the context of Energy and Climate policies;
- to follow the expectations of material stakeholders and ensure transparent communication.

Reduction in carbon intensity

Considering the Company's growth phase, and the need to ensure the delivery of sustainable value, Galp remains focused on reducing the carbon intensity of its activity, namely through energy efficiency, with the purpose of generating value for the various stakeholders and particularly for the shareholder.

CARBON FOOTPRINT-EMISSION OF CO_2 (tCO_2e)

	A1	A2	A3	Total	% With use of products	% Without use of products
Total without use of products	3,758,365	273,458	395,464	4,427,288	-	100%
Total with use of products	3,758,365	273,458	36,201,444	40,233,267	100%	-
E&P (operated)	2,562	0	0	2,562	0%	0%
Refining	3,459,768	232,948	0	3,692,716	9%	83%
Power	28,049	525	0	28,574	0%	1%
Oil sourcing and logistics	4,352	12,276	337,859	354,487	1%	8%
Marketing of oil products	0	24,069	54,945	79,015	0%	2%
Distribution and supply of natural gas	252,021	354	0	252,375	1%	6%
Others	7,362	1,872	2,660	11,894	0%	0%
Biofuels	4,252	1,413	0	5,665	0%	0%
Use of products	0	0	35,805,980	35,805,980	89%	-
E&P (non-operated)	**366,800**	**0**	**0**	**366,800**	**-**	**-**

Nota: classification of scopes 1,2 and 3 are described in 7.5 Glossary

Considering the operations of Galp's responsibility (scope 1) and scopes 2 and 3 (where scope 3 includes the use of its products), the value of the Company's carbon footprint in 2015 was 40,233,267 tons of carbon dioxide equivalent (tCO_2e), a 23% increase YoY due to greater oil and gas production.

Under the European Emissions Trading Scheme (EETS), Galp's refineries and cogeneration plants did not need to acquire emission licenses, since the emissions corresponded to the free allocation of emission licenses in 2015, a result of the measures implemented for energy efficiency.

Sustainable exploration and production activity

The Company's commitment to E&P activities is based on sustainable growth, ensuring the safety of persons, assets and the environment. Accordingly, Galp regularly monitors the performance of E&P projects in the different geographical areas in which it is present.

In the projects in which it holds minority interests, the Company is an active partner, promoting audits and permanent communication with the operators of the projects. The potential impacts at the HSE level from initial exploration until decommissioning and abandonment are considered. The ongoing and planned activities are monitored, making sure that the seismic campaigns, drilling programmes, development plans and other activities comply with the best international standards.

In 2015, Galp joined the World Bank's initiative of Zero Routine Flaring by 2030, reinforcing the commitment already established by the Company to achieve the goal of zero flaring in E&P activities. Galp, jointly with the relevant operators, monitors and controls the flared volumes of gas in order to minimise the environmental impact that results from this process. In 2015, the level of gas flaring in operated blocks was 967,854 m^3, a decrease of 29% compared to the previous year.

Minimising environmental risk with a focus on prevention

In addition to being governed by the highest ethical standards and accountability, Galp complies with the safety regulations considering the prevention of accidents with a negative impact on the environment.

Nevertheless, in 2015, there was a total loss of containment of approximately 124 thousand litres, where 99 thousand litres affected the environment. The incidents that occurred during the year were duly investigated, with causes identified and measures defined to prevent future events in this regard.

Galp has, jointly with its employees and service providers, action plans to increase the effectiveness of its response in emergency situations, thus reducing the potential environmental impact and the costs associated with the management of affected areas, where prevention is still the basic principle of operation. Guidelines are established to ensure appropriate risk analysis, the implementation of measures that permit their mitigation and the guarantee of the safety of operations. Galp is also committed to internal communication, aimed at training and raising awareness of the risks and adequate preparation in the event of an incident.

In the event of a spill, the Company has personnel and equipment available which are mobilised to mitigate the impacts of the incident. A policy of accountability and the existence of financial guarantees have also been established to respond to possible liability for environmental damages.

With a view to the sustainable management of land and water resources, and the preservation of biodiversity in the areas in which Galp conducts its activities, internal standards and procedures are followed, aligning the Company's operations with internationally recognised good practices and with the expectations of the competent authorities and other stakeholders.

In 2015, there was continued strengthening of the integration of biodiversity as a relevant aspect in the processes for selection of upstream projects and their environmental impact assessment in accordance with Galp's Guide for Good Practices for the Management of Biodiversity and with additional references.

In order to promote the transparency associated with these topics, the Company has available on its website an interactive chart based on two internationally recognised tools: the Integrated Biodiversity Assessment Tool (IBAT) and the Global Water Tool for Oil & Gas (GWT), where you can relate the Company's activities with protected areas, endangered species and areas with water scarcity or water stress.

Renewable energy projects

In order to monitor the trends of energy sources complementary to the Oil & Gas sector, and considering the importance of diversification of its portfolio, Galp is present in renewable energy projects, mainly in the area of biofuels, but also in generating energy through wind power.

With respect to activities in the area of biofuels, Galp is present in the entire value chain, including activities of production of raw materials and of biofuel.

The Company has a project for planting vegetable palm oil in Brazil, and has completed the process for production of the fruit, reaching a production volume of 50 thousand tonnes (kton) in 2015, compared to approximately 19 kton in 2014.

At the downstream level, Galp operates a production facility in Sines, dedicated to the process of transforming used oils and waste animal fat into biodiesel, where this year it produced around 17 kton of second-generation biodiesel during 2015.

Galp will continue to comply with the introduction of biofuels in Iberia in accordance with the goals established by the European Commission and the respective Member States, in order to achieve the goal of incorporating 10% by 2020, using the various complementary renewable sources at its disposal, in gasoline and diesel.

With respect to wind power, Galp, through the consortium of Ventinveste S.A. (Ventinveste), currently has a wind farm in Portugal with an installed capacity of 12 MW, which produced approximately 32 GWh in 2015. The Consortium also has a 50% stake in the Âncora Wind project with 176.1 MW under construction.

Rigorous selection of suppliers

Galp manages its relations with suppliers responsibly supported by policies and procedures that govern its operations. The Company's suppliers are selected through a rigorous analysis, which involves compliance with the Galp's values with respect to safety, health and environment and corporate social responsibility. Audits are conducted regularly to the service providers.

5.5

Development of local communities

Galp considers that it is fundamental to involve the community and other stakeholders, thus promoting the creation of shared value. Accordingly, the Company enhances its competitiveness, and is also better able to anticipate and manage opportunities and risks, while at the same time promoting the sustainable development of the communities close to its operations.

In 2014, Galp approved its human rights policy, assuming the commitment to promote, respect and comply with internationally recognised human rights. In order to ensure the effective implementation of this policy in the various countries in which it operates, Galp regularly conducts a due diligence process that ensures the assessment of the Company's impact on human rights and, subsequently, the integration of these results in internal procedures, thus ensuring their prevention and mitigation in future situations.

Also, Galp's suppliers and partners fall within the scope of the human rights policy, which seeks to promote alignment with the principles applied by the Company. These practices are verified through the audits conducted on the suppliers, which include aspects of corporate social responsibility.

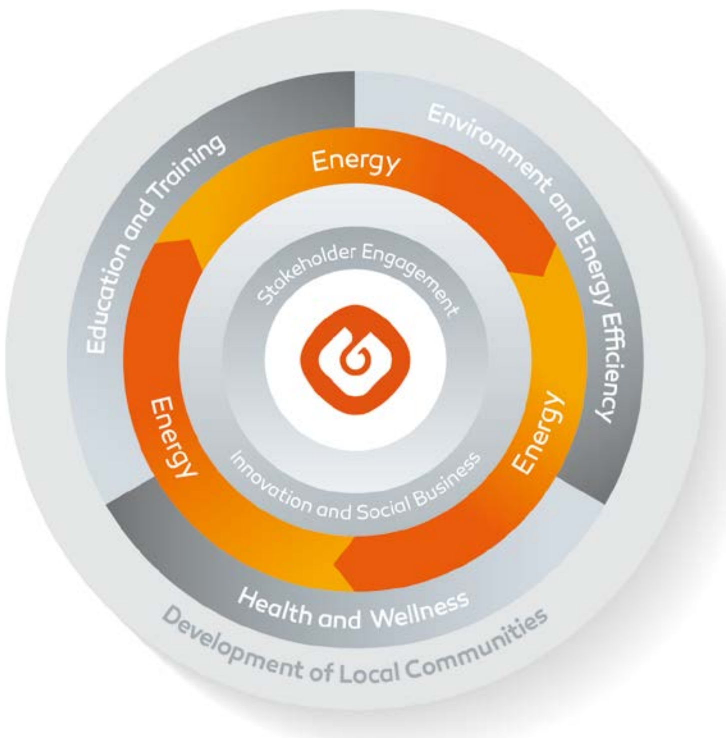
It is worth highlighting that after its inclusion in the Global Compact of the United Nations (UN) in 2013, which aims to align the implementation of strategies and operations of participating companies in universally accepted principles in the areas of human rights, labour, the environment and combating corruption, Galp published, in 2015, its first

Communication of Progress, in which it describes the actions taken in this regard, which qualified it at the active-level.

The Company has also implemented a policy of investment in the community focused on developing and supporting local communities. This policy was defined based on the Portuguese, Spanish and Brazilian regulatory systems, taking into account the recommendations of the international standard ISO 26000:2011.

In this context, Galp has developed its activities based on three areas of action: education and training; health and wellness; and the environment and energy efficiency. It is important to point out that the main vector of activity is the promotion of the innovation of inclusive social actions, namely by providing energy solutions. These actions can be developed by supporting projects of entities representing the community or through the conception and implementation of own projects that involve the representative entities of the community.

INVESTMENT POLICY IN THE COMMUNITY



Recognizing its responsibility and always playing an active role in promoting economic and social development of the developing countries, Galp has continued to promote activities of a social and educational nature as well as activities related to health, with a special focus on Brazil and the African countries in which it operates.

With respect to the actions in the field of health and well-being various initiatives are emphasised. In Swaziland, Galp was one of the main sponsors of the event "Walk for Hunger", whose main objective is to raise awareness of the problem of child hunger, as well as distributing food to around 12 communities. In Mozambique, it is worth highlighting the support for victims of floods, which severely affect the local community, through the delivery of more than 20 tonnes of food, which enabled around 2 thousand people to be assisted for a period of two months. In Cape Verde the initiative of providing butane gas supplies to more than 400 schools is highlighted, as well as the partnership with the Red Cross, which launched the campaign Abastecimento Solidário (Supply Aid) with the aim of aiding victims of the eruption on Fogo island.

In the plan of the initiatives related to the environment and energy efficiency, Galp promoted an event in Brazil, whose main goal was to alert the public to the importance of preserving water, by avoiding wastefulness with the adoption of good practices. In Guinea-Bissau an action to support the fight against drought and desertification was developed in order to raise awareness of the issue of deforestation in the country.

In Portugal various activities of an educational and social nature were also developed.

Within the scope of the initiatives related to the environment and energy efficiency, the Missão UP|Unidos pelo Planeta (Mission UP|United for the Planet) project that Galp has maintained since 2010 is highlighted. This educational project consists of raising the awareness of the primary school community, as well as their teachers and the people in charge of education, of issues regarding energy efficiency through informative sessions on energy in the schools. In 2015, there were 2,052 schools, embracing a total of about 192,171 students involved in the project and about 600 sessions were conducted. In this plan, the project Missão Power UP (Mission Power UP) is also highlighted which is the result of an evolution of the Mission UP|United for the Planet project, which has been extended to students of secondary education, and which uses a mobile web pedagogical platform.

Also in Portugal, and on the axis of health and well-being activities, it is worth highlighting the distribution of funds to 17 institutions in the areas of social responsibility, culture and sport.

The Company has also continued to promote a culture of corporate voluntary work. Throughout the year, Galp Voluntária (Galp volunteer programme) carried out 14 events, which resulted in a total of 34,000 hours of voluntary work, involving around 1,800 volunteers at the end of the year.

In 2015, the overall investment in this area was around €3.9 m, of which 51% refers to actions of a social nature; 22% related to actions in the field of education; 9% to actions in the field of health and well-being; and the remaining 18% to actions related to to culture, protection of the environment, economic development and emergency relief.

6 Risk Management

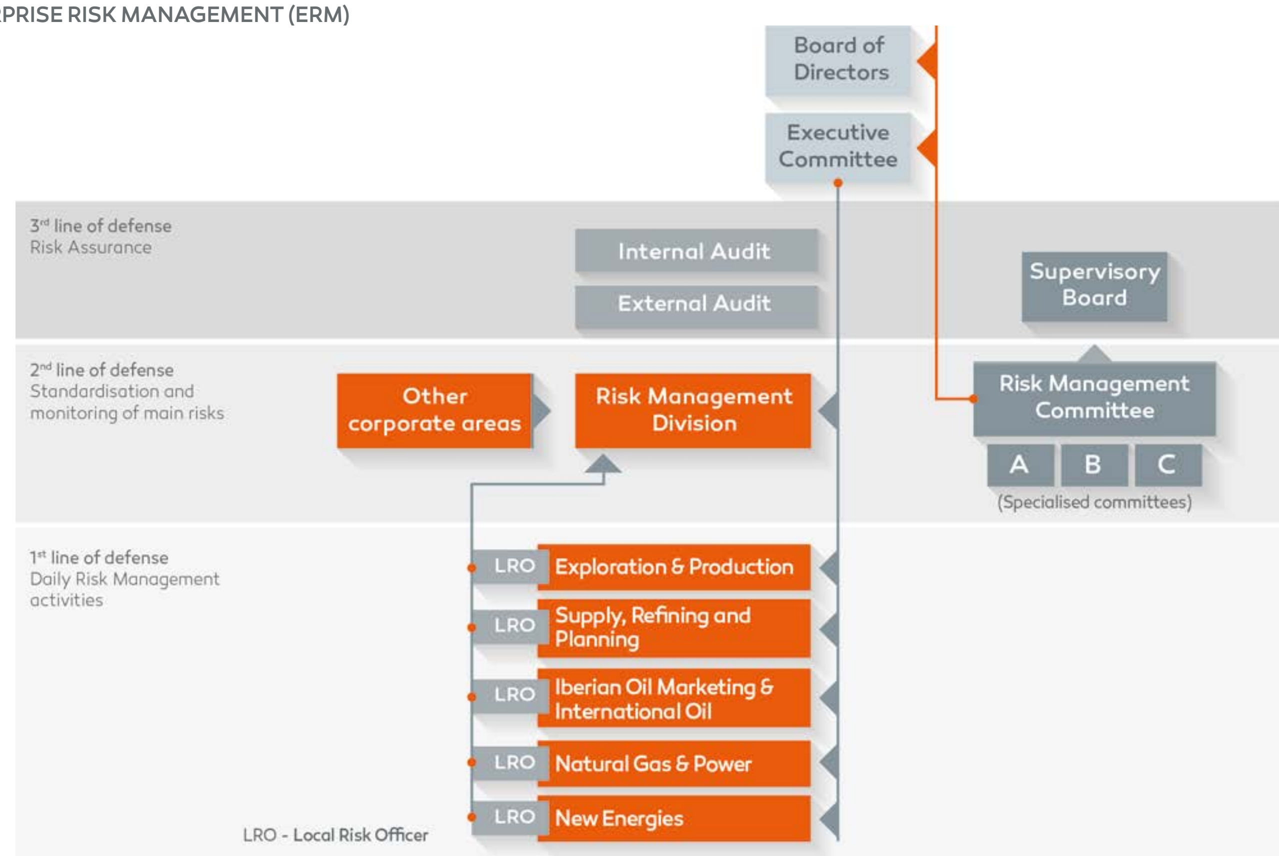
6.1

Risk management model

The existence of a robust internal regulatory framework and a disciplined approach to risk are important elements in an Oil & Gas company with a wide geographical diversification. This approach will ensure that the execution is carried out in accordance with the strategic objectives, that the accepted risks are duly rewarded and that long-term value is created for the shareholders.

The risk management's organisation and governance structure is based on the three lines of defence model, in accordance with generally accepted best practices, as outlined in the chart below. Daily risk management, standardisation and monitoring of the main risks, and risk assurance, correspond to the first, second and third lines of defence, respectively.

ENTERPRISE RISK MANAGEMENT (ERM)



Galp's Enterprise Risk Management is addressed in its risk management policy. This approach allows for a consistent relationship between risk management activities, supervision and assurance of governance, which enables:

- Identifying and understanding the risk environment, evaluating and communicating the potential value of exposure to risk, and determining and implementing the best way of mitigating this exposure to risk – 1st line of defence.
- Monitoring the risk at a corporate level, defining risk standards and periodically communicating the risk and the status of the action plans to the Risk Management Committee, to the Executive Committee, to the Supervisory Board and to the Board of Directors – 2nd line of defence.
- Supervising and evaluating, by means of independent internal and external entities, the effectiveness of the risk management and the internal control process – 3rd line of defence.

Based on the strategy and on the Company's values, the **Board of Directors** is responsible for establishing the level of risk that Galp is willing to accept - the risk appetite and risk-tolerance - and for ensuring the alignment of the strategy with this risk level. Although these are responsibilities of the Board of Directors, the board may delegate powers to the Executive Committee.

Under this framework, it is the **Executive Committee's** responsibility to oversee risk management with a focus on the main risks that the Galp Group faces, including strategic, operational, financial and regulatory risks, identified and described in this report.

Supported by the Risk Committee, the Executive Committee monitors the most material risks as well as the implementation of critical projects from a risk perspective.

The executive director in charge of Galp's **Risk Management Division** (Chief Risk Officer) is the Chairman of the Risk Management Committee, thus ensuring that discussions of topics on risk are consistent and effective at all levels. The Chief Risk Officer is responsible for overseeing and coordinating risk assessment processes and respective mitigation actions throughout the Organisation, as well as for their adequate management, ensuring that the guidelines of the Board of Directors and the Executive Committee are complied with and are reflected in policies and procedures.

The **Internal Audit Division** independently and systematically assesses the proper functioning of the Group's internal control systems and risk management, as well as the effectiveness and efficiency of implementation of controls and mitigation actions, regularly informing and alerting the Board of Directors and the Supervisory Board of the most relevant observations and recommendations, and identifying opportunities for improvement, and promoting their implementation.

This process is intended to ensure the effective application of the risk management system through continuous monitoring of the adequacy and effectiveness of the corrective measures for any shortcomings of the system. It allows as well the permanent monitoring of levels of risk and implementation of the control mechanisms pertaining to the various risks to which Galp is subject.

The Internal Audit Division annually defines an audit plan, based on the results of the risk assessment of the various business units and Galp's strategic priorities. The audit plan is approved by the chief executive officer (CEO) and the Supervisory Board.

Despite being hierarchically dependent on the Chairman of the Board of Directors, the Internal Audit Division functionally reports to the Supervisory Board.

The role of the **Supervisory Board** is to monitor the effectiveness of the systems of internal control and internal audit, as well as to assess the functioning of the systems and the respective internal procedures, thus strengthening the internal control environment.

Within its responsibilities, the Supervisory Board accompanies the work plans and resources allocated to the Internal Audit Division and to the Compliance Division, receiving periodic reports performed by these services, as well as information on matters related to the accounts, identification or resolution of conflicts of interest and the detection of potential illegalities.

The risk management functions are followed closely by the **Risk Management Committee**, created by the Executive Committee in March, 2013, whose mission is to support and monitor the development and implementation of Galp's risk management strategy and policy, working alongside the Risk Management Division and those responsible for the Company's management units. The Committee comprises the Chief Risk Officer, the executive director in charge of finance (Chief Financial Officer), the director of the Risk Management Division and the Internal Audit Division's director.

Within the Risk Management Committee's framework, there is a work group that addresses issues related to the Environment, Quality and Safety (EQS), and regulatory changes. Thus it is ensured that these matters are duly integrated into the Company's risk management system.

The relationship model between the governing bodies, departments and committees responsible for the implementation of internal control systems favours the centralised management of risks at the Risk Management Division's corporate level.

This department is responsible for defining, monitoring and evaluating risks and mitigation measures, ensuring alignment with approved policies and strategies, ensuring the consistency of the principles, concepts, methodologies and tools for risk assessment and risk management of all the business units and companies of the Group.

The mission of the Risk Management Division is to ensure the effective application of the risk management system, through the relationship with the Executive Committee, Risk Management Committee and focal points of the business units and companies of the Group. Its responsibilities are to:

- Promote the implementation and coordination of the risk policy and the acceptable levels of risk (risk appetite and risk tolerance);
- Propose and ensure the application of a risk management strategy appropriate for the approved risk profile;
- Develop risk assessment methodologies and ensure consistency across the entire Organisation;
- Lead the process of evaluating, monitoring and mitigating risks in collaboration with the business units;
- Support the Risk Management Committee, the Executive Committee and the Board of Directors in defining the risk strategy and policies, on the supervision of risks and respective mitigation measures at the Group level;
- Monitor the risk profile and report to the Risk Management Committee, the Executive Committee and the Board of Directors.

The mission of the Legal Services, Compliance and General Secretariat Division is to define, implement and monitor internal control policies, advise those in charge of companies of the Galp group, to prepare and conduct training sessions, and perform or manage internal investigations relating to compliance matters within the Galp group, either from the corporate centre or through focal points of Galp's business units.

It is worth further highlighting the contribution of the EQS and Sustainability Division and the Information Systems Division, which, jointly with the Risk Management Division, and alongside the business units, ensure the definition and programming of actions with a view to eliminate or minimise risks in their respective areas. In effect, the EQS and Sustainability Division is responsible for corporate management of environmental, safety and security risks, in particular, to define and propose methodologies to assess environmental and security risks of activities of the Group and quality of the products. The cyber-security department of the Information Systems Division is responsible for defining and managing the cyber-security policy of the Group's information system and for supporting the business units in risk management and business continuity.

Local Risk Officers (LRO) are responsible for identifying, assessing and managing risks in the respective business units, taking into account the defined risk management standards. They are also responsible for incorporating risk information in their decision-making process, ensuring compliance with the approved risk management policies and procedures. Additionally they are responsible for compiling, reporting and publishing information on exposure to risk in their business unit.

6.2

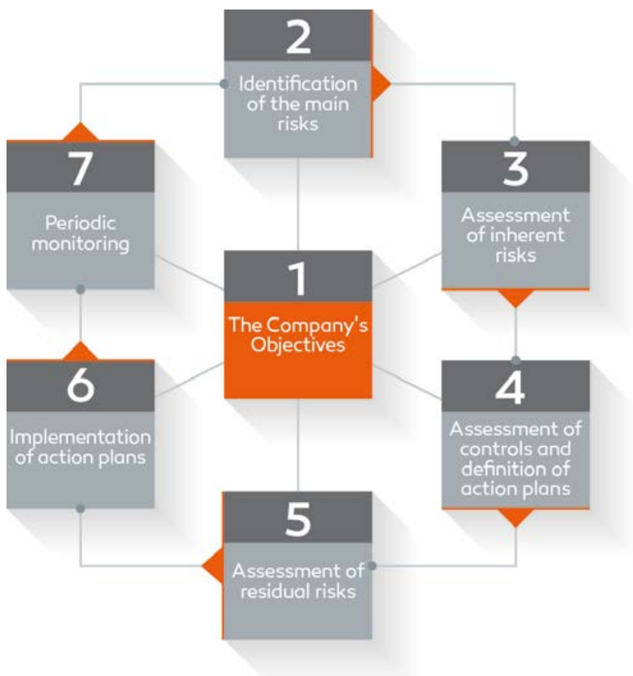
Internal Control System

The internal control system consists of a set of policies and procedures adopted for the purpose of ensuring, with a reasonable probability of success, compliance with the Company's objectives with respect to:

- conducting activities in an orderly and efficient manner;
- safeguarding assets;
- preventing and detecting fraud and errors;
- complying with laws and regulations; and
- the reliability of the financial reporting.

This system is based on the guidance of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) concerning the main aspects of Galp's internal control: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

ASSESSMENT METHODOLOGY AND RISK MANAGEMENT OF THE GALP GROUP



The control environment is the basis of the internal control system. It influences how the Company's strategy and goals are defined, how operating activities are structured and how the Company's risk culture is assumed. It consists of various elements, including values, general attitude and management style.

Galp's control environment is based on a set of internal codes, policies, standards and procedures, which define principles of ethical conduct and ensure scrutiny of the various management actions, in line with the best international practices and in conformity with the legal and regulatory requirements. These were adopted to ensure, with reasonable probability, compliance with the Company's goals and the expectations and requirements of the Group's internal and external stakeholders.

The definition or revision of the Company's objectives is the factor that triggers the risk management process.

Timely identification of the factors and the resulting risk assessment enables the Company to identify potential events that may affect the achievement of corporate objectives. Accordingly, Galp promotes continuous identification of factors and a systematic assessment of the major risks that could compromise the goals of the business units. This is a bottom-up process, which is of the responsibility of the various business units (risk owner).

Through a process that involves Enterprise Risk Management and the business units, the appropriate options for risk mitigation are identified and selected, considering not only the effect of these options on the likelihood and impact of events, given the corporate risk appetite, but also the cost of each option in relation to its respective benefits. After an option is chosen, the business unit prepares a response action plan to mitigate, transfer, avoid, or accept the risk.

Control activities to ensure that risk responses are effective, and allow the achievement of business objectives, are the responsibility of each business unit. However, the Risk Management team and the Committees set up for this purpose are also involved. The residual risks are assessed and deviations from the risk level assumed in the business plan of the business unit are identified. This ensures the monitoring and reporting of the mitigation plan.

This process is in accordance with what is recommended by COSO and is illustrated in the previous chart, also showing the sequence and dependencies of the various activities.

To ensure an effective internal control system, Galp promotes the exchange of relevant information, maintaining permanent communication with the various stakeholders, both internal and external.

Given that the inherent risks and the effectiveness of internal controls depend on internal and external variables, this process is not static. For this reason, it is a good practice to conduct a periodic re-evaluation of the risk of Galp's main activities, in order to ensure that the risk profile, decided by the Board of Directors is in line with the mitigation plan implemented by the business units.

Finally, operational, compliance and financial audits are carried out, as well as revisions of information systems, in order to test the effectiveness of the internal control mechanisms that have been implemented.

Information and Communication

The process for disclosing mandatory financial information is accompanied not only by the management and supervisory bodies but also by the business units and corporate services. The financial information presentation documents for the capital markets are prepared by the Strategy and Investor Relations Division, based on information provided by the business units, the Accounting and Taxation Division and the Corporate Planning and Control Division.

In particular, regarding the annual and half year accounts, the documents are sent to the administrative and supervisory bodies, which approve them before being released.

6.3

Main risks

Galp has identified the following risks (in alphabetical order) as being priorities for supervision by the Board of Directors and respective committees for the year 2016:

- Disruptive events
- Failures in Information Systems and Cyber-Security
- Geopolitical
- Project execution
- Regulatory uncertainties (including climate change) and compliance

Galp's main risks and uncertainties are managed, monitored and comunicated at the counterparty, project, industrial and geographical sector level, according to the case.

The risks identified through Galp's risk management process are organised according to their degree of priority and, depending on their respective probability, severity and detectability, are communicated to the Chief Risk Officer. These risks are discussed in the business unit responsible for them (risk owner) and their alignment with Galp's acceptable levels is verified jointly with the Risk Management Division.

The responsibility for risk management, and the related periodic analysis, is assigned to the Company or to the functional leader. The Company has risk management strategies that classify the risks per response categories according to whether it is decided to avoid, transfer, reduce or accept the risk. These response strategies are defined in a way that ensures that the risks are within Galp's acceptable guidelines.

Depending on the nature of the risk involved and the company or specific job affected, a wide range of mitigation strategies are used, including delegation of duties and powers, reviews of strategic planning, organisation of processes, analysis of the operational risk, insurance and respective coverage.

The incorporation of the insurance activity in Enterprise Risk Management carried out, enables the transfer of the risk optimisation, whenever that proves to be the best action of mitigation for the Group.

Galp's commercial operations have a long term nature, which implies that many of the risks to which it is exposed are permanent. However, the triggering factors of the internal or external risks are changeable and can develop and evolve over time, and may vary in probability, severity and detectability.

Below are identified the risks with high priority with regard to specific supervision which should be carried out during the next year, by the Board of Directors and its various committees. It is highlighted, however, that these may suffer updates during the year, in response to changes caused by exogenous or endogenous factors.

It should also be noted that there can still be no certainty as to whether Galp's risk management activities will be able to mitigate or prevent the appearance of these or any other risk.

Main risk	Description and impact	Forms of mitigation
Disruptive events (including any failure in the operations of the industrial unit, which give rise to catastrophic impacts at an HSE level)	The variety and complexity of Galp's operations – namely in exploration and production in ultra-deep waters or in the refining process – entails considerable potential risks. These risks include major incidents involving the safety of processes and facilities, non-compliance with the approved policies, natural disasters, civil unrest, civil war and terrorism. Exposure to generic operating risks, health and personal safety risks and risks related to criminal activities are also included. A major incident of this type may cause injury, loss of life, environmental damage or destruction of facilities. Depending on the cause and severity, any of these incidents may affect Galp's reputation, operating performance and financial position.	Galp understands that the environment, health and safety of its employees, customers and the community, combined with the protection of its assets, is key to ensure that the Company is sustainable. Consequently, the Company has established a commitment to integrate the most important aspects of HSE in its strategy and activities, as well as ensuring continuous improvement in its performance. It is also important to highlight the HSE management system. When implementing the guidelines of this system in its daily operations, the business units can identify and manage their own operating risks, through the full cycle of the different projects, equipment and assets. Galp also has an insurance programme, which includes civil liability, to minimise the impact of any potential incidents.
Geopolitical	Galp carriers out its most important E&P projects in countries that are not part of the Organisation for Economic Co-operation and Development (OECD), which may raise some issues with respect to security failures, civil disturbance, expropriation of assets or changes in the legal, regulatory or fiscal framework, consequently compromising and negatively affecting the results of Galp's operations and financial position, and placing the implementation of the Company's strategy at risk. The Lula/Iracema project in Brazil is currently the biggest contributor to the Company's oil and natural gas reserves base. Although, to date, Galp has not had any material problems with its operations in that country, including, but not limited to, events involving security failures, civil disturbance, expropriation of assets or changes in the legal, regulatory or fiscal framework, there is no guarantee that these events may not occur in the future. Thus, although the authorities and the Brazilian government have been cooperating in terms of developing the country's oil and natural gas reserves, any adverse circumstances that may arise during the development phase of Galp's E&P projects could jeopardise the operations in this country. Therefore, the production targets set by the Company could be compromised and negatively impact its results and financial position.	Galp is permanently aware of all the events occurring in the countries in which it conducts its activities and that may have implications for the Company's activities, particularly in Brazil. In the case of Brazil, the Company's presence and the relationships that it has built with the oil company, Petrobras, facilitate the opening of a channel of communication and allow it to react in a timely manner, especially with respect to the decision-making process and its subsequent ability to influence stakeholders at the local level, including its partner company. Given the scale of the projects being developed in Brazil and the importance they have for the country's economy, it is to be expected that the regulatory authorities and the Brazilian Government will facilitate their implementation, thus reducing the associated risk.
Failures in Information Systems and Cyber-Security	System failures, whether accidental, or resulting from intentional actions, such as computer attacks or others, including those that are caused by network, hardware or software failures, may have adverse impacts at various levels. These failures may namely affect, the quality of Galp's activities or cause an interruption of these activities, may lead to loss, misuse or abuse of sensitive information, loss of lives, damage to the environment or assets and breaches in the legal or regulatory sphere, with the possibility of fines or any other type of measures imposed by the regulatory authorities. These events can have consequences for the Company's reputation, may severely compromise Galp's operations and result in significant costs.	Galp mitigates these risks through a series of measures, including control procedures, backup systems, and protection systems, such as firewalls, antivirus and building security. In addition, Galp has implemented information security policies and regularly conducts audits, complementing them with computer risk assessments with respect to the most important assets.

Main risk	Description and impact	Forms of mitigation
Project execution	The organic growth of the Company depends on the creation of a portfolio of high quality assets and on the investment in the best options. If Galp is unable to make an efficient selection and does not develop its investments, the result may be a loss in value and/or higher investment costs, thus jeopardising the implementation of its strategic plan. The success of large-scale projects is, therefore, essential for Galp's future growth. The non-execution of these projects within the established budget and time limits, and in conformity with predefined specifications, may have an influence on the execution of Galp's strategy, as well as on its results, reputation and financial position. However, the implementation of projects is exposed to a variety of risks, particularly in terms of health, safety and environment, economic, technical, commercial, regulatory and legal risks. In addition, Galp's activities depend on the performance of their partners, various service providers and other contracted parties, therefore being exposed to the risk of execution through these entities.	In Galp, the final investment decision in a project is taken after a detailed review of feasibility studies, as well as the evaluation of key variables in the implementation stage, the definition of the concept of development and mitigation measures that can protect the future execution of the project. In addition to the teams that analyse in detail the feasibility of each project, Galp has a team that analyses the portfolio of projects/assets and how these fit into the Company's strategy. The goal is to ensure that Galp chooses its investments so as to effectively protect shareholder value and ensure the Company's sustainability. In the execution phase, the Company constantly monitors the critical factors in order to identify potential risks as quickly as possible, in order to ensure the timely implementation of corrective measures. Also with respect to the projects where it is not an operator, the Company monitors activities and participates in the various phases of the project, with multidisciplinary internal teams. The information collected in each project, and subsequently used for other projects is also important, enabling the Company to benefit from the experience and learning curve. Galp participates in numerous projects worldwide, which enables it to take advantage of the diversified knowledge and experience that it has acquired, by applying various techniques and experience curves from one region to another. With respect to the risk that arises from contracting suppliers, service providers and other third parties, Galp analyses and implements a selection and contracting process, combining multiple HSE criteria.
Regulatory uncertainties and compliance	Galp's main E&P projects are located in non-OECD countries, whose economies are under development or whose regulatory and political situation have a history of instability. Additionally, Galp is supplied with natural gas for its supply & trading business by Algeria and Nigeria and sells oil products in other African countries. Therefore, a portion of Galp's income is derived from, and will increasingly be derived from, or dependent on countries with greater associated economic and political risks. These include the possible expropriation and nationalisation of assets, significant increases in taxes and royalties on oil and natural gas production, among others. Moreover, political changes may lead to changes in the context in which the Company develops its activities, such as regulatory changes on matters such as allocating licenses for exploration and production, and the imposition of specific obligations on drilling and exploration activities.	With respect to the risks of a regulatory nature and of compliance to which the Company may be exposed in its E&P activities, Galp operates on two distinct fronts. First, the Company has been building a balanced portfolio of projects, entering a wide range of new geographies, which has helped to reduce its exposure to the risk related to any one country. The level of exposure to regulatory risks is analysed in the process of entry into new areas, and potential amendments by the lawmakers or regulators of those countries are regularly monitored. As a second front, Galp has implemented a procedure whereby a decision to enter into new transactions involves new counterparties being subject to due diligence.

Main risk	Description and impact	Forms of mitigation
Regulatory uncertainties and compliance (cont.)	Although Galp has not experienced to date, major disturbances resulting from economic or political instability, potential future disruptions may negatively affect its activity, its operating results and its financial position. Galp considers that it operates in accordance with the international standards applicable in all the countries in which it carries out its activities. However, any (real or alleged) irregularities may have a very important adverse effect on Galp's capacity to develop its activity. Downstream and gas activities in Iberia are also subject to risks of a political, legal and regulatory nature. In fact, any changes in these levels can have an impact on the business context in which the Company operates, potentially affecting Galp's activities and its operating results. Significant changes in the tax systems in force in the countries where Galp carries out its downstream and gas activities may have a materially adverse impact on the Company's operating results and its financial position. Downstream and gas activities are also subject to laws and regulations on matters of competition, particularly in Portugal and in Spain, and the Company may incur significant losses in the context of proceedings filed in this context, including those where compensation is required for any alleged damages. The occurrence of these events may have an adverse impact on Galp's business, on the results of its operations and on its financial position.	At the same time, Galp has a code of ethics and conduct and an anti-corruption policy aimed at the public promotion of its commitment to permanently ensuring full compliance with the best practices and international law. In accordance with the update of its code of ethics and conduct, Galp has implemented a new version of its procedure for communication of irregularities occurring in companies of the Group. This procedure is in conformity with the best practices of corporate governance and the applicable rules and regulations of the capital markets, and is in line with the principles of loyalty, rectitude, honesty, transparency and integrity, on which Galp's activities are based, in order to promote a responsible, ethical culture and prevent or prohibit improper or illegal practices.

Other relevant risks (in alphabetical order)	Description and impact	Forms of mitigation
Attraction and retention of qualified human capital	The successful execution of Galp's strategy depends on the competence and efforts of its teams of employees and managers. In the oil and gas sector, in particular, the competition for human capital with qualifications and experience is very strong. If Galp does not manage, in the future, to attract, retain and motivate the right human capital, this could compromise the Company's success and, consequently, its operational results and financial position.	Galp promotes a human capital strategy based upon a policy of competitive remuneration, and a strong training policy, appraising both individual and organisational performance evaluation systems, with the aim of recruiting and retaining talents. The training of Galp's employees, in which the Company has been investing in recent years, is extremely important, particularly in relation to its advanced training programmes in management, refining and the exploration and production of hydrocarbons. More specifically in the E&P business, the strategy in relation to maintaining and attracting talents, focuses on the competitive position that the Company occupies in the sector at the international level.

Other relevant risks (in alphabetical order)	Description and impact	Forms of mitigation
Competition	The oil and gas industry is extremely competitive. The competition puts pressure on the prices of raw materials and products, namely affects the marketing activities relating to oil products, and demands a constant focus on cost control and increased efficiency while, at the same time, guaranteeing the safety of the operations. Within this context, implementation of the Company's strategy requires considerable effort, in relation to innovation and constant technological progress, including the progress achieved in terms of exploration, production, refining and energy efficiency. The Company's performance may be affected if its competitors develop or acquire intellectual property rights or technology that the Company needs, or if the Company is not able to keep up with the sector in terms of innovation. Some of Galp's competitors are operators that are well established in the market, are bigger and have access to a greater number of resources. The weight of these companies in the market is due to a combination of factors, including: diversified and reduced risk; the financial capacity necessary for the developments that require high levels of investment, the capacity to benefit from economies of scale in terms of technology and organisation; and a size that allows them to benefit from advantages related to the competencies acquired, infrastructures established and reserves. As such, these companies can acquire more or pay more for the exploratory prospects and can also invest more in the development of technologies than Galp. The intense competition to which the Company is subject can affect its activities, operational results and financial position.	In view of the competition that exists in the oil and gas industry, and to reduce the exposure to risks associated with the high level of operational complexity in the sector, Galp systematically applies the sector's best practices. The Company has implemented a solid culture of R&T in an attempt to continually track the most recent advances in the oil and natural gas industry, and is committed to the development of competencies, be it internally or through partnerships, that will allow for the creation, study and implementation of new and better technical and technological solutions. In relation to the fact that some of Galp's competitors are much bigger operators, with greater potential financial capacity and with the possibility of access to a greater amount of resources, attention should be drawn to the fact that the Company is involved in two of the most important, global-scale development projects – the pre-salt region in the Santos Basin in Brazil, and the LNG project in the Rovuma Basin in Mozambique, a situation which favours Galp's competitiveness in relation to other companies in the sector. In addition, Galp has a series of competitive advantages as well as having a solid capital structure that supports its activities in E&P. In relation to the downstream and gas businesses, Galp has also made efforts to stand out from its competitors. One example of this is its project aimed at converting its refining system, allowing both refineries to operate in an integrated manner since 2013, thus increasing the Company's level of competitiveness within the European context. More complex and flexible refineries, have the capacity to better deal with the structural imbalance between the supply and demand of oil products in Europe. In terms of the G&P business, the initiatives to maintain trading activities on the international market should be stressed, where various players are active, including reference companies in the LNG market. In addition to the efforts to maintain a diverse and flexible range of products, these initiatives also include the strengthening of the technical and soft skills of the Company's trading team.
Credit	Risk arises from the possibility of a counterpart not fulfilling its contractual payment obligations, meaning that the level of risk depends upon its credibility. The risk includes both the possibility of one of the parties not fulfilling the payment obligations it assumed by entering into financial investment or hedging agreements (relating to exchange rates, interest rates, and others), such as the risks arising from commercial relations between the Company and its clients. The increase in the exposure to risk may, in a significant and adverse manner, affect Galp's operational results and financial position.	Credit risk is managed at the business unit level, in accordance with the Executive Committee's directives, specifically in relation to credit limits and actions designed to minimise or eliminate risk. The actions mentioned include: assessment and analysis of a client's credit (credit management manual, limit and rating); management of hedges through bank guarantees and credit insurance; monitoring of matured credit; sufficient efforts to recover debts and efficient litigation management; careful drafting of agreements, with the inclusion of suitable commercial conditions; monitoring of the client's profitability, including potential reimbursements; optimisation of sales/distribution channels.

Main risk	Description and impact	Forms of mitigation
Discovery and development of resources and oil and natural gas reserves	Galp's future production of oil and natural gas depends on its success in the consistent and profitable acquisition, discovery and development of new reserves to replace the reserves that have already been produced. However, the Company's ability to acquire and find new resources and reserves is subject to a number of risks. Estimates with respect to oil and natural gas reserves and resources are based on available geological, technological and economic data and is therefore subject to a large number of uncertainties. The accuracy of these estimates depends on numerous factors, assumptions and variables, some of which are outside the Company's control. These factors include changes in the prices of oil and natural gas, which may have an impact on the amount of proven reserves (given that reserves are calculated on the basis of the prevailing economic conditions on the date of the respective calculation); changes in the applicable tax regime or other regulations and contractual conditions, which occur after the date of calculation of the reserves (which can have an impact on the economic viability of the development of these reserves); and certain actions of third parties, including the operators that carry out activities in areas where Galp is involved. E&P activities are usually carried out in extremely challenging environments with potential risks of technical failures and natural disasters. A number of factors, such as unexpected drilling or pressure conditions, or irregularities in geological formations, equipment malfunctions or accidents, adverse weather conditions, non-compliance with the requirements imposed by government entities, as well as failures or delays in the availability of drilling rigs and equipment supply, may lead to higher costs or downsizing (decrease in staff) and delay or suspension of drilling activities. In addition, the production and exploration blocks of oil and natural gas are typically made available by government authorities. Galp is subject to strong competition in the bidding for these blocks, particularly with respect to those which are considered to be potentially more attractive in terms of resources. Due to this competition, Galp may not be able to obtain the desired blocks, or may have to pay a higher price to obtain them, which may affect the economic viability of subsequent production. The projects may be sanctioned based on incorrect assumptions or inadequate information. The projects may be executed late, exceed the budget or have levels lower than the operational reliability standards. If the Company is not successful in de-risking the resources and in the development of reserves, its total proven reserves may decrease and Galp may run the risk of not achieving its production targets. This may negatively affect the results and the Company's financial position.	Galp has a set of exceptional assets, particularly in the E&P business. All projects undertaken by the Company are rigorously analysed and submitted to the management team for approval, which is only given when the expected value exceeds the estimated cost of the capital. The Company has a multidisciplinary team, under the responsibility of the director of the E&P area, dedicated to identifying and assessing new areas that may contribute to the expansion of its resource base. Galp has been making efforts to broaden its knowledge base and strengthen the expertise of its teams, helping to provide better understanding and control over the different areas of exploration and production activities, including the estimate of reserves and resources in the portfolio. Every year, Galp uses an external independent audit company to carry out the certification of its reserves and resources that it holds. It should also be mentioned that Galp applies a phased approval mechanism to its key projects which considers the maturity and the risk of the project in question. This process allows for the assessment of the risk profile of the project over various phases, supporting a decision for its optimisation. At this point, and considering the existing forms of mitigation, Galp has a considerable base of contingent resources which give it a comfortable and sustainable position with regards to the future development of its assets.

Other relevant risks (in alphabetical order)	Description and impact	Forms of mitigation
Financing and liquidity needs	Due to its investment strategy and plan, it is expected that Galp will need significant funds. Galp expects to finance a substantial part of its investment plan using operational cash flow, cash and equivalents and other available liquidity. However, if its operations do not generate enough cash flow, the Company may have to turn to other sources of external financing, in addition to those which had originally been planned, including bank loans, the placing of debt and equity on the capital markets, or establishing partnerships. There is no guarantee that Galp will be able to satisfy all of its financial needs to execute its investment plan under commercially acceptable conditions. If the Company is unable to deal with its financing and liquidity needs, it may have to reduce its investment plan, which could have a negative impact on the Company's strategic plan, on its activities and, consequently, on its operational results.	One of Galp's strategic pillars is the maintenance of a solid capital structure, specifically by means of strong financial discipline, which should facilitate access to diverse sources of financing at competitive costs. The solid capital structure and the resilient cash flow generated by the downstream and gas businesses, together with the expected cash flow generated by the increase of production in Brazil, will be essential for an improvement of credit conditions, extending maturity periods and negotiate competitive rates, as well as for a diversification of the sources of financing. In addition, Galp has maintained the lines of credit at a level that is considered suitable, thus providing it with flexibility in terms of cash needs.
Losses resulting from trading activities	During the course of its activities, Galp is subject to operational risks that are inherent to the activities of cash management and trading. Galp operates on the derivatives market, making use of procedures that are periodically performed and designed to limit its exposure to risks involved in the operations in question. In relation to the physical market of raw-materials connected with Galp's activities, there is no guarantee that, in the future, the Company will not come to suffer losses due to the tendency of the prices of the raw materials in question to fall, or other factors that could influence the Company's commercial positioning. The effective control of these activities depends on Galp's ability to process, manage and monitor a large number of complex operations in different markets and currencies. In relation to this, any event that results in losses could have a negative impact on Galp's activities, operational results and financial position.	Galp has implemented a set of procedures aimed at reducing the risk of trading activities. First, the Company has been strengthening its skills in this area and also developing its soft skills in order to facilitate trading activity, specifically in relation to the establishment of relationships in value-added markets. For a trading activity to be successful, it is also essential to ensure sufficient sourcing of oil-derived products and raw materials, such as oil and natural gas. Galp therefore makes every effort to create a diverse and flexible mix of sourcing of crude oil, natural gas and LNG. In relation to the trading of oil products, although the Company's priority is to place them in added-value markets, such as, for example, Iberia and selected African countries, Galp plans its production appropriately, analysing the best markets to place the products available for trading. In relation to the trading of LNG, in addition to ensuring sourcing of a diverse and flexible sourcing mix, Galp seeks to maintain a stable basis of demand for natural gas in Iberia, which will allow risks to be taken in the provision and efficient management of the portfolio. In addition, Galp has periodically performed procedures designed to limit the exposures to risk that involve trading operations.

Other relevant risks (in alphabetical order)	Description and impact	Forms of mitigation
Partner dependency	Many of Galp's main projects are carried out through partnerships, and may be operated by third parties and managed by joint venture agreements. In these partner agreements, the Company may be vulnerable to events that impact its partners, even though they are not related to Galp. The Company's partners could also approve certain matters without the Company's consent. The partners may not have the ability to fulfil their obligations on certain projects or in relation to third parties and, as such, they could affect the viability of the projects. All these risks, associated with a partnership situation, could place the execution of projects at risk and, ultimately, constrain and interfere with the implementation of Galp's strategy, with this possibly having a negative impact on its operational results and financial position.	Despite Galp not playing the role of operator in the majority of the E&P projects in which it participates, it is actively involved in the respective implementation. The Company monitors the activities of each project on a daily basis, using internal, multidisciplinary teams, and maintaining direct contact with the operators, which essentially consist of well-respected international companies with vast experience in the sector. Galp utilises a decision making process that involves prior screening in relation to the selection of its strategic partners, and also using due diligence processes. The Company also develops a long process of negotiations that includes the drafting, analysis and signing of Joint Operating Agreements in order to ensure Galp's rights and powers in the governance structures under joint venture systems. The Company can exercise possible veto rights on certain matters within the consortia. Galp feels that its proven and diverse experience, combined with the knowledge acquired in the various projects in which it is involved, is a key factor that allows it to have influence in the partnerships in which it participates. However, the Company's objective consists of continuing to develop its exploration and production activities, which tend to increase its ability to control and influence.
Volatility of prices and markets	The prices of oil, natural gas, LNG and oil-derived products are affected, at any time, by the dynamics of market supply and demand. In turn, these products are influenced by different factors, such as economic and operational circumstances, natural disasters, weather conditions, political instability, armed conflicts or supply constraints of oil exporting countries. Over the course of its operations and trading activities, Galp's results are therefore exposed to the volatility of the prices of oil, natural gas and oil-derived products. Even though, in the long term, the operational costs tend to be in line with the rises and falls of the prices of raw materials and products, there is no guarantee that this will happen in the short term. Consequently, a reduction in the price of oil or natural gas could compromise investment plans, including exploration and development activities. On the other hand, the increase in the prices of oil or natural gas could affect the value and profitability of Galp's assets. Even though the prices that the Company charges its clients reflect market prices, they cannot be adjusted immediately, and may not entirely reflect the changes in market prices. Additionally, the significant differences in price that are seen between the purchase of the raw materials and the sale of refined products, could negatively affect Galp's operational results and financial position. Galp is also exposed to fluctuations in exchange rates due to the fact that the results and the cash flow generated by the sale of oil, natural gas and refined products will normally be denominated in US dollars and Brazilian Reais, and be affected by the exchange rates associated with these currencies.	Galp's simultaneous presence in upstream and downstream businesses has allowed a natural hedge to form in relation to its activities. New projects and investments are evaluated internally, taking into consideration an analysis of their sensitivity to key variables, particularly commodity prices. The risk associated with the volatility of raw material prices, particularly the refining margin, is managed at the business unit level through the monitoring of the liquid global position of the Company's raw materials, balancing the obligations of sourcing and supply. The aforementioned risk is managed by means of the instrument made available by over-the-counter (OTC) or Intercontinental Exchange (ICE) markets. The interest rate, the exchange rate and other financial risks, including financial investments and debt, are managed centrally. Risk management of the interest rate seeks to reduce the volatility of interest charges through the use of simple derivatives instruments, such as swaps. With the aim of mitigating the exchange rate risk, Galp can, whenever it considers necessary, hedge its position by means of the use of derivatives, for which a liquid market exists.

Other relevant risks (in alphabetical order)	Description and impact	Forms of mitigation
Volatility of prices and markets (cont.)	In those countries where Galp is developing commercial activities, be it directly or indirectly, the operational results are also exposed to the fluctuations of the relevant exchange rates. Galp is also exposed to the risk of exchange rates in relation to the value of its financial assets and investments, mainly those that are defined in US dollars and in Brazilian Reais, which could have an impact on the Company's balance sheet and accounts, given that the financial statements are expressed in Euros. Despite the ability to access the market instruments designed to hedge the interest rate risk, Galp's financing costs could be affected by volatility in market rates, which could, in turn, negatively influence its results.	

7 Appendices

7.1. Proposal for application of results

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

Galp Energia, SGPS, S.A., under individual accounts, closed the 2015 financial year with a net profit of €378,654,378.04. This result is presented in accordance with the International Financial Reporting Standards (IFRS).

Pursuant to the law, the Board of Directors proposes that the net profit from the 2015 financial year, €378,654,378.04, be allocated in the following manner: €34,747,554.70 to retained earnings and €343,906,823.34 to be distributed in the form of dividends.

The amount to be paid to shareholders in 2016, concerning the financial year 2015, will be of €171,953,411.67 (€0.20736/share), since €171,953,411.67 has already been paid last September, in the form of an advance on profit for the year, which corresponds to a total dividend of €0.41472 per share.

7.2. Additional information

Declarations and compulsory information

SHAREHOLDERS WITH DIRECT OR INDIRECT QUALIFYING HOLDINGS ON 31 DECEMBER, 2015, (DETERMINED UNDER THE TERMS OF ARTICLE 20 OF THE CVM)

Shareholders	N.º of shares	% of voting rights
Amorim Energia, B.V.		
Holding	317,934,693	38.34%
Other attributable situations	-	-
Total attributed	317,934,693	38.34%
Parpública - Participações Públicas (SGPS), S.A.		
Holding	58,079,514	7.00%
Other attributable situations	-	-
Total attributed	58,079,514	7.00%
BlackRock, Inc.		
Holding	20,307,726	2.45%
Other attributable situations	-	-
Total attributed	20,307,726	2.45%
Standard Life Investments (Holdings) Limited		
Holding	17,512,906	2.11%
Other attributable situations	-	-
Total attributed	17,512,906	2.11%
Black Creek Investment Management Inc.		
Holding	-	-
Other attributable situations [1]	16,966,453	2.05%
Total attributed	16,966,453	2.05%
Templeton Global Advisors Limited		
Holding	16,870,865	2.03%
Other attributable situations	-	-
Total attributed	16,870,865	2.03%
Schroders plc		
Holding	16,715,797	2.02%
Other attributable situations	-	-
Total attributed	16,715,797	2.02%
The Bank of New York Mellon Corporation		
Holding	-	-
Other attributable situations [2]	16,665,319	2.01%
Total attributed	16,665,319	2.01%
CI Investments Inc.		
Holding [3]	16,693,913	2.01%
Other attributable situations	-	-
Total attributed	16,693,913	2.01%

[1] Through the management of shares held by 13 funds that have delegated proxy powers to Black Creek for discretionary exercise of voting rights.
[2] Regarding the management of positions held by funds which are part of The Bank of New York Mellon Corporation.
[3] Shares held by 27 funds, including 14,944,013 shares under management by Black Creek to which CI investments has granted proxy on the corresponding voting rights.

TREASURY SHARES

Galp Energia, SGPS, S.A. holds no treasury shares.
During the fiscal year of 2015, Galp Energia, SGPS, S.A. did not acquire or sell any treasury shares.

INFORMATION ON THE HOLDINGS OF THE MEMBERS OF THE ADMINISTRATIVE AND SUPERVISORY BODIES ON 31 DECEMBER 2015.

Under the terms of article 477, nr. 5 of the Commercial Companies' Code, it is stated that, on 31 December 2015, the members of Galp Energia, SGPS, S.A.'s Board of Directors and supervisory bodies held the following stakes in the company's share capital:

		ACQUISITION			DISPOSAL			
		FROM 1 JULY TO 31 DECEMBER 2015						
	TOTAL SHARES AS A 30.06.2015	DATE	NR. OF SHARES	PRICE (€/ SHARE)	DATE	NR. OF SHARES	PRICE (€/ SHARE)	TOTAL SHARES AS OF 31.12.2015
Members of the Board of Directors								
Américo Amorim[1]	-	-	-	-	-	-	-	-
Paula Amorim[1]	-	-	-	-	-	-	-	-
Carlos Gomes da Silva	2,410	-	-	-	-	-	-	2,410
Filipe Crisóstomo Silva	5,000	11.09.2015	5,000	8.6	-	-	-	10,000
Thore Ernst Kristiansen	-		-	-	-	-	-	-
Sérgio Gabrielli de Azevedo	-	-	-	-	-	-	-	-
Abdul Magid Osman	-	-	-	-	-	-	-	-
Raquel Rute da Costa David Vunge	-	-	-	-	-	-	-	-
Carlos Costa Pina	-	-	-	-	-	-	-	-
Francisco Vahia de Castro Teixeira Rêgo	17,680	-	-	-	-	-	-	17,680
Miguel Athayde Marques	1,800							1,800
Jorge Manuel Seabra de Freitas[1]	-	-	-	-	-	-	-	-
José Carlos da Silva Costa	275	-	-	-	-	-	-	275
Pedro Carmona de Oliveira Ricardo	5,230	-	-	-	-	-	-	5,230
João Tiago Cunha Belém da Câmara Pestana	-	-	-	-	-	-	-	-
Rui Paulo Gonçalves[1]	-	-	-	-	-	-	-	-
Luís Manuel Todo Bom	-	-	-	-	-	-	-	-
Diogo Mendonça Tavares	2,940	-	-	-	-	-	-	2,940
Joaquim José Borges Gouveia	-	-	-	-	-	-	-	-
Members of the Supervisory Board								
Daniel Bessa Fernandes Coelho	-	-	-	-	-	-	-	-
Gracinda Augusta Figueiras Raposo	-	-	-	-	-	-	-	-
Pedro Antunes de Almeida	5	-	-	-	-	-	-	5
Amável Alberto Freixo Calhau	-	-	-	-	-	-	-	-
Statuatory Auditor								
PricewaterhouseCoopers & Associados, Lda	-	-	-	-	-	-	-	-
José Manuel Henrique Bernardo	-	-	-	-	-	-	-	-

[1] For the effects of art. 447, nr. 2, line d) of the Commercial Companies' Code, it is further declared that Amorim Energia B.V., in which the mentioned director also exercises the administrative functions, is the holder of 317,934,693 Galp shares.

On 31 December, 2015 none of the members of the administrative and supervisory bodies held any bonds issued by the Company.

On 31 December, 2015, the Chairman of the Supervisory Board held bonds issued by Galp Energia, SGPS, S.A., with a coupon of 4.125%, and maturing on 25.01.2019, not having carried out any transaction during 2015.

COMPANY DIRECTORS' BUSINESS

During the fiscal year of 2015, no authorisations were requested from the members of the Board of Directors of Galp Energia, SGPS, S.A., for the performance of business with the Company or with companies that are in an ownership or a group relationship with such.

EXERCISING OF OTHER ACTIVITIES BY THE DIRECTORS

During the fiscal year of 2015, none of the directors of Galp Energia, SGPS, S.A. exercised any temporary or permanent functions under a labour, subordinate or autonomous agreement, in the Company or with companies that are in an ownership or group relationship with such.

The employment agreement of director José Carlos da Silva Costa with Galp Energia, S.A., a company within the group, has remained suspended since he was first nominated as a member of the Board of Directors of Galp Energia, SGPS, S.A. on 23 November, 2012.

On the date upon which the director Pedro Ricardo was nominated (16 April, 2015), the employment agreement that he entered into with Galp Gás Natural, S.A., a company that is in an ownership or group relationship with Galp Energia, SGPS, S.A., was suspended.

CREDITORS' POSITIONS IN RELATION TO SUBSIDIARY COMPANIES

Consult note 28 of the Appendix to the financial statements of the individual accounts of Galp Energia, SGPS, S.A.

Governing bodies

The composition of the governing bodies of Galp Energia, SGPS, S.A. for the mandate under way for 2015-2018, is as follows:

General Shareholders Meeting Board

Chairman:
Daniel Proença de Carvalho

Vice-Chairman:
Victor Manuel Pereira Dias

Secretary:
Maria Helena Claro Goldschmidt

Board of Directors

Chairman:
Américo Ferreira de Amorim

Vice-Chairman:
Paula Fernanda Ramos Amorim

Vice-Chairman:
Carlos Nuno Gomes da Silva

Members:
Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Raquel Rute da Costa David Vunge
Carlos Manuel Costa Pina
Francisco Vahia de Castro Teixeira Rêgo
Miguel Athayde Marques
Jorge Manuel Seabra de Freitas
José Carlos da Silva Costa
Pedro Carmona de Oliveira Ricardo
João Tiago Cunha Belém da Câmara Pestana
Rui Paulo da Costa Cunha e Silva Gonçalves
Luís Manuel Pego Todo Bom
Diogo Mendonça Rodrigues Tavares
Joaquim José Borges Gouveia

Executive Committee:

Chairman:
Carlos Gomes da Silva (CEO)

Members:
Filipe Crisóstomo Silva (CFO)
Thore E. Kristiansen
Carlos da Silva Costa
Tiago Câmara Pestana
Pedro Carmona de Oliveira Ricardo
Carlos Costa Pina

Company Secretary
Standing:
Rui de Oliveira Neves

Alternate:
Maria Helena Claro Goldschmidt

Supervisory Board
Chairman:
Daniel Bessa Fernandes Coelho

Member:
Gracinda Augusta Figueiras Raposo

Member:
Pedro Antunes de Almeida

Alternate:
Amável Alberto Freixo Calhau

Statutory Auditor:

Standing: PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. representada por António Joaquim Brochado Correia, ou por Ana Maria Ávila de Oliveira Lopes Bertão

Alternate:
José Manuel Henriques Bernardo

Remuneration Committee

Chairman:
Amorim Energia, B.V.

Member:
Jorge Armindo Carvalho Teixeira

Member:
Joaquim Alberto Hierro Lopes

7.3. Consolidated Accounts

Consolidated statement of financial position

GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014
(Amounts stated in thousand Euros - € K)

ASSETS	Notes	December 2015	December 2014
Non-current assets:			
Tangible assets	12	5,215,723	5,052,356
Goodwill	11	137,035	225,361
Intangible assets	12	1,402,977	1,446,906
Investments in associates and joint ventures	4	1,113,576	786,702
Assets held for sale	4	2,487	2,512
Trade receivables	15	24,162	24,242
Loans to Sinopec	14	-	170,954
Other receivables	14	298,149	187,796
Deferred tax assets	9	462,134	363,973
Other financial investments	17	24,430	21,378
Total non-current assets:		**8,680,673**	**8,282,180**
Current assets:			
Inventories	16	872,518	1,210,374
Trade receivables	15	804,880	1,115,287
Loans to Sinopec	14	722,936	718,904
Other receivables	14	576,960	667,281
Other financial investments	17	4,458	10,136
Non-current assets held for sale		-	67,273
Cash and cash equivalents	18	1,130,606	1,143,982
Total current assets:		**4,112,358**	**4,933,237**
Total assets:		**12,793,031**	**13,215,417**
EQUITY AND LIABILITIES	**Notes**	**December 2015**	**December 2014**
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	2,682,394	2,701,339
Retained earnings		1,055,861	1,565,335
Consolidated net result for the year	10	122,566	(173,394)
Total equity attributable to shareholders:		**4,772,078**	**5,004,537**
Non-controlling interests	21	1,416,046	1,420,184
Total equity:		**6,188,124**	**6,424,721**
Liabilities:			
Non-current liabilities:			
Bank loans	22	1,151,416	1,113,578
Bonds	22	1,908,109	2,247,541
Other payables	24	551,287	555,840
Post-employment and other employee benefits liabilities	23	421,540	410,591
Deferred tax liabilities	9	109,384	121,188
Other financial instruments	27	2,498	838
Provisions	25	428,762	184,540
Total non-current liabilities:		**4,572,996**	**4,634,116**
Current liabilities:			
Bank loans and overdrafts	22	246,791	303,245
Bonds	22	245,756	-
Trade payables	26	656,346	898,047
Other payables	24	844,333	921,059
Other financial instruments	27	29,471	15,144
Current income tax payable	9	9,214	19,085
Total current liabilities:		**2,031,911**	**2,156,580**
Total liabilities:		**6,604,907**	**6,790,696**
Total equity and liabilities:		**12,793,031**	**13,215,417**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2015.

Consolidated income statement

GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014
(Amounts stated in thousand Euros - € K)

	Notes	December 2015	December 2014
Operating income:			
Sales	5	14,883,581	17,478,599
Services rendered	5	632,920	542,395
Other operating income	5	100,181	105,477
Total operating income:		**15,616,682**	**18,126,471**
Operating costs:			
Cost of sales	6	12,693,354	15,701,372
External supplies and services	6	1,316,406	1,157,704
Personnel costs	6	343,304	369,554
Amortisation, depreciation and impairment loss on fixed assets	6	719,635	613,598
Provisions and impairment losses on receivables	6	31,125	30,710
Other operating costs	6	63,491	73,304
Total operating costs:		**15,167,315**	**17,946,242**
Operating result:		**449,367**	**180,229**
Financial income	8	32,387	51,899
Financial costs	8	(79,700)	(152,052)
Exchange (loss) gain		(35,196)	(26,604)
Results from financial investments and impairment losses on Goodwill	4 and 11	19,308	30,342
Results from financial instruments	27	(12,776)	(17,819)
Result before taxes:		**373,390**	**65,995**
Income tax	9	(152,170)	(154,073)
Energy sector extraordinary contribution	9	(67,002)	(30,453)
Consolidated net income for the year		**154,218**	**(118,531)**
Resultado líquido atribuível a:			
Non-controlling interests	**21**	**31,652**	**54,863**
Galp Energia SGPS, S.A. Shareholders	**10**	**122,566**	**(173,394)**
Consolidated net income for the year		**154,218**	**(118,531)**
Earnings per share (in Euros)	10	**0.15**	**(0.21)**

The accompanying notes form an integral part of the consolidated income statement for the year ended 31 December 2015.

Consolidated statement of comprehensive income

GALP ENERGIA, SGPS, S.A. E SUBSIDIÁRIAS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014

(Amounts stated in thousand Euros - € K)

		December 2015		December 2014	
	Notes	Atributtable to the Shareholders	Non-controlling interests (Note 21)	Atributtable to the Shareholders	Non-controlling interests (Note 21)
Consolidated net result for the year	**10**	**122,566**	**(Note 21)"**	**(173,394)**	**58,863**
Other comprehensive income for the year which will not be recycled in the future for net result of the year:					
Actuarial Gains and losses - pension fund:					
Actuarial Gains and losses - pension fund	23	(22,699)	-	(36,116)	-
Tax related to actuarial gains and losses - pension fund	9	1,867	1	9,421	(2)
		(20,832)	**1**	**(26,695)**	**(2)**
Other comprehensive income for the year which will be recycled in the future for net result of the year:					
Currency exchange differences:					
Currency exchange differences (Group companies)	20	75,202	64,196	272,450	134,991
Currency exchange differences (Associates/ joint ventures)	4 and 20	58,212	-	68,273	-
Currency exchange differences - Goodwill	11 and 20	2,157	-	1,158	-
Currency exchange differences - Financial allocation ("quasi capital")	20	(232,534)	(99,657)	(60,504)	(25,930)
Deferred tax related to components of Currency exchange differences - Financial allocations ("quasi capital")	9 and 20	79,061	33,884	20,410	8,788
		(17,902)	**(1,577)**	**301,787**	**117,849**
Hedging reserves:					
Increases / (decreases) in hedging reserves (Group companies)	27 and 20	(1,134)	-	1,282	-
Deferred tax related to hedging reserves components (Group companies)	9 and 20	265	-	(324)	-
Increases / (decreases) in hedging reserves (Associates/joint ventures)	27 and 20	(42)	-	(283)	-
Deferred tax related to hedging reserves components (Associates/joint ventures)	9 and 20	(11)	-	(11)	-
		(922)	**-**	**664**	**-**
Other increases/decreases					
Changes on the financial interests held in the share capital of subsidiaries (Note 3 and 21):					
Increase in the financial interests held in the share capital of subsidiaries (Note 3 and 21)		-	(17,921)	-	-
Liquidation of subsidiaries		-	-	-	1,210
		-	(17,921)	-	1,210
Other increases/decreases		-	(4)	-	(496)
		-	**(17,925)**	**-**	**714**
Other Comprehensive income for the year net of taxes		(39,656)	(19,501)	275,756	118,561
Comprehensive income for the year atributtable to shareholders		**82,910**		**102,362**	
Comprehensive income for the year atributtable to non-controlling interests	**21**		**12,151**		**173,424**
Total Comprehensive income for the year		**82,910**	**12,151**	**102,362**	**173,424**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2015.

Consolidated statement of changes in equity

GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014
(Amounts stated in thousand Euros - € K)

Changes in the period	Notes	Share Capital	Share Premium	Translation reserves (Note 20)	Other reserves (Note 20)	Hedging reserves (Note 20)	Retained earnings - actuarial Gains and losses - pension fund (Note 23)	Retained earnings	Consolidated net result for the year	Sub-Total	Non-controlling interests (Note 21)	Total
Balance as of 1 January 2014		829,251	82,006	(284,118)	2,680,439	(1,408)	(72,875)	1,738,950	188,661	"	1,254,894	6,415,800
Consolidated net result for the year	10	-	-	-	-	-	-	-	(173,394)	(173,394)	54,863	(118,531)
Changes in the consolidation perimeter		-	-	-	-	-	-	-	-	-	-	-
Other gains and losses recognised in Equity		-	-	301,787	-	664	(26,695)	-	-	275,756	118,561	394,317
Comprehensive income for the year		-	-	301,787	-	664	(26,695)	-	(173,394)	102,362	173,424	275,786
Dividends distributed / Interim dividends		-	-	-	-	-	-	(262,706)	-	(262,706)	(14,779)	(277,485)
Increase of equity in subsidiaries		-	-	-	3,975	-	-	-	-	3,975	6,645	10,620
Increase of reserves by appropriation of profit		-	-	-	-	-	-	188,661	(188,661)	-	-	-
Balance as of 31 December 2014		829,251	82,006	17,669	2,684,414	(744)	(99,570)	1,664,905	(173,394)	5,004,537	1,420,184	6,424,721
Balance as of 1 January 2015		829,251	82,006	17,669	2,684,414	(744)	(99,570)	1,664,905	(173,394)	5,004,537	1,420,184	6,424,721
Consolidated net result for the year	10	-	-	-	-	-	-	-	122,566	122,566	31,652	154,218
Changes in the consolidation perimeter	3 and 21	-	-	-	-	-	-	-	-	-	-	-
Other gains and losses recognised in Equity		-	-	(17,902)	-	(922)	(20,832)	-	-	(39,656)	(19,501)	(59,157)
Comprehensive income for the year		-	-	(17,902)	-	(922)	(20,832)	-	122,566	82,910	12,151	95,061
Dividends distributed / Interim dividends	30	-	-	-	-	-	-	(315,248)	-	(315,248)	(7,722)	(322,970)
Increase of equity in subsidiaries	3 and 20	-	-	-	(121)	-	-	-	-	(121)	(8,567)	(8,688)
Increase of reserves by appropriation of profit		-	-	-	-	-	-	(173,394)	173,394	-	-	-
Balance as of 31 December 2015		829,251	82,006	(233)	2,684,293	(1,666)	(120,402)	1,176,263	122,566	4,772,078	1,416,046	6,188,124

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2015.

Consolidated statement of cash flow

GALP ENERGIA, SGPS, S.A AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014
(Amounts stated in thousand Euros - € K)

	Notes	December 2015	December 2014
Operating activities:			
Cash received from customers		17,665,676	20,475,148
Cash (payments) to suppliers		(11,420,662)	(14,610,738)
(Payments) relating to Tax on oil products ("ISP")		(2,632,665)	(2,489,107)
(Payments) relating to VAT		(1,624,430)	(1,928,005)
(Payments) relating to Royalties, levies, "PIS" and "COFINS" and Others		(50,022)	(91,898)
Operating gross margin		1,937,897	**1,355,400**
Salaries, contributions to the pension fund and other benefits (payments)		(209,348)	(198,372)
Withholding to third parties (payments)		(85,246)	(83,658)
Social Security contributions ("TSU")		(76,389)	(76,006)
Payments relating to employees		(370,983)	**(358,036)**
Other receipts/(payments) relating to the operational activity		(46,074)	(58,275)
Cash flows from operations		1,520,840	**939,089**
(Payments)/receipts of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(127,016)	(159,342)
Cash flows from operating activities (1)		**1,393,824**	**779,747**
Investing activities:			
Cash receipts from sale of tangible and intangible assets		68,893	2,126
Cash (payments) for the acquisition of tangible and intangible assets		(989,812)	(831,834)
Cash receipts relating to financial investments		35,370	800
Cash (payments) relating to financial investments		(308,346)	(231,288)
Net financial investment		(1,193,895)	**(1,060,196)**
Cash receipts from loans granted		260,784	101,404
Cash (payments) relating to loans granted		(400)	(976)
Cash receipts from interests and similar income		21,855	39,244
Cash receipts relating to dividends	4	72,901	73,805
Cash flows from investing activities (2)		**(838,755)**	**(846,719)**
Financing activities:			
Cash receipts from loans obtained		1,282,504	750,767
Cash (payments) relating to loans obtained		(1,407,753)	(819,656)
Cash receipts/(payments) from interests and similar costs		(132,411)	(157,516)
Dividends paid	30	(318,211)	(274,857)
Other financing activities		1,904	2,566
Cash flows from financing activities (3)		**(573,967)**	**(498,696)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(18,898)	(565,668)
Effect of foreign exchange rate changes in cash and cash equivalents		41,393	182,892
Cash changes by changes in the consolidation perimeter	3	(1,040)	-
Cash and cash equivalents at the beginning of the year	18	1,023,396	1,406,172
Cash and cash equivalents at the end of the year	18	1,044,851	1,023,396

The accompanying notes form an integral part of the consolidated statement of cash flow for the year ended 31 December 2015.

In the year ended 31 December 2015, the Galp group, when compared with the previous reports, has decided to change the form of presentation of the statement of cash flow, as it believes that will improve its comprehension. The values as at 31 December, 2014, were presented according to the new format.

Índice

Notes to the consolidated financial statements 31 december 2015

1. INTRODUCTION

a) ***Parent Company:***

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

The Company shareholder structure as of 31 December 2015 is stated in Note 19.

The Company is listed on the Euronext Lisbon stock exchange.

b) ***The Group:***

As of 31 December 2015 the Galp group (the Group) consists of Galp and its subsidiaries, which includes, among others: (i) Petróleos de Portugal – Petrogal, S.A. (Petrogal) and its subsidiaries, which carry out their activities in the refining of crude oil and distribution of oil products sector; (ii) Galp Gás & Power, SGPS, S.A. and its subsidiaries, which operate in the natural gas sector, electricity sector and renewable energy sector; (iii) Galp Energia E&P, B.V. and its subsidiaries integrating the oil and gas exploration and production activities and biofuels and (iv) Galp Energia, S.A. which integrates the corporate support services.

b1) Upstream activities

The Exploration & Production business segment is responsible for the presence of Galp in the oil industry upstream sector, which consists in the supervision and performance of all activities relating to exploration, development and production of hydrocarbons, essentially in Angola, Brazil and Mozambique.

b2) Midstream and Downstream activities

The Refining & Marketing 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 business also comprises the oil products storage and transportation infrastructure in Portugal and Spain, for both export/import and marketing of its products to the main consumer centres. This retail marketing activity, using the Galp brand, also includes Angola, Cape Verde, Spain, Gambia, Guinea-Bissau, Mozambique and Swaziland through controlled subsidiaries of the Group.

b3) Natural gas activity and energy production and supply

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

Galp group natural gas business encompasses a set of regulated and liberalised activities, including the sourcing in liberalised regime, the operation of infrastructure in regulated regime and marketing to final customers in Iberia in free and regulated regime.

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

Within the sourcing and supply of natural gas, the Company supplies natural gas to large industrial customers, with annual consumption of more than 2 mm^3, power generation companies, natural gas distribution companies and Autonomous Gas Units (AGU). So as to meet the demand of its customers, Galp 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. Its purpose is to sell natural gas to those residential, commercial and industrial customers with annual consumptions of less than 2 mm^3.

The natural gas subsidiaries of the Galp group that supply natural gas in Portugal operate based on concession contracts entered into with the Portuguese State. At the end of the concession period, 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.

Under the terms covered by the sectorial regulations applicable in Portugal, approved by the respective regulator ("ERSE" - www.erse.pt), described in the respective regulations in more detail, there are:

Distribution Network Operators:

• Access to the Natural Gas National Transportation Network (NGNTN) and the Natural Gas National Distribution Network (NGNDN) activities developed by the distribution network operators.

• Natural gas distribution activity exercised by the distribution network operators.

Last resort wholesale retailer

• Natural Gas purchase and sale activity in connection to the management of the long-term supply contracts in the Take or Pay (ToP) scheme signed prior to the publication of Directive 2003/55/ EC of 26 June, exercised by the Natural Gas National System (NGNS) supplier.

To cover the planned natural gas requirements in Portugal, a natural gas purchase contract of 2.3 bcm was signed, for a period of 23 years, with Sonatrach, a company owned by the Algerian State. The commencement of this contract and the first deliveries of natural gas started in January 1997, simultaneously with the connection of the Europe - Maghreb gas pipeline to the transport and distribution network in Portugal.

Additionally, three contracts were signed for a period of 20 years, with NLNG, a Nigerian Company, to acquire a total of 3.5 bcm of LNG. The supply under these contracts started in 2000, 2003 and 2006, respectively.

Natural Gas and LNG sourcing contracts:

Contracts	Country	Quantity (mm^3/year)	Period (years)	Start date
NLNG I	Nigeria	420	20	2000
NLNG II	Nigeria	1,000	20	2003
NLNG +	Nigeria	2,000	20	2006
Sonatrach	Algeria	3,000	23	1997

The purchase price of natural gas under long-term sourcing agreements is generally calculated according to a set price formula based on the price of alternative fuels, as the benchmark price of crude oil and other elements, including inflation and exchange rates. Typically, the price formula of these contracts foresees the periodic adjustment based on variations of the chosen benchmark.

Usually the long-term natural gas sourcing contracts define a minimum annual quantity to acquire and a flexible margin for each year. These contracts usually establish an obligation to take or pay, which obliges the purchase the agreed quantities of natural gas, regardless of the respective need that may or not occur. These contracts allow the transfer of quantities from one year to another within certain limits, if demand is lower than the established minimum annual levels.

When Galp's capital was listed on the stock exchange, an analysis of these contracts was performed in order to detect any embedded derivatives, namely contractual clauses that could be considered as financial derivatives. Joint analysis carried out by external consultants and the Group, did not detect financial derivatives that should be recognised at fair value, since the characteristics of these contracts are intrinsic to the gas activity.

When embedded derivatives are noted in other financial instruments or other contracts, they are treated as separately recognised derivatives in situations where the risks and characteristics are not closely related to contracts and in situations where the contract is not stated at fair value with unrealized gains or losses recorded in the income statement.

Although the maturity of the contracts is of less than 20 years, long-term supply contracts provide for the possibility of renegotiation over the term of the contract in accordance with contractually defined rules.

• The natural gas purchase and sale activity for supply to the last resort, developed by the last resort wholesaler, includes the following functions:

- Natural gas purchase and sale function, resulting from the acquisition of natural gas, directly or through auctions, under long-term supply contracts, of the supplier of natural gas national system;

- Natural gas purchase and sale function in organized markets or through bilateral contracts (not applicable in Galp for the year under review).

Commercialisation by last resort retailers

• The natural gas marketing activity , exercised by the last resort retailers, includes the following functions:

- Natural gas purchase and sale;

- Purchase and sale of the access to the Natural Gas National Transportation Network (NGNTN) and Natural Gas National Distribution Network (NGNDN);

- Natural gas marketing.

The Group Power business includes the generation of energy through the portfolio of cogeneration plants in Portugal and the sale of electricity to end customers. This business proves to be complementary to the natural gas business, by means of natural gas auto consumptions in cogeneration plants and combined electricity and gas supply.

• The activity of the Power sub- segment currently consists of operating cogeneration plants and wind power.

Geographic markets for developed activities are as follows:

- Natural gas sourcing;

- Natural gas distribution: Portugal;

- Natural gas and electricity supply: Portugal and Spain;

- Electricity production: Portugal.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Group to prepare the consolidated financial statements are explained below. During the year ended 31 December 2015 there were no changes in the accounting policies, in relation to those used to prepare the financial information for the preceding year. There were no prior year material errors.

2.1. BASIS OF PRESENTATION

The accompanying financial statements are presented in thousands of euros, unless otherwise stated.

Galp consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value (Note 2.16), on the accounting records of the companies included in the consolidation (Notes 3 and 4) maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic exercise beginning in 1 January 2015. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the Standing Interpretation Committee ("SIC") and International Financial Reporting Interpretation Committee ("IFRIC"). These standards and interpretations are hereinafter referred to as "IFRS".

The IFRS standards published by International Accounting Standard Board (IASB) and approved and published in the Official Journal of the European Union ("OJEU") during 2015, applicable to subsequent years are presented in the tables below:

STANDARDS AND INTERPRETATIONS PUBLISHED BY IASB BUT NOT ENDORSED BY THE EU:

IAS Standard	Publishing date in IASB	Estimated date of approval by EU	Year to which it applies	Comments
IFRS 14 Regulatory Tariff Deviations	30 January 2014	no estimated date	2016	Not applicable
Amendments to IFRS 10, 12 and IAS 28 - Investment entities: applying consolidation exception	18 December 2014	2nd Quarter 2016	2016	Impact of the application of the standard still to be determined
Amendments to IAS 12 Income taxes	19 January 2016	4th Quarter 2016	2017	No estimated impact
IFRS 9 Financial Instruments	24 July 2014	2nd Semester 2016	2018	Impact on the derivative financial instruments, classified in accordance with accounting standards as hedging and in the calculation of the impairment losses on accounts receivable
IFRS 15 Revenue from contracts with customers	28 May 2014 and 11 September 2015	2nd Quarter 2016	2018	Impact, still to be determined, on the revenue recognition
IFRS 16 Leases	13 January 2016	no estimated date	2019	Impact of the application of the standard still to be determined
IAS 7 Statement of Cash Flow	29 January 2016	4th Quarter 2016	2017	Impact on disclosures in the notes to the financial statements

STANDARDS AND INTERPRETATIONS TO BE APPLIED IN SUBSEQUENT YEARS, IF APPLICABLE:

IAS Standard	Publishing date in OJEU	Date of accounting application	Year to which it applies	Comments
Amendments to IAS 27 Separate Financial Statements	23 December 2015	01 January 2016	2016	Impact, still to be determined, of the application of the amendment
Amendments to IAS 1 Presentation of Financial Statements	19 December 2015	01 January 2016	2016	Impact on the presentation of the financial statements of the respective disclosures
Annual improvements to IFRS 2012-2014	16 December 2015	01 January 2016	2016	No estimated impact
Amendments to IAS 16 Tangible Fixed Assets and IAS 38 Intangible Assets	03 December 2015	01 January 2016	2016	Not applicable
Amendments to IFRS 11 Joint arrangements	25 November 2015	01 January 2016	2016	Estimated impact on new acquisitions of joint operations
Amendments to IAS 16 Tangible Fixed Assets and IAS 41 Agriculture	24 November 2015	01 January 2016	2016	Not applicable
Amendments to IAS 19: Defined Benefits Plan: Employees contributions	9 January 2015	after 1 February 2015	2016	No relevant accounting impacts
Annual Improvements IFRS 2010-2012	9 January 2015	after 1 February 2015	2016	No relevant accounting impacts

STANDARDS AND INTERPRETATIONS ADOPTED, IF APPLICABLE:

IAS Standard	OJEU Publication date	Accounting application date	Period to which it applies	Comments
IFRIC 21 Levies	14 June 2014	After 17 June 2014	2015	Without relevant accounting impact
IFRS annual improvements cycle 2011-2013	19 December 2014	after 1 January 2015	2015	Without relevant accounting impact

Standards and Interpretations published by IASB, but not endorsed by the European Union:

IFRS 14 – Regulatory Tariff Deviations

The standards permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and respective movements, are presented separately in the statement of financial position, income statement and other comprehensive income, and specific disclosures are required.
As Galp is not a first-time adopter of the IFRS, will not apply this standard. Additionally, it is expected that the European Union will not endorse this standard.

Amendment to IFRS 10, 12 and IAS 28, 'Investment entities: applying consolidation exception''

This amendment clarifies that the exemption from the obligation to prepare consolidated financial statements by investment entities applies to an intermediate parent which is a subsidiary of an investment entity. The policy choice to apply the equity method, under IAS 28, is extended to an entity which is not an investment entity, but has an interest in an associate, or joint venture, which is an investment entity.
The impact of this amendment is under analysis in respect of the entity Vera Cruz Investment Fund ("Fundo de Investimento Vera Cruz").

Amendments to IAS 12 – Income taxes

The amendments in IAS 12 refer to the recognition of deferred tax assets for unrealised losses, and clarify the following aspects:

(i) Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

(ii) The carrying amount of an asset does not limit the estimation of probable future taxable profits.

(iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

(iv) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

It is not expected that this clarification in IAS 12 will have any impact on the calculations and records for deferred taxes made by Galp.

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, and introduces the following changes:

(i) classification and measurement of financial assets, simplifying the classification based on the business model defined by management;

(ii) recognition of the "own credit risk" component in the fair value measurement of liabilities classified as voluntarily measured at fair value;

(iii) recognition of impairment on receivables, based on the model of estimated losses, replacing the losses incurred model;

(iv) rules of hedge accounting, which are intended to be more aligned with the hedging economic rationale defined by Management.

Galp believes that IFRS 9 will change the form of impairment recognition on receivables, the classification and measurement of financial assets and may affect hedge accounting, as it will be more alligned with the economic hedging. Galp is still determining the impact of this standard.

IFRS 15 – Revenue from contracts with customers

This standard applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, in accordance with the methodology established in the standard.

Galp is analysing the future impact of this standard particularly in the recognition of revenue in the various activities developed.

IFRS 16 – Leases

This standard specifies how leases should be recognised, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Galp is still determining the impact of this new standard on its activities. However it believes that it should not be relevant for leases related to the E&P activity, since the standard does not apply (IFRS 16 p.3).

IAS 7 – Statement of Cash Flows: Disclosures

Requires an entity to disclose information on the changes in liabilities related to the financing activity, namely:

(i) Changes in financing cash flows;

(ii) Changes arising from obtaining or losing control on subsidiaries or other businesses;

(iii) The effect of changes in exchange rates;

(iv) Changes in fair value; and

(v) Other changes.

This amendment will have impact on the future disclosures to be presented in the notes to the financial statements.

Standards and Interpretations endorsed by the European Union to be applied for accounting years after 2015:

Amendment to IAS 27 – Separate financial statements

This amendment allows entities to use equity method to measure investments in subsidiaries, joint ventures and associates in separate financial statements. This amendment applies retrospectively.

Galp is still considering whether or not to change the measurement criterion for its subsidiaries, joint ventures and associates in their individual accounts. This amendment has no impact in Galp' consolidated financial statements, as it is not applicable.

Amendments to IAS 1 – Presentation of financial statements

This amendment to IAS 1 results from an IFRS disclosure initiative, and provides guidance on materiality and aggregation of captions and the presentation of subtotals in the IFRS financial statements.

This amendment will have impact on the way Galp presents the information in its financial statements.

Annual Improvements 2012 – 2014

- IFRS 5 - Non-current assets held for sale and discontinued operations

This improvement clarifies that when an asset (or disposal group) is reclassified from “held for sale” to “held for distribution”, or vice versa this does not constitute a change to a plan of sale or distribution.

- IFRS 7 - Financial instruments: disclosures

This improvement provides guidance on what is meant by continuing involvement in a transfer (de-recognition) of financial assets, for the purpose of required disclosures.

- IAS 19 - Employee benefits

This improvement clarifies that, when determining the discount rate for post-employment defined benefit obligations, this must refer to high quality bonds with the same currency at which liabilities are denominated.

- IAS 34 - Interim financial reporting

This improvement clarifies the meaning of “information disclosed elsewhere in the interim financial report” and requires the cross referencing to that information.

Galp considers that the amendments in question clarifiy the existing rules, having no material effect on the disclosures and values presented.

Amendments to IAS 16 Tangible fixed assets and IAS 38 Intangible assets

This amendment clarifies that the use of revenue-based methods to calculate the depreciation / amortisation of an asset is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset.

Galp considers this amendment as not applicable, as Galp does not depreciate/amortise their assets based on revenue obtained, but their technical use.

Amendments to IFRS 11 Joint arrangements

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, through the application of IFRS 3’s principles, except on the remeasurement to fair value of any interest previously held.

This amendment to IFRS 11 applies to Galp joint agreements future acquisitions.

Amendments to IAS 16 Tangible Fixed Assets and IAS 41 Agriculture

This amendment defines the concept of a bearer plant and removes it from the scope of IAS 41 – Agriculture, to the scope of IAS 16 – Property, plant and equipment, with the consequential impact on measurement. However, the produce growing on bearer plants will remain within the scope of IAS 41 - Agriculture.

This amendment does not apply to Galp group subsidiaries and therefore has no relevance in the measurement or presentation of the financial statements.

Amendments to IAS 19 Defined benefit plans – Employee contributions

This amendment applies to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are not associated to the number of years of service (dependence on other factors).

Galp believes that this amendment has no relevant accounting impacts.

Annual Improvements 2010 - 2012

IFRS 2 - Share based payments

This improvement amends the definitions of vesting conditions and considers that only two types of conditions exist, the performance conditions and the service conditions. The new definition of performance condition foresees that only conditions relating to the entity are considered.

IFRS 3 - Business combinations

This improvement clarifies that an obligation to pay contingent consideration is classified in accordance with IAS 32, as liability or equity, if it meets the financial instrument definition. The contingent consideration which classifies as a liability shall be measured at fair value through profit and loss. The contingent consideration which classifies as equity is only measured at fair value in the initial recognition.

IFRS 8 - Operating segments

This improvement amends IFRS 8 to require disclosure of the judgments made by management in aggregating operating segments and the reconciliation of segment assets with the entity’s total assets in financial statements, when the information is reported.

IFRS 13 - Fair value: measurement and disclosure

This improvement clarifies that the ability to measure short-term receivables and payables at the invoiced amounts where the impact of not discounting is immaterial, was not removed by IFRS 13.

Galp believes that these amendments to the standards have no material impact on its accounting policies.

Standards and Interpretations published by IASB and endorsed by the European Union for applied in 2015:

IFRIC 21 - Levies

In the previous year, Galp has considered that the interpretation IFRIC 21 Levies would not have great material impact on its application. However, and as a result of an accounting interpretation of the Securities Market Commission in 2015 on the treatment of the Energy Sector Extraordinary Contribution (Contribuição Extraordinária sobre o Sector Energético - "CESE") established by Law 82-B/2014 of 31 December, with the objective to standardise the accounting policies between the various market operators, , Galp is now recognizing the full cost and the appropriate liability at 1 January, instead of making the deferral of such costs during the year. This accounting change only impacted the interim accounts without relevance in annual accounts (see Notes to the Financial Statements for the period of nine months ended 30 September 2015).

In addition to this situation , Galp was subject to a special tax (Contribuição Extraordinária para o Sector Energético "CESE II"), established by Law 33/2015 of 27 April and the Order n.º 157-B/2015 of 28 May, to which IFRIC 21 – Levies was applied and respective impact is described in Note 25 - Provisions.

Annual Improvements 2011 – 2013

IFRS 1 – First time adoption of IFRS

This improvement clarifies that a First time adopter can use either the old or the new version of a standard that is not yet mandatory but is available for early adoption.

IFRS 3 - Business combinations

This improvement clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11, in the financial statements of the joint arrangement itself.

IFRS 13 - Fair value: measurement and disclosure

This improvement clarifies that IFRS 13's portfolio exception for the measurement at fair value on a net basis applies to all contracts (including non-financial contracts) within the scope of IAS 39.

IAS 40 - Investment properties

This improvement clarifies that IAS 40 and IFRS 3 are not mutually exclusive. It is necessary to refer to IFRS 3 when an investment property is acquired, to determine if it is a business combination.

Galp considers that these clarifications had no impact on the 2015 financial statements.

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

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

2.2. CONSOLIDATION METHODS

The consolidation methods adopted by the Group are as follows:

a) *Investments in Group companies*

Investments in companies in which the Group holds control, namely if it has cumulatively:

- power over the investee;

- exposure or rights in relation to variable results through its relationship with the investee; and

- ability to use its power over the investee to impact the amount of the results to the investors, were included in these consolidated financial statements in accordance with the full consolidation method.

Equity and net result for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and in the consolidated income statement, respectively, in the caption "Non-controlling interests". The gains and losses attributable to non-controlling interests are allocated to them.

The assets and liabilities of each Group company are recorded at fair value as of the date of acquisition, as established in IFRS 3, and can be reviewed over a period of 12 months after that date. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as Goodwill (Note 2.2.d)). If the difference between the cost and the fair value of the net assets and liabilities acquired is negative, it is recorded as income of the year.

When, at the date of the control acquisition, the Group already holds a previously acquired interest, its fair value is used to determine Goodwill or negative Goodwill.

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

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

When control is acquired for a percentage below 100%, under the purchase method, non-controlling interests may be measured at fair value or at the ratio between acquired assets fair value and acquired liabilities fair value, being the option defined for each transaction.

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

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

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

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

b) Investments in Joint Arrangements (Joint ventures and Joint Operations)

Galp holds interests in Joint Arrangements in which joint control consists on the contractually agreed sharing of control over an agreement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The classification of a joint arrangement as a joint operation or a joint venture depends on the rights and obligations of the parties in the agreement.

A joint operation is a joint arrangement whereby the parties that hold the joint control agreement have rights to the assets and obligations for the liabilities relating to this Agreement. These parts are called joint operators.

A joint venture is a joint agreement whereby the parties who have the agreement of joint control have rights to the net assets of the agreement. These parts are called joint venturers.

The classification of investments in joint ventures or joint operations is determined based on the agreements that regulate the joint control. Therefore, Galp when classifies a share or consortium as a joint agreement takes into consideration various legal aspects, contractual terms and requirements of the accounting standards for their appropriate accounting classification.

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

The recoverable amount of investments in associates and joint ventures are assessed for impairment when there are triggers that suggest the investments may be impaired. Impairment losses are recorded in the income statement. If the impairment losses recorded in previous years are no longer applicable, these are reversed.

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

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

Joint operations in oil exploration consortiums are recognised for accounting purposes in accordance with the established contracts. Therefore, these joint operations are recognised in the accounting based on the share held ("working interest") in the oil consortium.

The Exploration and Production (E&P) activity of the Group is carried out mainly through consortiums with other entities reflected in the consolidated statement of financial position and consolidated income statement in accordance with the percentage held by the Group in these consortiums.

c) Investments in associates and affiliates

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

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

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

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

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

An assessment of investments in associates is performed when there are indications that the investment may be impaired, and impairment losses that are noted are then recorded. When impairment losses recognised in prior years no longer exist, they are reversed.

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

Unrealised gains and losses on transactions with associates are eliminated in proportion to the Group's interest in the associate and recorded against the investment in the associate. Unrealised losses are also eliminated, but only up to the point that the loss does not provide evidence that the transferred asset is impaired.

Investments in associates and assets held for sale are detailed in Note 4.

d) Goodwill

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

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

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

Any impairment losses are recorded immediately in the statement of financial position as a deduction to the amount of the assets and are recorded against the income statement caption Results from investments in associates and impairment losses on Goodwill, included in financial results.

If initial recognition of a business combination can only be determined provisionally at the end of the period in which the concentration occurred (due to the fact that the fair value attributed to the identifiable assets, liabilities and contingent liabilities of the acquired entity can only be determined provisionally) Galp group recognises the business combination using the information available. The amounts determined provisionally are adjusted when the fair value of the assets and liabilities are accurately determined, up to a period of 12 months after the acquisition date. During that period, Goodwill or any other recognised gain will be adjusted by an amount equal to the adjustment to the fair value at the date of acquisition of assets, liabilities and contingent liabilities identifiable being recognized or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the combination. This includes any depreciation, amortisation or other additional gain or loss recognised as result of completing the initial recognition.

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

e) Translation of foreign entities' financial statements

Entities (subsidiaries, associates, joint arrangements and branches of the incorporating company) operating abroad that have organisational and financial autonomy, with functional currency different from the Group reporting currency are considered foreign entities.

Foreign entities' assets and liabilities are translated to Euros at the exchange rates in force at the end of the reporting period and income and costs and cash flows in these financial statements are translated to Euros at the average exchange rates for the year. The translation differences arising after 1 January 2004 (date of transition to IFRS) are recognised in the equity caption "Translation reserve". Exchange rate differences arising up to 1 January 2004 (date of transition to IFRS) were written-off against "Retained earnings" (Note 20).

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

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

Shareholder loans in a different functional currency from the parent company that do not have defined repayment terms are considered as net investments in the foreign entities. The translation differences arising in translating the balances of shareholder loans to the company's reporting functional currency that are not cancelled out in the consolidation process are reclassified to the shareholders' equity caption "Translation reserve" in the consolidated financial statements.

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

	Year end		Average for the year	
Currency	2015	2014	2015	2014
Gambian Dalasi	42.19	51.30	44.57	52.19
Moroccan Dirhams	10.75	10.94	11.57	11.12
United States Dollars	1.09	1.21	1.11	1.33
Cape Verde Escudos	110.27	110.27	110.27	110.27
CFA Francs	655.96	655.96	655.96	655.96
Swazi Lilangeni	16.78	13.97	14.23	14.40
Mozambican Meticais	50.50	40.36	43.14	41.13
Angolan Kwanzas	147.11	125.11	132.89	129.88
Brazilian Reais	4.31	3.22	3.70	3.12

2.3. TANGIBLE ASSETS

General

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

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

Tangible assets in progress refer to tangible assets in construction and are recorded at cost less cumulative impairment losses. Tangible assets are depreciated as from date the assets are substantially completed or the assets are ready for use.

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

The average annual depreciation rates used are as follows:

	Rates 2015	Rates 2014
Land and natural resources	0.10%	0.10%
Buildings and other constructions	4.41%	4.61%
Machinery and equipment	9.04%	9.62%
Transport equipment	16.97%	15.61%
Tools and utensils	17.63%	16.20%
Administrative equipment	19.39%	22.93%
Reusable containers	13.12%	12.84%
Other tangible assets	8.40%	7.94%

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

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

Oil exploration and production activity

The Exploration and Production activity is divided in three phases: Exploration, Development and Production.

What distinguishes the three phases is essentially the stage of the works performed and the discovery or not of commercially viable reserves. Thus, in the exploration phase the company performs expenditures on research (i.e. seismic, drilling, geological and geophysical studies). At this stage IFRS 6 is applied, and Galp has adopted the accounting criteria accepted by the standard, thus maintaining its previous accounting policy, which in this case consists of the capitalisation of these operating expenses. At this stage, there are contingent and exploration resources, and the company performs periodic impairment analyses, recognising dry wells (i.e. no proven reserves or without subsequent use) as a cost of the year.

The company may incur some expenses prior to the acquisition of mineral rights, which are recognised as costs of the year.

In the development phase there are already commercially viable reserves, not yet developed. Thus, Galp starts carrying out investments for the extraction of these reserves, related to platforms, pipelines and expenses with internal and contracted technical labour. Galp capitalises technical labour internal expenses with engineers and geologists hired by Galp for the development of resources and reserves for the extraction of those minerals.

Finally in the production phase there are proved developed reserves, and as a result such mineral resources commence being extracted and sold.

At any of these stages, including production, the company performs periodic impairment tests in order to rule out any evidence of non-recoverability of the investment.

Tangible assets related to oil exploration and production are recorded at acquisition cost and mainly relate to costs incurred in the exploration and the development of the exploration area, including overheads incurred up to the beginning of production and are recorded in tangible assets in progress. When the oil field begins production, these costs are transferred from tangible assets in progress to tangible fixed assets and depreciated at the Unit of Production method ("UOP") according to the expenses' nature.

Joint operations in oil exploration consortiums are recognised in accordance with the established agreements. Therefore, these jointly operations are recorded by the proportion of the interest held ("working interest") in the oil consortium.

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

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

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

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

2.4. INTANGIBLE ASSETS

General

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

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

Research expenses not related to E&P activities are recognised as an expense of the period.

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

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

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

Exploration & Production activities

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

Natural gas operations

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

The natural gas infrastructures, namely the gas distribution networks, are amortised over the concession period (45 years) or of the exploration licence (20 years).

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

Non-current assets held for sale

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

Non-current assets (and the set of assets and liabilities to be disposed with those assets) held for sale are measured at the lower of book value and fair value less costs to sell.

2.5. IMPAIRMENT OF NON-CURRENT ASSETS, EXCEPT GOODWILL

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

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

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

Refining & Marketing assets

Tangible and intangible assets related with refining and marketing of oil products are assessed by the Group for impairment at the end of each reporting period, considering internal and external sources of information, namely the Portuguese and Spanish markets service station network. In its annual impairment tests in respect of the oil distribution segment, the Group considers the cash generating unit (CGU) to be the service station network of each country, and has applied this criterion consistently given the importance of the interdependence of income resulting from the existence of loyalty and fleet owners cards that the company provides to its customers. This is based on the fact that management information is analysed in this way, and operational decisions and investments are made on that basis.

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

Impairment tests are also performed on other assets of the R&M segment, including refineries and tangible assets associated with logistics and storage activities.

The period of the projections of the cash flows varies as a function of the cash generating unit's average useful life.

Gas & Power assets

Whenever there are impairment indicators in the Gas & Power assets, the Company performs impairment tests. The CGU of the gas segment is defined as the gas networks and respective concessions. For the Power segment, the defined CGUs are the specific cogeneration plants.

Exploration & Production assets

The Impairment losses on E&P assets are determined when:

- Economically feasible reserves are not found;

- The licensing period ends and the exploration licence is not expected to be renewed;

- When an acquired area is returned or abandoned;

- When the expected economic future benefits are less than the investment made.

Tangible and intangible assets related with E&P are assessed periodically (annually and quarterly when indicators are noted) by the Group for impairment. The selected cash generating unit is the country or block depending on the stage of maturity of the investments. In some specific situations, as it is the case of the Lula/Iracema field, Galp performed its impairment testing on the field, as it complies with the cash generating unit definition, in accordance with the IAS 36.

The assessment for block/country impairment is made in accordance with the Expected Monetary Value ("EMV model"), comparing the carrying amount of the investments with the present value of the expected future cash flows using the Weighted Average Cost of Capital (WACC) discount rate, calculated considering the estimates of:

i) Probable reserves;

ii) Investment and future operating costs needed to recover the probable reserves;

iii) Contingent resources, adjusted by a factor of probability of success;

iv) Investment and future operating costs required to recover the contingent resources;

v) Reference price of a barrel of Brent;

vi) Exchange rate Euro / U.S. Dollar;

vii) Block / Country Taxation Mechanisms;

viii) Estimated production level and concession period; and

ix) Abandonment costs and environmental restoration.

The EMV model considers in its calculation the P.O.S. (Probability of Geological Success or Probability of Success), which is a conditional statistical probability (Bayesian probability). This probability used in the Geology science considers a probability matrix based on seismic information and other G&G (Geological & Geophysical) information. This information is measured taking into account the quantity, quality and certainty ("data control") thereof.

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

The information contained in paragraphs:

(i) is determined by independent experts for the quantification of the estimated oil reserves;

(ii), (iii), (iv) and (vii) is internally determined by Galp, or, whenever available, through information provided by the operator of each Block, namely the information included in the approved development plans, adjusted to the expectation of the Company and legal information available; and

(v), (vi), (viii) and (ix) is that contained in the five year budget of Galp group and constant after that period.

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

Galp prepares impairment testing in any stage of E&P business, meaning, in the Exploration, Development and Production stages.

In the Exploration phase, the CGU (Cash Generating Unit) depends on investment characteristics in each country where the investment is made. At an early investment stage in a country the CGU is the country, given that the investment comprises investment in signature bonuses and any generic research performed in the area/total areas. When the total areas are divided by the official authorities of the country in blocks, Galp sets as CGU the block, down-levelling the assessment in impairment tests. At this stage as there are no reserves, Galp uses in the impairment tests the prospective and contingent resources with very low P.O.S. (Probability of Success). Thus, if reserves discovery occurs, the investment passes to the next stage, development, having previously been subject to impairment tests.

In the development and production stages, Galp considers as CGU the block. Also, in these stages the model considers P.O.S., higher than the one considered in the first stage, since there are already commercially viable reserves. Impairment tests are performed based on 2P reserves (proved and probable reserves), since these are used by Galp and its partners in the consortium in the decisions to carry out or not the investments.

2.6. LEASES

Lease contracts are classified as:

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

- Operating leases when this does not occur.

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

Leases in which the Group is the Lessee

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

The Group does not hold materially relevant operating or finance leases, other than the ones disclosed in Note 24.

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

2.7. INVENTORIES

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

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

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

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

a) Raw and subsidiary materials

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

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

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

b) Products and work in progress

Production cost includes the cost of materials, external supplies and services and overheads.

c) Finished and semi-finished products

Crude oil – Crude oil produced in the E&P activity held in inventory at 31 December of each year, corresponds to the Company's share of the total inventory of each development area. Such inventories are measured at their production cost, which includes direct production costs, the depreciation for the year and abandonment provision costs. The cost of sales is determined on a weighted average basis. However, extracted crude oil, namely in Brazil, is valued at net realizable value in the statement of financial position, as there is a contract with the operator for the sale of crude oil and also as this is a common practice for oil producers to value their crude stock at the net realizable value, in accordance with IAS 2.3 al. a) and IAS 2.4.

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

The Petrogal Group includes, in the caption finished and semi-finished products, the Tax on Oil Products ("Imposto sobre Produtos Petrolíferos – ISP") relating to finished goods dispatched for consumption which are subject to that tax, and is stated at cost (since it is similar to a customs duty). The cost of sales is determined on a weighted average basis.

This tax is reflected in Cost of Sales when the sale of finished goods occurs and it is also reflected in the selling price of the products in equal value. Galp details the amount recognized as cost of sale in note 6.

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

d) Goods

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

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

As mentioned above, the Group also includes, in the inventories caption, Tax on Oil Products relating to goods already dispatched which are subject to that tax.

Raw materials supplies and goods in transit are not available for consumption or sale and are segregated from other inventories and valued at specific cost.

e) Under/Over Lifting

It is industry practice to do under or overliftings of its share in crude. This under/overlifting intends to optimize the transport costs between the partners. In underlifting, the partner has made a sale on behalf of the company. Thus, an account receivable is recorded (Note 14) and a sale is recognized. This account receivable is tested for impairment. So, in a situation where the crude market price as of the end of the reporting period is lower than the price considered in the valuation of the account receivable (accrual) an impairment is recognised in the income statement (gross margin). In overlifting, the Company recognises a sale and then defers it through Other accounts payable. Underlifting is in fact, on a substance over form basis, a sale made by the partner of stock which by right belongs to Galp (entitlement), and therefore falls under the scope of IAS 18.14. Overlifting is a sale made by Galp of stock that by right belongs (entitlement) to the partner. Therefore, the revenue recognition principle is not satisfied and for this reason the sale is deferred through other accounts payable (Note 24).

Payments and receipts of over and underlifting are compensated in a subsequent date in barrels of crude, as defined in the Production Sharing Agreement (PSA). The Company considers that in terms of substance over form the production shared under the Production Sharing Agreement is not subject to price risk since the operation is for use of the contractors and the settlement of the under and overlifting is made through physical delivery (Barrels of crude).

Therefore, the accounts receivable and accounts payable are not under the scope of IAS 39, that is, the measurement at fair value, in accordance with the exemption referred in paragraph 5 (own use exemption).

f) Advance payments from Third parties for the constitution of the strategic reserve

Galp constitutes, under the law in force, the strategic reserves of certain entities for which it is required to do so and that are GALP' customers. Strategic reserves, as the remaining stock in the statement of financial position, are valued at the lower of book value (Weighted Average Basis) and the market price. The advance payments are valued at market value, depending on the contractual terms of each customer/operator and are updated on monthly basis. Market prices are those of refined products which constitute the strategic reserves. Galp charges a storage fee in respect of the strategic stock stored for third parties.

2.8. GOVERNMENT GRANTS AND OTHER GRANTS

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

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

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

2.9. PROVISIONS

General

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

Galp measures the uncertain tax positions, including provisions for taxes, by the tax estimate amount and not by probabilities.

Exploration & Production activities (Block abandonment)

Provisions for abandonment costs are intended to cover all the costs incurred by the Company at the end of the useful production life of oil fields.

Provisions are based on the operator's estimate of total abandonment costs. The company recognises the abandonment provisions proportionally, as it builds each production well in order to meet its decommissioning obligations.

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

Estimated expenditure to be incurred and capitalised in tangible assets is depreciated using the Unit of Production ("UOP") Method, in which that expenditure is multiplied by a coefficient that is the proportion of the volume produced in each depreciation period in relation to the proven developed reserves at the end of the period plus production for the period.

2.10. RETIREMENT BENEFITS

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

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

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

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

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

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

The benefit plans identified by the Petrogal Sub-Group for the calculation of these liabilities are:

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

The benefit plans identified by the GDP Sub-Group for the calculation of these liabilities are:

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

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

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

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

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

Actuarial gains and losses determined in each year are recorded as explained in Note 2.10 above.

2.12. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

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

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

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

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

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

2.13. INCOME AND ACCRUALS BASIS

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

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

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

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

Revenue from dividends is recognized when it established the right of the company to recognize the appropriate amount.

Natural gas activity

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

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

Following the above, and as the Group holds credit risk related to the tariff invoiced to final customers, the regulated Group companies, as trading companies to end customers, include in their income, the tariffs that include the remuneration/recovery of all the previous activities.

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

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

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

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

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

The meter reading, invoicing and respective collection related to the gas distribution and commercialisation activities are performed directly by the companies or, in respect of the meter reading and collection activities, by subcontracted external partners.

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

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

2.14. FINANCIAL COSTS ON LOANS OBTAINED

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

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

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

2.15. INCOME TAX

General

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in force in the area each Galp group company head office is located.

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

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

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

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

Exploration & Production activity

Oil Income Tax ("IRP") – Angola

The Oil Income Tax ("IRP") is regulated under the Law 13/04, of 24 December ("Lei sobre a Tributação das Atividades Petrolíferas" – Tax Law for Oil Activities), in Angola. As referred in paragraph 18 of the referred Law, this is a tax calculated on the "taxable income calculated in accordance with this Law". The rate applicable to the Production Sharing Agreement contracts is of 50% on the "profit oil" of the Company. The "profit oil" of the Company is calculated by the difference between the crude oil sold, accrued of the oil activities additional income (including gains on disposal of participation interests), deducted of the cost recovery oil (meaning "cost-oil"), which includes the costs considered recoverable. The amount of the "profit oil" does not include, on the other hand, the part of the "profit oil" that should be shared with the National Concessionaire (Sonangol), in accordance with the Production Sharing Agreement. The calculation of the tax is in all terms similar to an income tax (as Corporate Income Tax - "IRC"). Thus, the oil companies subject to this tax are not subject to other income taxes in Angola.

Whenever the Group performs a sale, it pays the Oil Income Tax ("IRP") to the Angolan Government, accounting the amount actually paid in the income statement caption "Income tax". However, not all of the tax paid represents tax expense for the year as the Group borrows barrels from its partners in the consortium in order to perform sales in accordance with the agreement signed between all partners in block 14, leading to a situation of "Overlifting" (Note 9).

As such, a deferred tax asset is recorded based on the borrowed barrels, so that there is a direct relationship between the activity's margin and its tax expense. As such, tax expense only relates to sold barrels which are property of the Group. The deferred tax asset is reversed in direct proportion of recognition of the margin through the group production.

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

Special Participation - Brazil

Under the terms of the Decree nº 2.705, of 3 August 1998, the Oil, Natural Gas, Biofuels National Agency ("Agência Nacional Do Petróleo, Gás Natural e Biocombustíveis – ANP"), Special Participation is a financial compensation, due on a quarterly basis, by the concessionaires of oil and natural gas exploration and production. The Special Participation is calculated on a determined income (resulting from multiplying volumes produced by reference prices used in the sale of oil/gas), to which a set of operational costs related to the production of hydrocarbons are deducted.

Galp considers that these taxes are under the scope of IAS 12.

2.16. FINANCIAL INSTRUMENTS

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

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

a) Investments

Investments are classified as follows:

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

Held-to-maturity investments are classified as non-current investments, unless they mature in less than 12 months from the consolidated statement of financial position date. These investments have a defined maturity date, and the Group intends and has the ability to retain them up to their maturity. As of 31 December 2015 the Group does not own held-to-maturity investments.

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

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

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

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

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

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

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

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

b) Receivables

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

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

c) Equity or liability classification

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

d) Loans

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

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

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

e) Trade and other payables

Accounts payable are initially recorded at fair value and subsequently measured at amortised cost, by the effective interest rate method. Usually, the amortised cost of these liabilities does not differ from their nominal value.

f) Derivative instruments

Hedge accounting

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

Derivative instruments used by the Group to hedge cash flows mainly relate to commodities price hedging (electricity). The indices are as identical as possible to actual purchases.

Derivative instruments used by the Group to hedge fair value mainly relate to commodities price hedging (natural gas). The indices are identical to the contracts signed with customers.

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

- The hedge is expected to be highly effective in offsetting the changes in the cash flow of the hedged risk (cash flow hedge) or changes in the fair value (fair value hedge);

- The hedging effectiveness can be reliably measured;

- There is adequate documentation of the hedge at the beginning of the operation; and

- The hedged transaction is highly probable.

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

In fair value hedge, the derivatives are recorded at their fair value through profit and loss. In situations where the hedged instrument is not measured at fair value (i.e. commodity trading contracts), the effective portion of the hedge is adjusted to the book value of the hedged instrument through the income statement.

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

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

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

Trading instruments

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

g) Cash and cash equivalents

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

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

2.17. CO_2 EMISSION LICENCES

CO_2 emitted by the Group's industrial plants and the "CO_2 emission licences" attributed to it under the National CO_2 Licence Allotment Plan do not give rise to any financial statement recognition provided that: (i) it is not estimated that there will probably be a need for costs to be incurred by the Group to acquire emission licences in the market, which would be recognised by the booking of an accrual or (ii) it is not estimated that such licences are sold. In the event that these excessive licences are sold, income would be recognised.

2.18. CLASSIFICATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

2.19. SUBSEQUENT EVENTS

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

2.20. SEGMENT REPORTING

A business segment is a group of assets and operations of the Group that are subject to risks and returns different from other business segments, being reported on a consistent way with the management internal reporting.

The accounting policies for segment reporting are consistently used in the Group. All inter-segmental revenues are at market prices and are eliminated in the consolidation process.

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

2.21. ESTIMATES AND JUDGMENTS

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

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

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of financial statements are: (i) proven crude oil reserves relating to the exploration activity; (ii) tangible and intangible assets, investments in associates and goodwill impairment tests; (iii) provision for contingencies and environmental liabilities; (iv) demographic and financial assumptions used to calculate retirement benefits; v) accounts receivable impairment; (vi) tangible and intangible assets useful lives and residual values; (vii) deferred taxes and viii) abandonment cost provisions.

Crude oil reserves

The estimation of crude oil reserves is an integral part of the decision-making process relating to exploration and development of crude oil activities assets, in addition to supporting the development or implementation of secondary recovery techniques. The volume of proved crude oil reserves is used to calculate depreciation of the E&P assets in accordance with the "Unit of Production" method, and the volume of proven reserves and contingent and prospective resources are used, depending on the prospection stage they are at, to value impairment of investment in assets relating to that activity. Estimated proven crude oil reserves are also used to recognise annual abandonment costs.

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

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

Goodwill impairment

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

Impairment of tangible and intangible assets and financial investments

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

Provisions for contingencies

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

Environmental liabilities

Galp makes judgments and estimates to calculate provisions for environmental matters such as CO_2. Every year Galp is entitled to free licences (EUA – Emission Unit Allowances) from the Portuguese Environment Agency in order to address greenhouse gas emissions. In case the free licences are insufficient to address greenhouse gas emissions, Galp can acquire the EUAs or other equivalent/complementary allowances green certificates (ERU – Emission Reduction Units) in the market, giving rise to cost which is recorded in caption "Other operational costs". However, if greenhouse gas emissions are above licences and green certificates in portfolio at the end of the year, costs are accrued based on the best estimate of the expense to be incurred at the market spot rate of the licences and/or certificates. The current portfolio of allowances is referred in Note 34.

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

The provision for environmental liabilities is referred in Note 25.

Demographic and financial assumptions used in the retirement benefits liabilities

See Note 23.

Accounts receivable impairment

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

Tangible and intangible assets

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

Deferred tax assets

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

Abandonment provisions

See Note 2.9

2.22. EQUITY MANAGEMENT POLICY

As at 31 December 2015, Galp Group has Equity amounting to €6,2 bn and as part of its equity management policy has fixed an indebtedness limit of equal or less than 2x Net Debt/EBITDA, even though the contracts signed with the financial institutions allow the setting of a ratio between 3.5 and 3.75

The organization of the Group is supported by three Sub-holdings, one for the E&P business, one for the R&M business and another for the G&P.

Galp Energia E&P BV covers all the E&P business, in US dollars, and finances its subsidiaries primarily with Equity and internal loans. Capital employed in the business lies essentially in Galp E&P BV and in Galp Sinopec Brazil Services BV and amounts approximately to €3,8 bn.

The R&M business, developed by Petrogal, S.A. and its subsidiaries, has a capital employed of €3,6 bn. Petrogal has been financed with supplementary capital contributions, amounting to €2,3 bn, in conformity with a reasonable ratio of Net Debt/EBITDA. In 2015, due to divestitures and a significant improvement in refining margins, which led to a marked improvement in its treasury, Petrogal SA made a repayment of approximately €1 bn of the supplementary capital contributions.

The G&P business is mainly supported by Galp Gás Natural, S.A. and by Galp Gás Natural Distribuição, SGPS, S.A., with a capital employed of €1,2 bn. The indebtedness ratio amounts to approximately 5x Net Debt/EBITDA of GGND, in line with the infrastructure companies.

2.23. RISK MANAGEMENT AND HEDGING

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

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

The description of these hedge is explained in further detail in the accounting policies described in this section.

3. CONSOLIDATED COMPANIES

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

Companies		Head office		Percentage of interest held		Main activity
		City	Country	2015	2014	
Group companies:						
Parent Company:						
Galp Energia, SGPS, S.A.		Lisbon	Portugal	-	-	Management of equity participations in other companies in the energy sector, as an indirect form of realising business activities.
Subsidiaries:						
Galp Energia, S.A.		Lisbon	Portugal	100%	100%	Business management and consultancy services.
Next Priority, SGPS, S.A.	*C)*	Lisbon	Portugal	-	100%	Management of equity participations.
Galp Energia E&P Subgroup:						
Galp Energia E&P, B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Subsidiaries:						
Galp Sinopec Brazil Services B.V. **and subsidiary:**		Rotterdam	The Netherlands	70%	70%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Sinopec Brazil Services (Cyprus), Limited		Nicosia	Cyprus	100%	100%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp E&P Brazil B.V. **and subsidiary:**		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Brasil, S.A.		Recife	Brazil	100%	100%	Research, exploration, development and production of crude oil, natural gas and biofuels, import, export, refining, marketing, distribution, transportation and storage of oil and oil products; marketing of natural gas and biofuels, as well as any other activities related to the main activities, and may also participate in consortium of companies that may be necessary for the development of its objectives.
Petrogal Brasil B.V. **and subsidiary:**		Rotterdam	The Netherlands	100%	100%	Management of investments in other companies and financing of businesses and other companies dedicated to exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products.
Petrogal Brasil, S.A. **and subsidiary:**		Recife	Brazil	70%	70%	Refining of crude oil and its derivatives, their transport, distribution and commercialisation and research and exploration of oil and natural gas.
Fundo Vera Cruz		Recife	Brazil	100%	100%	Exclusive open investment fund.
Galp Exploração Serviços do Brasil, Lda.		Recife	Brazil	100%	100%	Business management and consultancy services.
Galp East Africa B.V. **and subsidiary:**	*e4)*	Rotterdam	The Netherlands	100%	100%	Management of investments in other companies and financing of businesses and other companies dedicated to exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products.
Galp Energia Rovuma B.V.	*e4)*	Amsterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and companies.
Galp Energia Rovuma B.V. (Branch in Mozambique)	*e4)*	Maputo	Mozambique	-	-	Exploration and production of oil and natural gas.
Galp Exploração e Produção Petrolifera, SGPS, S.A.	*e1) e2)*	Lisbon	Portugal	100%	100%	Management of equity participations in other companies as an indirect exercise of economic activity.

Companies		Head office		Percentage of interest held		Main activity
		City	Country	2015	2014	
Galp Energia Overseas B.V. **and subsidiaries:**	*e2)*	Amsterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 14 B.V.	*e2)*	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Overseas Block 14 B.V. (Branch Angola)	*e2)*	Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 32 B.V.	*e2)*	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 32 B.V. (Branch in Angola)	*e2)*	Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 33 B.V.	*e2)*	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 33 B.V. (Branch in Angola)	*e2)*	Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas LNG B.V.	*e2)*	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas LNG B.V. (Branch in Angola)	*e2)*	Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Bioenergy B.V.		Amsterdam	The Netherlands	100%	100%	Pursuit of activities related with biofuels projects, including but not limited to research, production, processing, logistics, marketing of grain, vegetable oil, biofuel products and their derivatives; management of shareholdings in other companies and business and company financing.
Galp Energia Tarfaya B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Tarfaya B.V. (Branch in Morocco)		Rabat	Morocco	-	-	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; and development of commercial activities related to exploration and production of oil and natural gas.
Windhoek PEL 23 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Wiindhoek PEL 23 B.V. (Branch in Namibia)		Wiindhoek	Namibia	-	-	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Wiindhoek PEL 24 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Wiindhoek PEL 24 B.V. (Branch in Namibia)		Wiindhoek	Namibia	-	-	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.

Companies		Head office City	Head office Country	Percentage of interest held 2015	Percentage of interest held 2014	Main activity
Wiindhoek PEL 28 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Wiindhoek PEL 28 B.V. (Branch in Namibia)		Wiindhoek	Namibia	-	-	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Trading, S.A.		Geneve	Switzerland	100%	100%	Development of trading activity of crude oil, oil products, petrochemicals and natural gas; ship chartering activities for maritime transport of the products that the company trades.
Tagus Re, S.A.		Luxembourg	Luxembourg	100%	100%	Reinsurance of all products, excluding direct insurance.
Galp Alentejo E&P, S.A.		Lisbon	Portugal	100%	100%	Research and oil exploration, distribution , transport, storage and commercialization of liquid and gaseous fuels, base oils and lubricants and other oil products .
ISPG - Centro Tecnológico, S.A.		Rio de Janeiro	Brazil	100%	100%	Management of equity participations.
Petrogal Subgroup:						
Petróleos de Portugal - Petrogal, S.A.		Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. (Branch in Venezuela)		Chacao Municipality	Venezuela	-	-	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. (Branch in Spain) **and subsidiaries:**		Madrid	Spain	-	-	Management of participations in other refined products distributor companies in Iberia.
Madrileña Suministro de Gas SUR, S.L.	*d)*	Madrid	Spain	-	100%	Commercialisation of natural gas, electricity and other energy resources, energetic services and complementary activities.
Galp Energia España, S.A. **and subsidiaries:**		Madrid	Spain	100%	100%	Storage, transport, import, export and sale of all oil products, chemical products, gas and its derivatives.
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		Madrid	Spain	100%	100%	Management and operation of service stations.
Madrileña Suministro de Gas, S.L.	*d)*	Madrid	Spain	-	100%	Commercialisation of natural gas, electricity and other energy resources, energetic services and complementary activities.
Multiservicios Galp Barcelona	*(*)*	Barcelona	Spain	50%	50%	Managing the supply of aviation business in the Barcelona Airport.
Galp Açores - Distribuição e Comercialização de Combustíveis e Lubrificantes, S.A. **and subsidiary:**		Ponta Delgada	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other oil derivatives.
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		Ponta Delgada	Portugal	67.65%	67.65%	Construction and operation of filling stations and related storage facilities of LPG and other fuel in the Autonomous Region of the Azores.
Galp Madeira - Distribuição e Comercialização de Combustíveis e Lubrificantes, S.A. **and subsidiaries:**		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other oil derivatives.

Companies		Head office		Percentage of interest held		Main activity
		City	Country	2015	2014	
CLCM - Companhia Logistica de Combustíveis da Madeira, S.A.		Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities.
Gasinsular - Combustíveis do Atlântico, S.A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other oil derivatives and the direct and indirect operation in fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Sacor Marítima, S.A.		Lisbon	Portugal	100%	100%	Maritime transport in own and chartered vessels.
C.L.T. - Companhia Logística de Terminais Marítimos, S.A.		Matosinhos	Portugal	100%	100%	Technical management of ships, crews and supply.
Galp Energia Portugal Holdings B.V.	*e1)* *e4)*	Amsterdam	The Netherlands	100%	100%	Management of participations in other companies of the energy sector as an indirect form of economic activity.
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		Lisbon	Portugal	75%	75%	Retail sale of food products, domestic utensils, presents and other articles, including newspapers, magazines, records, videos, toys, drinks, tobacco, cosmetics and hygiene, travel and vehicle accessory items.
Tanquisado - Terminais Marítimos, S.A.		Setubal	Portugal	100%	100%	Development and operation of Maritime Terminals.
Galp Exploração e Produção (Timor Leste), S.A.		Lisbon	Portugal	100%	100%	Commerce and industry of oil, including prospecting, research and exploration of hydrocarbons in East Timor.
Galpgeste - Gestão de Áreas de Serviço, S.A.		Lisbon	Portugal	100%	100%	Direct and indirect operation of service stations, fuel stations and related or complementary activities, such as service stations, workshops, the sale of lubricants motor vehicle parts and accessories, restaurants and hotels.
Sigás - Armazenagem de Gás, A.C.E.	*(*)*	Sines	Portugal	60%	60%	Design and construction of underground LPG storage and of the additional surface facilities needed to move products. Management and exploration of the cave including surface facilities, tanks and LPG spheres.
Enerfuel, S.A.		Lisbon	Portugal	100%	100%	Studies, projects, installation, production and marketing of biofuels, treatment, valuation and and waste recovery, purchase and sale of equipment.
Portcogeração, S.A.		Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy from co-generating systems and renewal energy.
Galp Marketing Internacional, S.A.	*e3)*	Lisbon	Portugal	100%	100%	Research and oil exploration, distribution, transport, storage and commercialization of liquid and gaseous fuels, lubricants and base oils and other oil products and the operation of service stations and vehicle assistance service stations, as well as any industrial activities, business, marketing, research or provision of services related to this subject.
Petrogal Guiné-Bissau, Lda. **and subsidiaries:**	*e3)*	Bissau	Guinea Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other oil derivatives and the operation of fuel stations and vehicle assistance stations.
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	*e3)*	Bissau	Guinea Bissau	80%	80%	Commerce of maritime banks.
Petrogás - Importação, Armazenagem e Distribuição de Gás, Lda.	*e3)*	Bissau	Guinea Bissau	65%	65%	Import, storage and distribution of LPG.

Companies		Head office		Percentage of interest held		Main activity
		City	Country	2015	2014	
Empresa Nacional de Combustíveis - Enacol, S.A.R.L **and subsídiaries:**	(**)	Mindelo	Cape Verde	48%	48%	Import, processing, distribution, transportation, storage, trading and re-export of hydrocarbons and their derivatives, including bitumen, base oils and lubricants, the operation of storage facilities, as well as their primary transport infrastructure within and between islands, reception, handling, loading and shipment of liquid and gaseous fuels, the operation of filling stations and service areas, vehicle assistance, production, distribution and other forms of non-fossil energy, including solar, wind, water and the other renewable sources, the use of their facilities as well as other industrial, commercial, research or provide services associated with this principal object.
Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A.	(**)	Mindelo	Cape Verde	100%	100%	Maritime transport and related activities.
EnacolGest, Lda.	(**)	Mindelo	Cape Verde	100%	100%	Import and trading, supply management, exploring areas of service stations and fuel supply, design and project management of maintenance and construction of facilities and service stations.
Galp Gambia, Limited		Banjul	Gambia	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Petrogal Moçambique, Lda.		Maputo	Mozambique	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Galp Moçambique, Lda.		Maputo	Mozambique	100%	100%	Storage, commercialisation and distribution, import, export and transport of oil and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Moçambique, Lda. (Branch in Malawi)		Blantyre	Malawi	-	-	Storage, commercialisation and distribution, import, export and transport of oil and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Swaziland (PTY) Limited		Matsapha	Swaziland	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Petrogal Angola, Lda.		Luanda	Angola	100%	100%	Production, distribution and commercialisation of liquid and gas fuel, base oil and lubricants and operation of service stations.
Galp Energia São Tomé e Príncipe Unipessoal, Limitada	a)	São Tomé	São Tomé and Príncipe	100%	-	Development of all and any activies in connection with the research and exploration of natural resources.
GDP Subgroup:						
Galp Gás e Power, SGPS, S.A.	e5) f)	Lisbon	Portugal	100%	100%	Management of equity investments.
Subsidiaries:						
GDP Gás de Portugal, S.A.	f)	Lisbon	Portugal	100%	100%	Business management services.
Lisboagás Comercialização, S.A.		Lisbon	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Lusitaniagás Comercialização, S.A.		Aveiro	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Setgás Comercialização, S.A.	b)	Setubal	Portugal	100%	66,95%	Commercialisation of retail last resort natural gas.
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A.		Lisbon	Portugal	65%	65%	Production, in the form of co-generation, and sale of electric and thermic energy.

Companies		Head office		Percentage of interest held		Main activity
		City	Country	2015	2014	
Galp Power, S.A.		Lisbon	Portugal	100%	100%	Purchase and sale of energy, as well as the rendering services and realisation of activities directly or indirectly related with energy.
Agroger - Sociedade de Cogeração do Oeste, S.A.		Lisbon	Portugal	100%	100%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Galp Gás Natural Distribuição, SGPS, S.A. **and subsidiaries:**	*e5)*	Lisbon	Portugal	100%	100%	Management of equity investments.
Beiragás - Companhia de Gás das Beiras, S.A.		Viseu	Portugal	59.51%	59.51%	Operation, construction and maintenance of regional natural gas distribution networks.
Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S.A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural gas distribution networks.
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.		Vila Real	Portugal	100%	100%	Operation, construction and maintenance of regional natural gas distribution networks.
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás - Companhia de Gás do Centro, S.A.	*e5)*	Aveiro	Portugal	96.84%	96.84%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	*b)*	Setubal	Portugal	99.93%	66.88%	Natural gas distribution in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the National Network for Natural Gas Distribution, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject, including exploitation of spare capacityof telecommunications network installed.
Galp Gás Natural, S.A. **and subsidiaries:**		Lisbon	Portugal	100%	100%	Import of natural gas, storage, distribution through high pressure networks, construction and maintenance of networks.
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S.A.		Lisbon	Portugal	100%	100%	Storage of natural gas on a public service sub-concession basis, including the construction, maintenance, repair and operation of all the related infrastructure and equipment.
Transgás, S.A.		Lisbon	Portugal	100%	100%	Wholesale commercialization or last resort of natural gas.

(*) As of 1 January 2014, due to mandatory application of IFRS 11 - Joint Arrangements , the group identified Sigás – Armazenagem de Gás, A.C.E. and Multiservicios Galp Barcelona, UTE as entities in which the shareholders have operational and financial control over the assets and liabilities of the company. Therefore, the assets, liabilities, gains and losses were incorporated in the consolidated financial statements for the percentage held in those entities, 60% and 50%, respectively.

(**) Although Galp Group holds through its subsidiary Petróleos de Portugal - Petrogal, S.A. only 48.29% of the equity of Empresa Nacional de Combustíveis - Enacol S.A.R.L, the Group controls its financial and operational policies, and is expected to continue to do so by means of a representative majority of votes at the Board of Directors meetings. Thus, Galp has, in accordance with IFRS 10 (a) power over the investee, (b) exposure or rights to variable results via its relationship with the investee and (c) ability to use its power over the investee to affect the value of the results for investors, and due to these facts, the subsidiary is consolidated using the full consolidation method.

The place of activity (e.g. country) of subsidiaries with non-controlling interests is the same as shown in the table above.

Empresa Nacional de Combustíveis - Enacol S.A.R.L. holds interests in the following subsidiaries: i) Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. (100%); ii) EnacolGest, Ld.ª (100%); and iii) Sodigás-Sociedade Industrial de Gases, S.A.R.L. (44% in 2015; 30% in 2014).

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

During the year ended 31 December 2015, the following changes occurred in the consolidation perimeter:

a) ***Companies established:***

The subsidiary Petróleo de Portugal - Petrogal, S.A., subscribed and paid 100% of the share capital of Galp Energia São Tomé e Príncipe Unipessoal, Limitada., which was established in 12 October 2015.

b) ***Acquired companies:***

In 21 December 2015, the Group acquired to Enagás – SGPS, S.A. 33.05427% interest in the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. (Setgás ORD) thru its subsidiary Galp Gás Natural Distribuição SGPS, S.A. and 33.0541% of the share capital of Setgás Comercialização, S.A. (Setgás CUR) through its subsidiary Galp Gás & Power, SGPS, S.A. for an amount of €30,239k. In addition there was a credit assignment of Enagás – SGPS, S.A. to the subsidiary Galp Gás Natural Distribuição SGPS, S.A. related to loans from the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. in the amount of €9,428 k.

Accordingly, the amount considered in the payments relating to financial investments amounted to €39,667 k.

The subsidiaries Setgás - Sociedade de Produção e Distribuição de Gás, S.A. and Setgás Comercialização, S.A. were already controlled by the Group and consolidated using the full consolidation method (owned by 66.87906% and 66.946%, respectively). The difference between the amount paid and equity book value at the acquisition date was recognised in equity in the caption "Reserves" by €121k, being negative €571 k related to the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. and €450 k related to Setgás Comercialização, S.A. (Note 20).

(€ k)

	Equity at the acquisition date	% acquired	Acquisition amount	Other reserves (Note 20)
Setgás Comercialização, S.A.	3,363	33.05410%	661	450
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	87,755	33.05427%	29,578	(571)
			30,239	(121)

With this acquisition the Group now holds a 99.93333% interest in the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. and 100% in Setgás Comercialização, S.A.

c) ***Dissolved and liquidated companies:***

On 29 May 2015 the subsidiary Next Priority, SGPS, SA, 100% owned by Galp Energia, SGPS, SA, was dissolved. As a result of this operation the Group recognised in the consolidated income statement a loss amounting to €1 k (Note 4.4).

d) ***Disposals:***

On 30 June 2015 Galp Energia, SGPS, SA reached an agreement with Endesa SA ("Endesa") for the sale of the natural gas trading activities in the Madrid area, in Spain. The transaction includes the sale of natural gas, electricity and other services to the residential segment, in the area that encompasses several municipalities adjacent to the city of Madrid.

These activities were carried out mostly by the subsidiaries Madrileña Suministro de Gas, SL and Madrileña Suministro de Gas SUR, SL, fully owned by Galp Energia España, SA and Petroleos de Portugal - Petrogal, SA (Sucursal en España), respectively.

The transaction was approved by the competent authorities, and completed on 31 October 2015 for an the amount of €34,723 k.

As a result of this transaction the Group recognised in the income statement caption Results from financial investments, a net capital loss amounting to €12,595 k (Note 4.4).

The changes in the consolidation perimeter that occurred in the year ended 31 December 2015 had the following impact on the consolidated statement of financial position of Galp group:

Statement of financial position (€ k)

ASSETS	Total	Madrileña Suministro de Gas S.L. (Note 3b))	Madrileña Suministro de Gas SUR S.L. (Note 3b))	Next Priority, SGPS, S.A. (Note 3a))
Non-current assets:				
Intangible assets	835	342	493	-
Other receivables	83	83	-	-
Deferred tax assets	1,420	521	899	-
Non-current assets:	**2,338**	**946**	**1,392**	**-**
Current assets:				
Trade receivables	19,560	13,904	5,656	-
Other receivables	20,842	16,074	4,767	1
Current income tax receivable	3,076	932	2,144	-
Cash and cash equivalents	1,040	436	604	-
Total current assets:	**44,518**	**31,346**	**13,171**	**1**
Total assets:	**46,856**	**32,292**	**14,563**	**1**
Liabilities:				
Non-current liabilities:				
Other payables	11	11	-	-
Provisions	60	60	-	-
Total non-current liabilities:	**71**	**71**	**-**	**-**
Current liabilities:				
Trade payables	29,868	20,668	9,200	-
Other payables	5,986	1,641	4,345	-
Current income tax payable	2,064	2,039	25	-
Total current liabilities:	**37,918**	**24,348**	**13,570**	**-**
Total liabilities:	**37,989**	**24,419**	**13,570**	**-**
Total equity and liabilities:	**46,856**	**32,292**	**14,563**	**1**
% held		100%	100%	100%
Amount of financial investment	8,867	7,873	993	1
Goodwill (Note 11)	38,452	29,766	8,686	-
Book value of the financial investment	**47,319**	**37,639**	**9,679**	**1**
Selling price	24,100	16,150	7,950	-
Working capital	4,833	2,449	2,384	-
Working capital adjustment	5,790	6,126	(336)	
Total selling price	**34,723**	**24,725**	**9,998**	**-**
Results from financial investments and impairment losses on Goodwill (Note 4.4)	**(12,596)**	**(12,914)**	**319**	**(1)**

e) ***Corporate restructuring:***

The group is organised into three business segments, which were defined on the basis of the goods sold and services provided, with the following business units (exploration and production, refining and marketing of oil products, gas and power and other). In order to obtain a more simplified structure, the Group is clustering the businesses under the respective sub-holding.

e1) In December 2014 Galp Energia Portugal Holding BV owned 100% interest in the subsidiary Galp Exploração e Produção Petrolífera, S.A..

Arising from ongoing organizational restructuring of the group, given the activity of the companies and the currency in which they carry out their operations, the Group considered it more adequate to position Galp Exploração e Produção Petrolífera, S.A. among the upstream segment. Thus, on 17 June 2015, Galp Energia Portugal Holding BV sold to Galp Energia E&P BV, 100% of the equity held in Galp Exploração e Produção Petrolífera, SGPS, SA and its respective subsidiaries.

e2) On 21 December 2015, through a capital increase paid in Galp Energia E&P B.V., the subsidiary Galp Energia Overseas, B.V. is now held 53.33333% by the subsidiary Galp Energia E&P B.V. and 46.66667% by Galp Exploração e Produção Petrolífera, S.A.

e3) The subsidiary Petróleos de Portugal - Petrogal, S.A., holds financial participations in companies based on the African continent operating in the oil distribution segment. In the context of organizational restructuring of the group, its intend to allocate these shares in a new company owned 100% by Petróleos de Portugal - Petrogal, S.A.. For this purpose, Petróleos de Portugal - Petrogal, S.A., subscribed and paid 100% of the share capital of Galp Marketing Internacional, S.A., established in February 2014. In 23 July 2015, Petróleos de Portugal - Petrogal, S.A. sold to Galp Marketing Internacional, S.A and Galp Exploração e Produção Petrolífera, S.A. 94.44% and 1.4%, respectively, of the shares held in the subsidiary Petrogal Guiné-Bissau, Lda. which holds the financial participations in the subsidiaries i) Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda. (65%) and ii) Petromar - Sociedade de Abastecimentos de Combustíveis, Lda. (80%). With this operation, Petrogal Guiné-Bissau, Lda. is now held 94.44444% by Galp Marketing Internacional, S.A and 5.55556% by Galp Exploração e Produção Petrolífera, S.A., respectively.

e4) Considering the organizational structure of the Group for the E&P business, was established in 2014 Galp East Africa B.V. subsidiary of Galp Energia E&P B.V., to hold the investments made in Mozambique (Area 4). In the year ended 31 December 2015 through a capital increase paid by Galp East Africa B.V. the subsidiary Galp Energia Rovuma B.V. is now held by 80% by the subsidiary Galp East Africa B.V. and by 20% by Galp Energia Portugal Holding B.V..

e5) Considering the organizational structure of the Group for the Natural gas distribution business, the Group considered it more adequate for the subsidiary Galp Gás Natural Distribuição, SGPS, S.A., to hold the financial participations in the distribution network operators. For this purpose, as at 30 March 2015 the subsidiary Galp Gás & Power, SGPS, S.A. sold to the subsidiary Galp Gás Natural Distribuição, SGPS, S.A., 10.59122% of the share capital held in Lusitaniagás - Companhia de Gás do Centro, S.A..

Given that the transactions referred above are between group companies, there was no impact on the consolidated financial statements of the group..

- Other operations:

On 12 February 2015 GDP – Gás de Portugal, SGPS, S.A. was renamed Galp Gas & Power, SGPS, S.A.

On 12 February 2015 GDP – Gás Serviços S.A. was renamed GDP Gás de Portugal S.A.

4. FINANCIAL INVESTMENTS

4.1. INVESTMENTS IN JOINT VENTURES

The financial investments in joint ventures, the head offices, the percentage or interest held and the activities detained as at 31 December 2015 and 2014 are as follows:

(€ k)

Companies		Head office		Percentage of interest held		Book value		Main activity
		City	Country	2015	2014	2015	2014	
Tupi B.V.	*(e) (j)*	Rotterdam	The Netherlands	10.00%	10.00%	890,515	591,859	Management, construction, purchase, sale and rental of materials and equipment for exploration, development and production of hydrocarbons, including platforms, ships, FPSOs (floating production, storage, and off-loading), ships to transport crude, supply vessels and other types of vessels.
Belem Bioenergia Brasil, S.A.	*(d)*	Belem	Brazil	50.00%	50.00%	57,599	45,838	Production, logistics and marketing of vegetable oil, as well as any other products, byproducts and related activities, research and development in agro-industrial processes, raw materials, supplies, products, by-products and applications, production, logistics, processing and marketing of raw materials and supplies, including but not limited to bunch of fresh fruit, seeds and seedlings, generation and sale of electricity associated with its operations.
C.L.C. - Companhia Logística de Combustíveis, S.A.	*(b)(i)*	Aveiras de Cima	Portugal	65.00%	65.00%	20,157	23,412	Installation and operation of liquid and gas storage facilities, as well as the related transport structures, other industrial, commercial and investigation activities and of services related to those activities.
Galp Disa Aviacion, S.A.	(f)	Santa Cruz de Tenerife	Spain	50.00%	50.00%	7,184	8,891	Service rendered of aviation oil service supply, either directly or through participation in companies with the same business.
Parque Eólico da Penha da Gardunha, Lda.	*(a)*	Oeiras	Portugal	50.00%	50.00%	1,600	1,628	Production of electrical and wind energy.
Moçamgalp Agroenergias de Moçambique, S.A.	*(g)(h)*	Maputo	Mozambique	50.00%	50.00%	456	315	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity.
Asa - Abastecimento e Serviços de Aviação, Lda.	*(b)*	Lisbon	Portugal	50.00%	50.00%	28	23	Service rendered of aviation oil service supply.
Ventinveste, S.A.	*(a)(j)*	Lisbon	Portugal	35.00%	35.00%	-	-	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farms.
Parque Eólico da Serra do Oeste, S.A.	*(j)*	Lisbon	Portugal	35.00%	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico de Torrinheiras, S.A.	*(j)*	Lisbon	Portugal	35.00%	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico do Cabeço Norte, S.A.	*(j)*	Lisbon	Portugal	35.00%	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico de Vale Grande, S.A.	*(j)*	Lisbon	Portugal	35.00%	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico do Pinhal Oeste, S.A.	*(j)*	Lisbon	Portugal	35.00%	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico do Planalto, S.A.	*(j)*	Lisbon	Portugal	35.00%	35.00%	-	-	Construction and operation of wind farms.
Âncora Wind-Energia Eólica,S.A	(k)	Lisbon	Portugal	17.00%	17.00%	-	-	The production, distribution and sale of electricity using wind power , through the construction and operation of wind farms and electricity transmission lines , as well as carrying out any other activity related to the use of renewable wind energy.
Parque Eólico do Douro Sul, S.A.	(k)	Lisbon	Portugal	17.00%	17.00%	-	-	Construction and operation of wind farms.
Parque Eólico de Vale do Chão, S.A.	(k)	Lisbon	Portugal	17.00%	17.00%	-	-	Construction and operation of wind farms.
Caiageste - Gestão de Áreas de Serviço, Lda.	(c)	Elvas	Portugal	50.00%	50.00%	-	-	Management, and operation of service areas in the Caia area, including any activities and services related with such establishments and installations, namely: the supply of fuel and lubricants, the commercialisation of products and articles to convenience stores and supermarkets, the management and operation of restaurants and hotel or similar units, service stations and gift and utility selling points.
						977,539	671,966	
less: Provisions for investments in joint ventures (Note 25)						(1,631)	(1,467)	
						975,908	670,499	

(a) Participation held by Galp Power, SGPS, S.A.

(b) Participation held by Petróleos de Portugal - Petrogal, S.A.

(c) Participation held by Galpgeste - Gestão de Áreas de Serviço, S.A.

(d) Participation held by Galp Bioenergy B.V.

(e) Participation held by Galp Sinopec Brazil Services B.V.

(f) Participation held by Galp Energia España, S.A.

(g) Participation held by Galp Exploração e Produção Petrolífera, S.G.P.S., S.A.

(h) Control over Moçamgalp Agroenergias de Moçambique, S.A., is shared between: Galp Exploração e Produção Petrolífera, S.G.P.S., S.A., Ecomoz – Energias Alternativas Renováveis, Lda. and Petromoc SARL, that held respectively 50%, 49% and 1% of its share capital.

(i) Although the Group holds more than a 50% interest, the entity is classified as a joint venture since there are Shareholder agreements that provide shared control of financial and operational management of the company.

(j) Although the Group holds less than 50% interest, the entity is classified as a joint venture since there are Shareholder agreements that provide shared control of financial and operational management of the company.

(k) Through the joint venture company Ventinveste, S.A, and under the existing wind farm project, Galp Group established a set of agreements with suppliers and financial entities for the construction of four wind farms. "Âncora", is a project that will be developed under a partnership between Ventinveste and Ferrostaal GmbH and will be financed through a project finance.

Control of the entity Âncora Wind-Energia Eólica,S.A. is shared between Ventinveste, S.A. and Ferrostaal GmbH, which held 50% each of the share capital of the entity.

(l) As of 31 December 2015 and 2014, the provision for investments in joint ventures reflects Group's commitment with its joint ventures that had a negative equity.

Following the summary of the financial statements of the joint ventures as at 31 December 2015 and 2014:

Financial information of the joint venture as at 31 December 2015 (*)

(€ k)

Companies	Non current assets	Current assets-Cash and cash equivalents	Current assets-other	Total Assets	Non current financial liabilities	Non current liabilities - Other	Current financial liabilities	Current liabilities - Other	Total liabilities	Equity	Operating income	Operating costs-Amortisation, depreciation and impairment loss on fixed assets	Operating costs - other	Operating result	Financial income - interests	Financial costs - interests	Financial income - other	Financial costs - other	Financial result	Income tax	Energy sector extraordinary contribution	Net result for the year
Tupi B.V.	8,547,851	322,924	434,516	**9,305,291**	-	-	-	(400,141)	**(400,141)**	**8,905,150**	748,862	-	(593,494)	**155,368**	1,342	(3,852)	-	-	**(2,510)**	(26,740)	-	**126,118**
Belem Bioenergia Brasil, S.A.	137,482	1,844	6,860	**146,186**	(21,899)	(183)	(2,322)	(6,584)	**(30,988)**	**115,198**	3,092	(1,401)	(15,493)	**(13,802)**	6,770	(4,083)	2,140	(7,581)	**(2,754)**	-	-	**(16,556)**
C.L.C. - Companhia Logística de Combustíveis, S.A.	28,194	6,171	102,011	**136,376**	-	(2,042)	-	(103,323)	**(105,365)**	**31,011**	25,346	(7,773)	(10,732)	**6,841**	213	(24)	3	(18)	**253**	(1,799)	(284)	**5,011**
Galp Disa Aviacion, S.A.	13,547	820	3	**14,370**	-	-	(2)	-	**(2)**	**14,368**	**-**	(6)	1	**(5)**	-	-	-	-	**2,466**	5	-	**2,466**
Parque Eólico da Penha da Gardunha, Lda.	939	29	71	**1,039**	(1,722)	-	-	(28)	**(1,750)**	**(711)**	-	-	52	**52**	-	(52)	-	-	**(52)**	-	-	**-**
Moçamgalp Agroenergias de Moçambique, S.A.	15	115	95	**225**	-	(548)	-	1,235	**687**	**912**	-	-	-	**-**	-	-	-	-	**-**	-	-	**-**
Asa - Abastecimento e Serviços de Aviação, Lda.	-	235	196	**431**	-	-	-	(375)	**(375)**	**56**	2,112	-	(2,097)	**15**	-	(1)	1	-	**-**	(3)	-	**12**
Ventinveste, S.A.	38,858	3,120	(379)	**41,599**	(42,943)	(3,738)	-	(15,983)	**(62,664)**	**(21,065)**	463	-	250	**713**	(32)	(625)	32	(60)	**(672)**	(9)	-	**32**
Ventinveste Eólica, SGPS, S.A.	-	-	-	**-**	-	-	-	-	**-**	**-**	-	-	-	**-**	-	-	-	-	**-**	-	-	**-**
Parque Eólico da Serra do Oeste, S.A.	2,405	3	24	**2,432**	(2,044)	-	-	(536)	**(2,580)**	**(148)**	-	(9)	(17)	**(26)**	-	-	-	-	**-**	5	-	**(21)**
Parque Eólico de Torrinheiras, S.A.	863	32	21	**916**	(272)	(3)	-	(618)	**(893)**	**23**	-	(4)	(1)	**(5)**	-	-	-	-	**-**	1	-	**(4)**
Parque Eólico do Cabeço Norte, S.A.	567	40	31	**638**	(416)	-	-	(511)	**(927)**	**(289)**	-	-	(1)	**(1)**	-	(13)	-	-	**(13)**	3	-	**(11)**
Parque Eólico de Vale Grande, S.A.	15,865	1,024	409	**17,298**	(15,490)	(852)	(1,594)	(1,112)	**(19,048)**	**(1,750)**	2,339	(978)	(647)	**714**	-	(878)	-	(74)	**(952)**	109	-	**(129)**
Parque Eólico do Pinhal Oeste, S.A.	1,161	-	458	**1,619**	(2,906)	-	-	(149)	**(3,055)**	**(1,436)**	-	(2)	(30)	**(32)**	-	(59)	-	-	**(59)**	19	-	**(72)**
Parque Eólico do Planalto, S.A.	1,307	-	11	**1,318**	(1,179)	-	-	(253)	**(1,432)**	**(114)**	-	-	(10)	**(10)**	-	-	-	-	**-**	(7)	-	**(17)**
Âncora Wind-Energia Eólica,S.A	53	103	1	**157**	-	-	-	(16)	**(16)**	**141**	-	-	(61)	**(61)**	-	-	-	-	**(2)**	-	-	**(63)**
Parque Eólico do Douro Sul, S.A.	81,979	9,359	1,000	**92,338**	(50,695)	(1,944)	(4)	(5,673)	**58,316**	**34,022**	-	(21)	(378)	**(399)**	-	1,478	-	(1,479)	**(1)**	83	-	**(317)**
Parque Eólico de Vale do Chão, S.A.	25,201	2,298	40	**27,539**	(19,569)	(365)	-	(184)	**(20,118)**	**7,421**	3	(5)	(130)	**(132)**	-	274	-	(274)	**-**	28	-	**(104)**
Caiageste - Gestão de Áreas de Serviço, Lda.	-	16	79	**95**	-	-	-	(149)	**(149)**	**(54)**	1,217	-	(1,271)	**(54)**	-	(1)	-	-	**(1)**	(1)	-	**(56)**

Financial information of the joint venture as at 31 December 2014 (*)

(€ k)

Companies	Non current assets	Current assets-Cash and cash equivalents	Current assets-other	Total Assets	Non current financial liabilities	Non current liabilities - Other	Current financial liabilities	Current liabilities - Other	Total liabilities	Equity	Operating income	Operating costs-Amortisation, depreciation and impairment loss on fixed assets	Operating costs - other	Operating result	Financial income - interests	Financial costs - interests	Financial income - other	Financial costs - other	Financial result	Income tax	Energy sector extraordinary contribution	Net result for the year
Tupi B.V.	4,401,266	215,384	1,655,269	**6,271,919**	-	-	-	(353,331)	**(353,331)**	**5,918,588**	423,317	-	(533,163)	**(109,846)**	-	(16,916)	-	-	**(16,916)**	(11,137)	-	**(137,899)**
Belem Bioenergia Brasil, S.A.	141,374	23,619	6,735	**171,728**	(28,897)	(245)	(43,640)	(7,270)	**(80,052)**	**91,676**	2,233		(7,703)	**(6,037)**	2,749	(4,044)	79	(2,734)	**(3,950)**	-	-	**(9,987)**
C.L.C. - Companhia Logística de Combustíveis, S.A.	35,355	3,793	79,571	**118,719**	-	(1,958)	-	(80,740)	**(82,698)**	**36,021**	27,563	567	(10,760)	**8,945**	106	(39)	5	(128)	**(56)**	(2,522)	(346)	**6,021**
Galp Disa Aviacion, S.A.	10,265	3,869	1	**14,135**	-	-	-	-	**-**	**14,135**	**2,834**	**-**	**(6)**	**2,828**	-	-	-	-	**-**	-	-	**2,828**
Parque Eólico da Penha da Gardunha, Lda.	-	-	1,045	**1,045**	-	-	-	(1,667)	**(1,667)**	**(622)**	-	-	(25)	**(25)**	-	-	-	-	**-**	-	-	**(25)**
Moçamgalp Agroenergias de Moçambique, S.A.	-	45	1,305	**1,350**	-	(621)	-	(137)	**(758)**	**592**	27	(28)	(974)	**(975)**	-	-	71	(74)	**(3)**	-	-	**(978)**
Galpbúzi - Agro-Energia, S.A.	22	-	(22)	**-**	-	-	-	-	**-**	**-**	-	(1)	(48)	**(49)**	-	-	-	-	**-**	-	-	**(49)**
Asa - Abastecimento e Serviços de Aviação, Lda.	-	206	185	**391**	-	-	-	(346)	**(346)**	**45**	1,720	-	(1,715)	**5**	**-**	**(2)**	**-**	**-**	**(2)**	**(1)**	**-**	**2**
Ventinveste, S.A.	37,787	1,746	2,610	**42,143**	(41,200)	(3,618)	-	(40,543)	**(85,361)**	**(43,218)**	790	-	46	**836**	**(41)**	**(65)**	**57**	**(162)**	**(211)**	**-**	**-**	**625**
Ventinveste Eólica, SGPS, S.A.	-	-	-	**-**	-	-	-	-	**-**	**-**	1,667	-	(1,667)	**-**	**(1,667)**	**1,667**	**-**	**-**	**-**	**-**	**-**	**-**
Parque Eólico da Serra do Oeste, S.A.	2,140	36	7	**2,183**	(1,823)	-	-	(487)	**(2,310)**	**(127)**	-	(9)	(20)	**(29)**	-	-	-	-	**-**	4	-	**(25)**
Parque Eólico de Torrinheiras, S.A.	796	4	76	**876**	(261)	(4)	-	(585)	**(850)**	**26**	-	(4)	(1)	**(5)**	-	-	-	-	**-**	1	-	**(4)**
Parque Eólico do Cabeço Norte, S.A.	401	89	25	**515**	(403)	-	-	(390)	**(793)**	**(278)**	-	(12)	(4)	**(16)**	-	(13)	-	-	**(13)**	5	-	**(24)**
Parque Eólico de Vale Grande, S.A.	16,775	649	270	**17,694**	(15,394)	(935)	(1,614)	(1,502)	**(19,445)**	**(1,751)**	2,616	(978)	(581)	**1,057**	-	(899)	-	(76)	**(975)**	(217)	-	**(135)**
Parque Eólico do Pinhal Oeste, S.A.	1,064	42	457	**1,563**	(2,744)	-	-	(183)	**(2,927)**	**(1,364)**	-	(2)	(23)	**(25)**	-	(58)	-	-	**(58)**	14	-	**(69)**
Parque Eólico do Planalto, S.A.	1,194	15	9	**1,218**	(1,063)	-	-	(252)	**(1,315)**	**(97)**	-	(18)	(19)	**(37)**	-	-	-	-	**-**	6	-	**(31)**
Âncora Wind-Energia Eólica,S.A	-	-	42,228	**42,228**	-	-	-	(42,079)	**(42,079)**	**149**	-	-	(491)	**(491)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(491)**
Parque Eólico do Douro Sul, S.A.	33,662	3,123	1,396	**38,181**	-	(1,703)	(67)	(1,882)	**(3,652)**	**34,529**	2	(26)	(48)	**(72)**	**-**	**-**	**-**	**(1)**	**(1)**	**(24)**	**-**	**(97)**
Parque Eólico de Vale do Chão, S.A.	7,666	318	244	**8,228**	-	(336)	-	(343)	**(679)**	**7,549**	-	(5)	(11)	**(16)**	**-**	**(10)**	**-**	**-**	**(10)**	**4**	**-**	**(22)**
Caiageste - Gestão de Áreas de Serviço, Lda.	-	71	55	**126**	-	-	-	(156)	**(156)**	**(30)**	1,335	(1)	(1,377)	**(43)**	**-**	**(1)**	**-**	**-**	**(1)**	**(1)**	**-**	**(45)**

(*) Provisional accounts at closing date, considered by the Group for application of the equity method.

The changes in the caption “Investments in joint ventures” for the year ended 31 December 2015 which are reflected by the equity method were as follows:

(€ k)

Companies		Initial balance	Increase in investment	Gains / Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Dividends (Note 4.5)	Ending balance
Investments								
Tupi B.V.	*(a)*	591,859	211,326	16,246	71,084	-	-	890,515
Belem Bioenergia Brasil, S.A.	*(b)*	45,838	31,664	(8,669)	(11,234)	-	-	57,599
C.L.C. - Companhia Logística de Combustíveis, S.A.		23,412	-	3,258	-	-	(6,513)	20,157
Galp Disa Aviacion, S.A.		8,891	-	1,367	-	-	(3,074)	7,184
Parque Eólico da Penha da Gardunha, Lda.		1,628	-	(28)	-	-	-	1,600
Moçamgalp Agroenergias de Moçambique, S.A.		315	-	21	120	-	-	456
Asa - Abastecimento e Serviços de Aviação, Lda.		23	-	5	-	-	-	28
		671,966	**242,990**	**12,200**	**59,790**	**-**	**(9,587)**	**977,539**
Provisions for investments in joint ventures (Note 25)								
Ventinveste, S.A.		(1,452)	-	(160)	-	8	-	(1,604)
Caiageste - Gestão de Áreas de Serviço, Lda.	*(c)*	(15)	16	(28)	-	-	-	(27)
		(1,467)	**16**	**(188)**	**-**	**-**	**-**	**(1,631)**
		670,499	**243,006**	**12,012**	**59,970**	**8**	**(9,587)**	**975,908**

(a) €211,326 k corresponds to the capital increase made by Galp Sinopec Brazil Services, B.V.. The control of the entity 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) €31,664 k corresponds to the capital increase in Belém Bioenergia Brasil, SA. The control of the entity Belém Bioenergia do Brasil, SA is shared between Galp Bioenergy BV and Petrobras Biocombustíveis SA, each holding 50% of its share capital.

(c) €16 k corresponds to the supplementary capital contributions made by Galpgeste - Gestão de Áreas de Serviço, S.A.. The control of the entity Caiageste - Gestão de Áreas de Serviço, Lda. is shared between Galpgeste - Gestão de Áreas de Serviço, S.A. and Gespost - Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda., each holding 50% of its share capital.

4.2. INVESTMENTS IN ASSOCIATES

Investments in associates, their head offices and the percentage or interest held as of 31 December 2015 and 2014 are as follows:

(€ k)

Companies		Head office		Percentage of interest held		Book value		Main activity
		City	Country	2015	2014	2015	2014	
EMPL - Europe Magreb Pipeline, Ltd	*(a)*	Madrid	Spain	22.80%	22.80%	61,579	52,668	Construction and operation of the natural gas pipeline between Morocco and Spain.
Gasoduto Al-Andaluz, S.A.	*(a)*	Madrid	Spain	33.04%	33.04%	20,706	18,354	Construction and operation of Tarifa–Córdoba gas pipeline.
Gasoduto Extremadura, S.A.	*(a)*	Madrid	Spain	49.00%	49.00%	17,456	15,278	Construction and operation of Córdoba-Campo Maior gas pipeline.
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	(b)	Santarém	Portugal	41.33%	41.33%	14,169	12,941	Production and distribution of Natural Gas and other piped combustible gases.
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	*(e)*	Luanda	Angola	49.00%	49.00%	10,807	10,875	Distribution and Commercialisation of liquid fuel, lubricants and other oil derivatives, operation of service stations and automobile assistance and related services.
Metragaz, S.A.	*(a)*	Tânger	Morocco	22.64%	22.64%	1,347	1,124	Construction, maintenance and operation of the Maghreb-Europe gas pipeline.
Terparque - Armazenagem de Combustíveis, Lda.	*(d)*	Angra do Heroísmo	Portugal	23.50%	23.50%	546	795	Construction and/or operation of storage facilities for combustibles.
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	*(c)*	Bissau	Guinea-Bissau	45.00%	45.00%	943	811	Management and operation of the liquid fuel storage facilities and of the Bandim Oil Terminal.
IPG Galp Beira Terminal Lda	*(f)*	Maputo	Mozambique	45.00%	45.00%	4,094	1,011	Develop and operate a storage terminal for oil products, including with no limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
Sodigás-Sociedade Industrial de Gases, S.A.R.L	*(g)*	Mindelo	Cape Verde	44.00%	30.00%	516	197	Production and sale of oxygen, acetylene, nitrogen and other industrial gases.
Galp IPG Matola Terminal Lda	*(f)*	Maputo	Mozambique	45.00%	45.00%	3,874	682	Develop and operate a storage terminal for oil products, including with no limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	*(c)*	Bissau	Guinea-Bissau	50.00%	50.00%	-	-	Services rendered related to storage and supply of oil products to aircrafts and other related and complementary activities.
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	*(h)*	Lisbon	Portugal	35.00%	35.00%	-	-	Co-generation and sale of electric and thermic power.
						136,037	**114,736**	
Less: Provisions for investments in associates (Note 25)	*(i)*					**(2,483)**	**(2,487)**	
						133,554	**112,249**	

(a) Participation held by Galp Gás Natural, S.A.

(b) Participation held by Galp Gás Natural Distribuição, SGPS, S.A.

(c) Participation held by Petrogal Guiné-Bissau, Lda.

(d) Participation held by Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.

(e) Participation held by Petrogal Angola, Lda.

(f) Participation held by Petrogal Moçambique, Lda.

(g) Participation held by Empresa Nacional de Combustíveis - Enacol, S.A.R.L

(h) Participation held by Galp Gás & Power, SGPS, S.A.

(i) As at 31 December 2015, provision for investments in associates reflects the Group's commitment with its associates that had a negative equity.

Following the summary of the financial statements of the associates as at 31 December 2015 and 2014:

Financial information of the associate entities as at 31 December 2015 (*)

Companies	Non current assets	Current assets-Cash and cash equivalents	Current assets-other	Total Assets	Non current financial liabilities	Non current liabilities - Other	Current financial liabilities	Current liabilities - Other	Total liabilities	Equity	Operating income	Operating costs- Amortisation, depreciation and impairment loss on fixed assets	Operating costs - other	Operating result	Financial income - interests	Financial costs - interests	Financial income - other	Financial costs - other	Financial result	Income tax	Net result for the year
EMPL - Europe Magreb Pipeline, Ltd	-	6,786	277,775	284,561	-	(14,477)	-	-	(14,477)	270,084	297,463	(35,801)	(20,991)	240,671	-	-	261	(238)	23	(9)	240,685
Gasoduto Al-Andaluz, S.A.	36,743	28,176	3,765	68,684	-	-	-	(6,015)	(6,015)	62,669	42,599	(7,380)	(9,041)	26,178	-	-	12	-	12	(7,333)	18,857
Gasoduto Extremadura, S.A.	15,804	20,489	2,323	38,616	-	-	-	(2,991)	(2,991)	35,625	26,833	(3,303)	(6,014)	17,516	-	-	10	-	10	(4,907)	12,619
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	83,506	5,611	4,814	93,931	(20,226)	(24,378)	(4,650)	(10,395)	(59,649)	34,282	2,802	-	-	2,802	-	-	-	-	-	-	2,802
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	33,103,	14,319	5,566	52,988	(1,583)	(10,268)	-	(19,082)	(30,933)	22,055	185,368	(3,067)	(178,892)	4,840	131	(449)	1,086	(573)	195	(1,876)	3,159
Metragaz, S.A.	1,934	1,855	7,988	11,777	-	(61)	-	(5,767)	(5,828)	5,949	15,238	(381)	(13,498)	1,359	18	-	134	(151)	1	-	1,360
Terparque - Armazenagem de Combustíveis, Lda.	8,535	2,919	1,928	13,382	(8,067)	-	(985)	(2,005)	(11,057)	2,325	2,725	(1,779)	(1,124)	(32)	16	(48)	-	-	(32)	4	(241)
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	2,524	419	361	3,304	-	-	(809)	(399)	(1,208)	2,096	1,109	(369)	(280)	493	-	(86)	-	(15)	(101)	(98)	294
IPG Galp Beira Terminal Lda	11,530	2,246	1,681	15,457	-	-	-	(6,359)	(6,359)	7,449	-	(2)	4	2	-	-	812	(813)	(1)	-	1
Sodigás-Sociedade Industrial de Gases, S.A.R.L	376	481	578	1,435	-	-	-	(441)	(441)	994	558	(44)	(507)	7	14	-	5	(1)	18	(41)	(16)
Galp IPG Matola Terminal Lda	6,735	1,064	1,065	8,864	-	-	-	(255)	(255)	8,609	-	(2)	4	2	-	-	459	(460)	(1)	-	
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	6	13	904	923	-	(2)	-	(1,055)	(1,057)	(134)	150	(10)	(84)	62	-	-	-	(1)	(1)	(15)	46
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	298	523	464	1,285	-	(2,115)	(661)	(5,411)	(8,187)	(6,902)	62	-	9	71	2	(129)	-	-	(127)	-	(56)

Financial information of the associate entities as at 31 December 2014 (*)

Companies	Non current assets	Current assets-Cash and cash equivalents	Current assets-other	Total Assets	Non current financial liabilities	Non current liabilities - Other	Current financial liabilities	Current liabilities - Other	Total liabilities	Equity	Operating income	Operating costs- Amortisation, depreciation and impairment loss on fixed assets	Operating costs - other	Operating result	Financial income - interests	Financial costs - interests	Financial income - other	Financial costs - other	Financial result	Income tax	Net result for the year
EMPL - Europe Magreb Pipeline, Ltd	246,136	1,809	29,020	276,965	(32,946)	(1,362)	(22)	(11,637)	(45,967)	230,998	241,354	(31,029)	(19,682)	190,643	-	-	464	(310)	154	(14)	190,783
Gasoduto Al-Andaluz, S.A.	44,346	1,255	18,286	63,887	-	-	-	(8,336)	(8,336)	55,551	30,781	(7,380)	(6,617)	16,784	-	-	18	-	18	(5,065)	11,737
Gasoduto Extremadura, S.A.	19,250	1,247	16,115	36,612	-	-	-	(5,430)	(5,430)	31,182	20,335	(3,303)	(5,381)	11,651	-	-	28	-	28	(3,504)	8,175
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	82,666	8,904	3,057	94,627	(30,661)	(17,582)	(3,487)	(11,577)	(63,307)	31,320	24,664	(2,369)	(15,717)	6,578	64	(1,759)	-	(154)	(1,849)	(1,029)	3,085
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	51,191	7,096	18,755	77,042	(2,945)	(15,389)	-	(30,185)	(48,519)	28,523	189,503	(3,658)	(185,936)	(91)	-	-	608	(79)	529	(347)	91
Metragaz, S.A.	1,655	1,272	8,590	11,517	-	-	-	(6,557)	(6,557)	4,960	15,738	(277)	(14,906)	555	22	-	48	(100)	(30)	-	525
Terparque - Armazenagem de Combustíveis, Lda.	-	-	20,317	20,317	-	-	-	(11,977)	(11,977)	8,340	3,647	-	(3,479)	168	-	-	-	-	-	-	168
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	-	-	3,141	3,141	-	-	-	(1,338)	(1,338)	1,803	766	-	(739)	27	-	-	-	-	-	-	27
IPG Galp Beira Terminal Lda	-	-	2,293	2,293	-	-	-	(1,041)	(1,041)	1,252	1,552	-	(3,339)	(1,787)	-	-	-	-	-	-	(1,787)
Sodigás-Sociedade Industrial de Gases, S.A.R.L	-	-	1,135	1,135	-	-	-	(478)	(478)	657	-	-	-	-	-	-	-	-	-	-	-
Galp IPG Matola Terminal Lda	-	-	2,828	2,828	-	-	-	(993)	(993)	1,835	717	-	(4,969)	(4,252)	-	-	-	-	-	-	(4,252)
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	-	-	864	864	-	-	-	(1,046)	(1,046)	(182)	85	-	(125)	(40)	-	-	-	-	-	-	(40)
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	3,224	818	744	4,786	-	-	-	(14,173)	(14,173)	(9,387)	2,418	-	(5,806)	(3,388)	-	-	-	-	-	-	(3,388)

(*) Provisional accounts at closing date, considered by the Group for application of the equity method.

The changes in the caption “Investments in associates” for the year ended 31 December 2015 were as follows:

(€ k)

Companies		Initial balance	Increase in investment	Gains / Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Actuarial Gains and losses	Dividends (Note 4.5)	Ending balance
Ending balance									
EMPL - Europe Magreb Pipeline, Ltd		52,668	-	54,876	921	-	-	(46,886)	61,579
Gasoduto Al-Andaluz, S.A.		18,354	-	6,208	-	-	-	(3,856)	20,706
Gasoduto Extremadura, S.A.		15,278	-	6,143	-	-	-	(3,965)	17,456
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.		12,941	-	1,175	-	50	3	-	14,169
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.		10,875	-	2,310	(2,378)	-	-	-	10,807
Metragaz, S.A.		1,124	-	307	39	-	-	(123)	1,347
Terparque - Armazenagem de Combustíveis, Lda.		795	-	(61)	-	-	-	(188)	546
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.		811	-	132	-	-	-	-	943
IPG Galp Beira Terminal Lda	*a)*	1,011	3,286	-	(203)	-	-	-	4,094
Sodigás-Sociedade Industrial de Gases, S.A.R.L		197	112	242	-	-	-	(35)	516
Galp IPG Matola Terminal Lda	*a)*	682	3,329	-	(137)	-	-	-	3,874
		114,736	**6,727**	**71,332**	**(1,758)**	**50**	**3**	**(55,053)**	**136,037**
Provision for investment in associates (Note 25)									
Energin - Sociedade de Produção de Electricidade e Calor, S.A.		(2,397)	-	(19)	-	-	-	-	(2,416)
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários		(90)	-	23	-	-	-	-	(67)
		(2,487)	**-**	**4**	**-**	**-**	**-**	**-**	**(2,483)**
		112,249	**6,727**	**71,336**	**(1,758)**	**50**	**3**	**(55,053)**	**133,554**

a) The amounts €3,286 k and €3,329 k presented in the increase on participations correspond to supplementary capital contributions made by the subsidiary Petrogal Moçambique, Lda..

The positive Goodwill related with associates and joint ventures, included in the caption “Investments in associates and joint ventures”, was subject to an impairment test, by cash generating unit, detailed as follows as at 31 December 2015 and 31 December de 2014:

(€ k)

	December 2015	December 2014
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939
	1,939	1,939

4.3. FINANCIAL ASSETS HELD FOR SALE

The financial investments in affiliates, presented in the Statement of financial position as Assets held for sale, the head offices and the percentage or interest held as of 31 December 2015 and 2014 are as follows:

Company		Head office		Percentage interest held		Book value	
		City	Country	2015	2014	2015	2014
Corporación de Reservas Estratégicas de Productos Petrolíferos		Madrid	Spain	n.a.	n.a.	1,808	1,808
Portugal Ventures		Oporto	Portugal	1.25%	1.25%	505	505
Adene - Agência para a Energia, S.A.		Amadora	Portugal	10.98%	10.98%	114	114
Omegás - Soc. D'Étude du Gazoduc Magreb Europe		Tanger	Morocco	5.00%	5.00%	35	35
Clube Financeiro de Vigo		Vigo	Spain	-	-	19	19
P.I.M.-Parque Industrial da Matola, SARL		Maputo	Mozambique	1.50%	1.50%	13	16
ADEPORTO Agência de Energia do Porto		Oporto	Portugal	-	-	13	13
Imopetro - Importadora Moçambicana de Petróleos, Lda.		Maputo	Mozambique	15.38%	15.38%	8	10
OIL Insurance Limited		Hamilton	Bermuda	1.00%	1.00%	9	8
Ressa - Red Española de Servicios, S.A.	*a)*	Barcelona	Spain	-	n.a.	-	23
Other affiliated companies				n.a.	n.a.	28	29
						2,552	2,580
Impairment on financial investments held for sale							
Portugal Ventures		Oporto	Portugal	1.82%	1.82%	(52)	(52)
P.I.M.-Parque Industrial da Matola, SARL		Maputo	Mozambique	1.50%	1.50%	(13)	(16)
						(65)	(68)
						2,487	2,512

a) The company Ressa - Red Española de Servicios, S.A. was sold in the year ended 31 December 2015, and a gain amounting to €584 k has been recognised, in the caption Results from financial investments in the consolidated financial statements (Note 4.4).

The financial assets held for sale were reflected for accounting purposes at the acquisition cost as described in Note 2.2 paragraph c). The net book value of these investments amounts to €2,487 k as at 31 December 2015.

4.4. RESULTS FROM FINANCIAL INVESTMENTS

The caption Results from financial investments in subsidiaries (Goodwill and changes in Equity), associates and joint ventures presented in the consolidated income statements for the year ended 31 December 2015 and 31 December 2014 are comprised as follows:

(€ k)

	December 2015	December 2014
Effect of applying the equity method:		
Associates (Note 4.2)	71,336	52,183
Joint ventures (Note 4.1)	12,012	(8,919)
Effect of the disposal of investments in group companies and associates:		
Loss on disposal of 100% of investment in Madrileña Suministro de Gas SL (Note 3).	(12,914)	-
Gain on disposal of 100% of investment in Madrileña Suministro de Gas SUR SL (Note 3).	319	-
Gain on disposal of the investment in Compañia Logística de Hidrocarburos CLH, S.A.	2	-
Effect of the disposal of Assets held for sale/affiliate entities:		
Gain on disposal of the investment held in PME Ventures	-	446
Gain on disposal of the investment held in Ressa - Red Española de Servicios, S.A. (note 4.3)	584	-
Effect of the liquidation of group companies:		
Acquisition of 0.032% of the participation interest in Lusitaniagás - Companhia de Gás do Centro, S.A.	-	2
Acquisition of 1% of the participation interest in Ventinveste, S.A.	**-**	**(52)**
Effect of the liquidation of group companies:		
Liquidation of the subsidiary Next Priority, SGPS, S.A. (Note 3)	(1)	-
Write off of exchange differences that resulted from the financial statements translation of the subsidiary Petrogal Trading Limited, which were booked in Equity under the caption Hedging reserves	-	(260)
Write off of reserves that resulted from the 40% increase in the participation interest of the subsidiary Probigalp - Ligantes Betuminosos, S.A., which were booked in Equity in the caption Other Reserves	-	(4,648)
Effect of Goodwill impairments of group companies:		
Goodwill Impairment of the subsidiary Galp Gambia, Limited, which is recorded in the caption Goodwill (Note 11)	-	(4,754)
Goodwill Impairment of the subsidiary Galp Distribuicíon Oil España, SAU, which is recorded in the caption Goodwill (Note 11)	(35,731)	(2,388)
Goodwill Impairment of the subsidiary Galp Comercializacíon España, SL, which is recorded in the caption Goodwill (Note 11)	(8,541)	(1,183)
Goodwill Impairment of the subsidiary Petróleos de Valencia, SA, Sociedad Unipersonal which is recorded in the caption Goodwill (Note 11)	(7,759)	(79)
Others	**1**	**(6)**
	19,308	30,342

4.5. DIVIDENDS FROM FINANCIAL INVESTMENTS

An amount of €64,640 k was reflected in the caption Investments in associates and joint ventures (Note 4.1 and 4.2) relating to dividends corresponding to the amounts approved by the General Assembly of the respective companies. The dividends received in the year ended 31 December 2015 amounted to €72,901 k.

The difference between the amount received and the amount recognised in the caption Investments in associates and joint ventures of €8.261 k corresponds to: i) €5,269 k relating to unfavourable foreign exchange differences that occured at the time of payment and that were reflected in the caption Exchange gains/(losses), in the income statement; (ii) €482 k relating to dividends received relating to amounts approved by the General Assembly in previous years; and (iii) €2,510 k relating to dividends received by Assets held for sale.

4.6. JOINT OPERATIONS

Joint Operations, by geographic area and percentage held as at 31 December 2015 are as follows:

Country	CONSORTIUM	ACQUISITION DATE	PARTICIPATING COMPANIES AND PERCENTAGE HELD
Brazil	BM-S-8	September/2000	Petróleo Brasileiro S.A. (66%); Shell Brasil S.A. (20%); Petrogal Brasil S.A. (14%)
	BM-S-11		Petróleo Brasileiro S.A. (65%); BG E&P Brasil S.A. (25%); Petrogal Brasil S.A. (10%)
	BM-S-21	August/2001	Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BM-S-24		Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BT-POT-28	November/2004	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-POT-29		Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-POT-32	November/2004	Petróleo Brasileiro S.A. (50%); Petrogal Brasil S.A. (50%)
			Petróleo Brasileiro S.A. (50%); Petrogal Brasil S.A. (50%)
			Petróleo Brasileiro S.A. (50%); Petrogal Brasil S.A. (50%)
	BT-POT-36	November/2004	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-POT-51	January/2006	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
			Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-SEAL-13	January/2006	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
			Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BM-POT-17	January/2006	Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
			Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
			Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BM-POT-16	January/2006	Petróleo Brasileiro S.A. (60%); Petrogal Brasil S.A. (20%); Encana Brasil S.A. (20%)
			Petróleo Brasileiro S.A. (60%); Petrogal Brasil S.A. (20%); Encana Brasil S.A. (20%)
	PEPB-M-783	March/2008	Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	PEPB-M-839		Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	AM-T-62	April/2009	Petróleo Brasileiro S.A. (60%); Petrogal Brasil S.A. (40%)
	AM-T-84		Petróleo Brasileiro S.A. (60%); Petrogal Brasil S.A. (40%)
	AM-T-85		Petróleo Brasileiro S.A. (60%); Petrogal Brasil S.A. (40%)
Angola	Block 14	December/1999	Galp (9%); CABGOG (31%); SONANGOL (20%); ENI (20%); ANGOLA BLOCO 14 B.V. (20%)
	Block 14K	December/2002	Galp (4,5%); CHEVRON OVERSEAS CONGO LTD (15,75%); CABGOG (15,5%); SONANGOL (10%); SNPC (7,5%); TFE (10%); TEPC (26,75%); ENI (10%)
	Block 32	May/2007	Galp (5%); Total (30%); Sonangol (30%); SSI Limited (20%); Esso (15%)
	Block 33	May/2007	Galp (5,33%); Total (58,67%); Sonangol (20%); Falcon (16%)
	Sonagas	December/2007	Galp (10%); Sonagas (40%); ENI (20%); GAS NATURAL (20%); EXEM (10%)
Mozambique	Area 4	December/2007	Galp (10%); KOGAS (10%); ENI (70%); ENH (10%)
East Timor	Bloco (E) S06-04	December/2007	Galp (10%); KOGAS (10%); ENI (80%)
Morocco	Tarfaya Offshore 1	December/2012	Galp (50%); ONHYM (25%); Tangiers (25%)
Namibia	PEL23	2013	GALP (14%); HRT (86%)
	PEL24		
	PEL28		
Portugal	PENICHE BASIN	May/2014	Galp (30%); Repsol (34%); Kosmos (31%); Partex (5%)
	ALENTEJO BASIN	December/2014	Galp (50%); ENI (50%)
	ALJUBARROTA	2012	Galp (50%); PORTO ENERGY (50%)
Uruguai	Area 3	2009	Galp (20%); PETROBRAS (40%); YPF (40%)
	Area 4		
São Tomé and Príncipe	Block 6	2015	Galp (45%); KOSMOS (45%); ANP-STP (10%)

These joint operations are subject to joint agreements designated as JOA (Joint Operating Agreement). These JOA establish the joint decisions between the partners of the oil consortiums. In addition to the JOA 's there can exist production sharing contracts internationally referred to as PSA (Production Sharing Agreements) which are primarily used to determine the share of oil production in a given area that is up to the consortium. In PSAs the national oil company pay the execution, by the international oil company (contractor), of the E&P activity. The contractor takes the mineral and financial risk of the initiative and, if successful, recovers the cost of capital spent and costs incurred in the year (cost oil) through the share of production.

In Angola, the variability of international oil prices also affects the production share (net entitlement) by which the contractor has the right to remunerate their invested capital (profit oil) after incurred costs are paid by cost oil. Thus, the investment and the stock are recognised in the share owned of the assets, while sales and costs are recognised in the Income Statement.

The profit oil is a form of remuneration of the State specific for the production sharing contracts in Angola. The profit oil represents the difference between (i) the amount of oil produced and collected from each development area and not used in oil operations, and (ii) the oil for the cost recovery (cost oil) in the same development area. Annually audits are performed by independent auditors on the accounts submitted by the consortium, in which it is assessed the acceptance of these costs, which gives rise to adjustments for excess or insufficiency of profit oil.

5. OPERATING INCOME

The Group's operating income for the years ended 31 December 2015 and 2014 is as follows:

(€ k)

Captions	2015	2014
Sales:		
Goods	6,719,955	7,909,892
Products	8,163,626	9,568,707
	14,883,581	**17,478,599**
Services rendered	**632,920**	**542,395**
Other operating income		
Supplementary income	49,080	48,901
Revenues arising from the construction of assets under IFRIC12	19,827	25,896
Operating government grants	305	66
Investment government grants (Note 13)	12,618	10,631
Gain on fixed and intangible assets	8,527	2,286
Others	9,824	17,697
	100,181	105,477
	15,616,682	18,126,471

Fuel sales include the Portuguese Tax on Oil Products ("ISP").

The detail of the caption Sales of goods and products, by type of product is as follows:

Detail of sale per type of product	December 2015	December 2014
Crude	749,966	699,719
Gasoline	2,196,672	2,261,524
Diesel	6,127,811	7,425,210
Jets	832,274	1,106,957
Fuel	657,172	1,010,523
LPG (petroleum gas)	350,764	393,149
Base oil and lubricants	136,141	115,319
Chemicals, solvents and aromatics	255,970	320,466
Naphthas	472,066	468,254
NG (natural gas)	2,268,858	2,726,278
Electricity	277,568	248,062
Store products	100,758	95,614
Oil products basket	413,058	546,554
Others	44,503	60,970
Total sales	**14,883,581**	**17,478,599**

The variation presented in the caption Sales relates primarily to a reduction in sales prices, while the quantities sold increased when compared to the previous year.

The caption Services rendered includes the negative amount of €24,579 k related to the marketing, distribution and storage of natural gas activities as a result of (Note 14):

- negative €3,026 k concerning the adjustment of the estimated regulated revenues and the value of the invoiced income in relation to distribution, marketing and storage activities (Note 14);

- negative €1,017 k concerning the adjustment made by ERSE in the fixation of the tariff deviations – regulated revenue of the Companies (Note 14);

- negative €15,789 k concerning the corresponding regulated revenue amortisation for 2012 (Note 14);

- negative €7,747 k concerning the corresponding regulated revenue amortisation for 2013 (Note 14).

As referred in Note 2.13, the total amount to be recovered was included by ERSE in the regulated revenue to be returned in the 2015-2016 Gas Year, thus the Group is recognising in the income statement, the reversal of the amount of the approved tariff deviation.

The amount of €8,527 k in the caption Gain on fixed and intangible assets for the year ended 31 December 2015 includes a gain in the amount of € 1,750 k from the sale of the non-current assets held for sale, corresponding to the underground storage of natural gas concession in Pombal, owned by Transgás Armazenagem – Sociedade Portuguesa de Armazenagem de Gás Natural, SA and acquired by Rede Energética Nacional.

Regarding the construction contracts under IFRIC12, the construction 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 and can be detailed as follows:

(€ k)

Captions	2015	2014
Costs arising from the construction of assets under IFRIC12 (Note 6)	(19,827)	(25,896)
Revenues arising from the construction of assets under IFRIC12 (Note 6)	19,827	25,896
Margin	-	-

6. OPERATING COSTS

The results for the years ended 31 December 2015 and 2014 were affected by the following items of operating costs:

(€ k)

Captions	2015	2014
Cost of sales:		
Raw and subsidiary materials	5,985,308	8,887,841
Goods	4,067,561	3,936,672
Tax on Oil Products	2,598,385	2,551,153
Variation in production	67,908	207,765
Impairment in inventories (Note 16)	(85,080)	102,385
Financial derivatives (Note 27)	59,272	15,556
	12,693,354	**15,701,372**
External supplies and services:		
Subcontracts - network use:	382,849	328,644
Subcontracts	8,176	11,834
Transport of goods	197,231	168,901
Storage and filling	56,776	66,997
Rental costs	84,986	84,020
Blocks production costs	139,495	99,695
Maintenance and repairs	52,523	57,134
Insurance	47,197	43,212
Royalties	49,950	48,571
IT services	25,339	24,717
Commissions	13,027	17,670
Advertising	11,571	13,362
Electricity, water, steam and communications	62,675	19,422
Technical assistance and inspection	7,844	12,876
Port services and fees	9,100	8,263
Other specialised services	67,571	64,868
Other external supplies and services	25,066	25,289
Other costs	75,030	62,229
	1,316,406	**1,157,704**
Personnel costs:		
Statutory board salaries (Note 29)	9,480	9,157
Employee salaries	240,996	236,815
Social charges	53,855	54,892
Retirement benefits - pensions and insurance (Note 23)	35,369	52,858
Other insurances	8,895	9,507
Capitalisation of personnel costs	(12,228)	(9,357)
Other costs	6,937	15,682
	343,304	**369,554**
Amortisation, depreciation and impairment:		
Amortisation and impairment of tangible assets (Note 12)	634,826	537,235
Amortisation and impairment of intangible assets (Note 12)	43,598	34,358
Amortisation and impairment of concession arrangements (Note 12)	41,211	42,005
	719,635	**613,598**

(€ k)

Captions	2015	2014
Provision and impairment losses on receivables:		
Provisions and reversals (Note 25)	16,682	(3,887)
Impairment losses on trade receivables (Note 15)	13,467	34,224
Impairment losses (gains) on other receivables (Note 14)	976	373
	31,125	**30,710**
Other operating costs:		
Other taxes	15,146	14,195
Costs arising from the construction of assets under IFRIC12 (Note 5)	19,827	25,896
Loss on tangible and intangible assets	6,236	5,592
Donations	1,692	2,491
CO_2 Licenses (Note 35)	7,597	5,394
Other operating costs	12,993	19,736
	63,491	**73,304**
	15,167,315	**17,946,242**

The variation in the caption Cost of sales is mainly related with a reduction in the prices of purchased products.

The caption "Subcontracts – network use" refers to charges for the use of:

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

The subcontracts heading includes the effect of regulated tariffs for the use of the global system (UGS) and the use of the transportation network (URT), charged by the transportation system operator (REN) to the Distribution Operators who, in turn, through the compensation mechanism the network access, by the uniform tariff, bill (pass-through) to trading companies (Note 14).

The amount of €382,849 k recorded under this caption mainly includes the amount of €37,798 k charged by Madrileña Red de Gas, €173,921 k charged by EDP Distribuição Energia and €42,429 k charged by Ren Gasodutos.

The amount of €49,950 k of royalties presented in External supllies and services mainly relates to the exploration and production of oil and gas in Brazil.

7. SEGMENT REPORTING

Business segments

The Group is organized into three business segments which have been defined based on the type of products sold and services rendered, by the following business units:

- Exploration & Production;
- Refining & Marketing;
- Gas & Power;
- Others.

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 a provider of shared services at the corporate level, respectively.

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

The financial information for the previously identified segments, as at 31 December 2015 and 2014 is presented as follows:

(€ k)

	Exploration & Production		Refining & Marketing		Gas & Power		Others		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Income												
Sales and Services Rendered	617,443	695,578	12,109,783	14,124,749	3,230,125	3,676,194	124,219	121,347	(565,069)	(596,874)	15,516,501	18,020,994
Inter-segmental	251,214	216,677	1,873	2,273	213,871	277,232	98,111	100,692	(565,069)	(596,874)	-	-
External	366,229	478,901	12,107,910	14,122,476	3,016,254	3,398,962	26,108	20,655	-	-	15,516,501	18,020,994
Cost of Sales	6,800	(36,332)	(10,758,128)	(13,269,105)	(2,334,670)	(2,803,947)	-	-	392,641	408,012	(12,693,357)	(15,701,371)
Cost of goods sold and materials consumed	(1,314)	(495)	(10,662,863)	(13,079,374)	(2,353,913)	(2,801,516)	-	-	392,641	408,012	(12,625,449)	(15,473,373)
Variation in Production	8,114	(35,837)	(95,265)	(189,731)	19,243	(2,431)	-	-	-	-	(67,908)	(227,999)
EBITDA (1)	**351,341**	**443,427**	**466,282**	**(82,426)**	**357,319**	**444,629**	**25,187**	**18,907**	**(2)**	**-**	**1,200,127**	**824,537**
Non payable expenses												
Amortisation, depreciation and impairments	(374,916)	(251,845)	(279,715)	(294,297)	(60,610)	(63,864)	(4,394)	(3,592)	-	-	(719,635)	(613,598)
Depreciation and Amortisation	(210,915)	(148,544)	(270,571)	(289,282)	(58,220)	(62,548)	(4,394)	(3,592)	-	-	(544,100)	(503,967)
Impairments	(164,001)	(103,301)	(9,144)	(5,015)	(2,390)	(1,316)	-	-	-	-	(175,535)	(109,632)
Provisions and Impairments	(1,129)	(129)	(9,065)	(23,495)	(20,931)	(10,316)	-	3,230	-	-	(31,125)	(30,710)
Provisions	-	(363)	(7,556)	(2,071)	(10,625)	(852)	-	-	-	-	(18,181)	(3,286)
Impairments	(1,129)	(286)	(18,517)	(31,293)	(12,898)	(11,977)	-	-	-	-	(32,544)	(43,557)
Provisions - Reversals	-	520	1,241	952	255	2,485	-	3,230	-	-	1,496	7,187
Impairments - Reversals	-	-	15,767	8,918	2,337	29	-	-	-	-	18,104	8,946
EBIT	**(24,704)**	**191,453**	**177,502**	**(400,218)**	**275,778**	**370,449**	**20,793**	**18,545**	**(2)**	**-**	**449,367**	**180,229**
Results from financial investments	12,994	(11,958)	(49,275)	(9,375)	55,588	51,675	(1)	-	2	-	19,308	30,342
Other financial results	99,276	63,850	(127,179)	(160,724)	(18,853)	(44,174)	(48,529)	(3,528)	-	-	(95,285)	(144,576)
Interest expense	66,144	20,013	(75,594)	(116,504)	(36,546)	(34,107)	(114,063)	(130,243)	107,621	147,548	(52,438)	(113,293)
Interest income	52,115	56,520	4,590	1,903	2,793	5,952	75,664	131,243	(106,723)	(147,540)	28,439	48,077
O. Financial charges	(18,983)	(12,683)	(56,175)	(46,123)	14,900	(16,019)	(10,130)	(4,527)	(898)	(8)	(71,286)	(79,360)
Income tax	(96,213)	(181,639)	(7,069)	94,914	(58,088)	(69,952)	9,200	2,604	-	-	(152,170)	(154,073)
Energy sector extraordinary contribution	-	-	(29,006)	(18,386)	(37,996)	(12,067)	-	-	-	-	(67,002)	(30,453)
Non-controlling interests	(27,969)	(48,866)	(1,801)	(2,192)	(1,882)	(3,805)	-	-	-	-	(31,652)	(54,863)
Consolidated net result for the year	**(36,616)**	**12,840**	**(36,828)**	**(495,981)**	**214,547**	**292,126**	**(18,537)**	**17,621**	**-**	**-**	**122,566**	**(173,394)**

As at 31 December 2015 and 31 December 2014												
OTHER INFORMATIONS												
Segment Assets (2)												
Financial investments (3)	890,971	592,173	108,055	94,870	116,866	102,001	171	170	-	-	1,116,063	789,214
Other Assets	4,977,938	5,099,522	4,935,698	5,954,129	2,647,550	2,722,801	2,113,399	2,168,099	(2,997,617)	(3,518,348)	11,676,968	12,426,203
Total Consolidated Assets	**5,868,909**	**5,691,695**	**5,043,753**	**6,048,999**	**2,764,416**	**2,824,802**	**2,113,570**	**2,168,269**	**(2,997,617)**	**(3,518,348)**	**12,793,031**	**13,215,417**
Total Consolidated Liabilities	**930,460**	**870,045**	**2,962,612**	**3,713,456**	**2,108,828**	**2,065,143**	**3,600,624**	**3,660,400**	**(2,997,617)**	**(3,518,348)**	**6,604,907**	**6,790,696**
Investment in Tangible and Intangible Assets	**966,901**	**817,801**	**67,886**	**102,994**	**28,406**	**29,481**	**4,192**	**7,294**	**-**	**-**	**1,067,384**	**957,570**

(1) EBITDA = Segment Results/EBIT + Amortisations+Provisions.
(2) Net Amount.
(3) At the Equity Method.

Inter-segmental Sales and Services Rendered

(€ k)

Segments	Exploration & Production	Refining & Marketing	Gas & Power	Others	TOTAL
Gas & Power	-	452	-	28,593	29,045
Refining & Marketing	251,214	-	213,868	55,910	520,992
Exploration & Production	-	1,116	-	13,607	14,723
Others	-	305	3	1	309
	251,214	**1,873**	**213,871**	**98,111**	**565,069**

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

- Gas & Power: natural gas sales for the production process of Matosinhos and Sines refineries (refining and marketing of oil products);
- Refining & Marketing: supply of fuel to all Group company vehicles;
- Exploration & Production: sales of crude oil 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 between 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 in question, in other words, from comparing the characteristics of operations or companies that might have an impact on the intrinsic conditions of the commercial transactions in analysis. In this context are analysed, amongst others, the goods and services traded, the functions performed by the parties (including the assets used and risks assumed), the contractual terms, the economic situation of the parties as well as their negotiation strategies.

In a related parties context the remuneration thus corresponds to what is considered appropriate, as a rule, to the functions performed by each participant company, taking into account the assets used and risks assumed. Thus, in order to determine the level of remuneration, the activities and risks taken by companies within the chain value of goods/services transacted are identified according to their functional profile, particularly with regard to the functions that 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 by also considering the contribution of these elements to the Company's profitability. This analysis assesses whether the profitability indicators of the companies involved fall within the calculated ranges based on an evaluation of a panel of functionally comparable but independent companies, thus allowing the prices to be fixed in order to comply with the arm's length principle.

The detailed information on sales and services rendered, tangible and intangible assets and financial investments by each geographic region where Galp operates is as follows:

	Sales and Services Rendered		Tangible and Intangible Assets		Financial investments	
	2015	2014	2015	2014	2015	2014
Africa	412,832	483,007	1,183,091	931,454	20,240	13,585
Latin America	366,376	502,594	1,534,150	1,404,756	0	0
Europe	14,737,293	17,035,393	4,038,495	4,455,687	1,095,824	775,629
	15,516,501	**18,020,994**	**6,755,736**	**6,791,897**	**1,116,064**	**789,214**

8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2015 and 2014 are as follows:

(€ k)

Captions	December 2015	December 2014
Financial income:		
Interest on bank deposits	23,294	32,863
Interest and other income with related companies (Note 28)	5,169	15,216
Other financial income	3,924	3,820
	32,387	**51,899**
Financial costs:		
Interest on bank loans, overdrafts and others	(122,361)	(140,575)
Interest with related parties (Note 28)	(7,898)	(7,103)
Interests capitalised in fixed assets (Note 12)	88,522	46,192
Net interest on retirement benefits and other benefits (Note 23)	(10,140)	(11,691)
Charges relating to loans	(17,019)	(23,318)
Other financial costs	(10,804)	(15,557)
	(79,700)	**(152,052)**
	(47,313)	**(100,153)**

During the year ended 31 December 2015, the Group capitalised under the caption Fixed assets in progress, the amount of €88,522 k, regarding interests on loans to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

During 2015, the amount capitalised corresponds to 72% of the total interests incurred by the Group in the amount of €122,361 k. The amount of capitalised interest is pro-rated by the investments in progress.

9. INCOME TAXES

The Group companies headquartered in Portugal in which the Group has an interest equal or greater than 75%, if such participation ensures more than 50% of voting rights, are taxed in accordance with the special regime for the taxation of groups of companies, with taxable income being determined in Galp Energia, SGPS, S.A..

Spanish tax resident companies, in which the percentage held by the Group exceeds 75% have, from 2005 onwards, been taxed on a consolidated basis. Currently, the fiscal consolidation is performed by Galp Energia España S.A., on behalf of Galp Energia SGPS, S.A.

However, estimated income tax of the Company and its subsidiaries is accounted based on their tax results. In the year ended 31 December 2015, €152,170 k was recorded in the caption Income tax.

The following situations may affect income tax payable in the future:

i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years except when there are carried forward tax losses, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;

ii) From 2001 to 2015, the subsidiary Petrogal, S.A. was subject to several inspections by the tax authorities relating to the fiscal years 1997 to 2011, which in accordance with the Company assessment are following their normal course. Paragraphs v) and xiii) below detail the open inspections;

iii) During 2009, the tax authorities concluded the 2005 and 2006 inspections of Galp Energia, SGPS, S.A. and its subsidiary Galp Gas & Power, S.A.. Tax returns which resulted in additional assessments are summarised in paragraph vii) below;

iv) The Group's tax returns for the years 2012 to 2015 are still subject to review. Galp's Board of Directors believes that any corrections arising from inspections by the tax authorities of these tax returns will not have a significant impact on the consolidated financial statements as of 31 December 2015 and 2014;

v) As mentioned in paragraph ii) above, in 2004 the corporate income tax returns for the years 2000, 2001 and 2002 were inspected by the tax authorities, which resulted in proposed additional assessments communicated to Petrogal of €740 k, €10,806 k and €2,479 k, respectively, of which €11,865 k have been paid. Additionally, regarding 2001, Petrogal has appealed against the settlement issued. As such, and given the expectation of additional amount to be incurred on these claims, Petrogal accounted for a provision to cover such settlements totalling €7,394 k (Note 25);

vi) As mentioned in paragraph ii) above, in 2006 the corporate income tax return for the year 2003 was inspected by the tax authorities, which resulted in an increase in taxable income of €12,098 k, which corresponds to an additional assessment communicated to Petrogal of €5,265 k, for which an appealing was presented and a partial payment of €2,568 k was made in 2008 and recognised in the income statement of that year;

vii) As mentioned in paragraphs ii) and iii) above, in 2009 Galp Energia, SGPS, S.A. and its subsidiaries Petrogal, S.A. and GDP – Gás de Portugal, SGPS, S.A., 2005 income tax returns were inspected by the tax authorities, which resulted in additional assessment of €23,587 k and for which during January 2010 the Company has conceded a bank guarantee in the amount of €27,010 k. As the Group does not agree with the tax authority's position, which relates essentially to the taxation of certain capital gains reinvested during the acquisition of financial participations because the tax authority understands that the partial sale of the financial participation ,where the reinvestment was made, is a condition for the taxation for the total deferred capital gain, the Company, supported by its tax and legal advisors, presented an administrative claim and a judicial review where it questions the additional assessment. In previous years Galp Energia SGPS, S.A. recorded a provision of €3,230 k and its subsidiary GDP SGPS recorded an amount of €2,092 for this purpose. In 2014, as a result of favourable developments in this matter, the company decided to reverse the previously recorded provision;

viii) Additionally, during 2010, and as consequence of inspections that occurred in 2006 and 2007, Petrogal S.A. tax returns were corrected by the tax administration, which resulted in additional assessments of €479 k and €190 k, respectively. As the company partially disagrees with these corrections, amounts of €304 k regarding 2006 and €87 k regarding 2007 were not paid. Regarding these amounts the company has either contested or will contest the assessments. For the unpaid amounts, the company has presented the respective claim and has appealed the rejection of the same;

ix) In 2011, the subsidiary Petrogal, S.A was subject to a tax inspection regarding the year 2008, which resulted in a correction to taxable income corresponding to additional tax payable of €492 k. Since the company disagrees with some of the corrections referred to above, the company has filed an administrative appeal, which is still under consideration;

x) The tax inspection at the subsidiary Petrogal, S.A. regarding the year 2009 resulted in corrections to taxable income that correspond to additional tax payable, of which the company has chosen to appeal €375 k - an administrative claim has been filed which is running its natural course of action;

xi) During 2014, the tax inspection regarding the 2010 financial year of subsidiary Petrogal S.A., as well as the other companies, members of the special tax regime of taxation for groups of companies, was completed and resulted favourable corrections to the Group and a tax refund of €1 k.

xii) In 2015 the tax inspection for the year 2011 was concluded for the subsidiary Petrogal S.A. and the consolidated tax group led by Galp Energia SGPS, S.A.. Of the referred inspections, no corrections were noted that correspond to additional tax to be paid for the period under review;

xiii) Additionally, the subsidiary Petrogal, S.A., as a result of the 2009 tax inspection, was subject to an adjustment on Value Added Tax (VAT) in the amount of €4,577 k. As the correction is based on the compliance of a mere formality, the Company believes that the above amount is not due, provided that the required formalities are fulfilled, which has already occurred. In this regard, the Company presented a claim and subsequent hierarchical appeal, disputing this correction, both of which were rejected. Given its conviction of the correctness of its position, the Company has proceeded to judicial action, and has not made any provision for this contingency;

xiv) As a result of the exploration and oil production operations in Angola, the Group is subject to Oil Income Tax ("IRP") based on the Angolan tax system applied to production sharing contracts where the Group participates. As at 31 December 2015, there are under discussion with the Ministry of Finance in Angola the preliminary results from the tax audits performed for the years 2003 to 2010, for which the Group has decided to book a provision for the eventual additional corrections. As of 31 December 2015, the provision amounts to €21,769 k (Note 25 and 33);

xv) Under current legislation, tax losses in Portugal can be reported and carried forward during a period of 6 years, for taxable income arising before 2010; 4 years, for 2010 and 2011 taxable income; 5 years, for 2012 and 2013 taxable income; and 12 years, for taxable income arising from 2014 onward;

xvi) There is no limit for the use of tax losses of Group companies based in the Brazilian and Spanish territories. The Group has accounted for deferred tax assets for tax losses carried forward only for subsidiaries in which there is high probability of recovery.

Income tax and Energy sector extraordinary contribution for the year ended 31 December 2015 and 2014 are as follows:

(€ k)

Captions	December 2015	December 2014
Current income tax	72,454	72,064
"IRP" - Tax on Oil income	23,764	40,905
"PE" - Special Participation Tax	82,920	70,006
(Excess)/Insuficiency of income tax for the preceding year	(10,296)	20,039
Deferred tax	(16,672)	(48,941)
Income tax	**152,170**	**152,170**
Energy sector extraordinary contribution	**67,002**	**30,453**
	219,172	**184,526**

As at 31 December 2015 and 2014, the Group has income tax payable amounting to €9,214 k and €19,085 k respectively.

Below is a reconciliation of the income tax for the years ended 31 December 2015 and 2014, and detail of deferred taxes:

(€ k)

	December 2015	Tax rate	Income tax	December 2014	Tax rate	Income tax
Result before taxes:	373,390	27.00%	100,815	65,995	27.00%	17,819
Adjustments to taxable income:						
Application of the equity method		-1.60%	(5,975)		-12.35%	(8,153)
Fiscal benefits		-0.71%	**(2,653)**		**-1.09%**	**(718)**
Achievements of social utility		0.09%	**330**		**0.00%**	**-**
Income tax rates differences		4.18%	**15,660**		**20.47%**	**13,507**
(Excess)/Insufficiency of income tax of the preceding year		-2.54%	**(10,296)**		**30.37%**	**20,039**
Autonomous taxation		0.83%	**3,123**		**5.05%**	**3,333**
"PE" - Special participation and "IRP" - Tax on Oil Income		17.32%	**64,823**		**147.04%**	**97,040**
Other additions and deductions		-3.79%	**(13,657)**		**16.98%**	**11,208**
Effective tax rate and Tax income		**40.80%**	**152,170**		**233.46%**	**154,073**

In the year ended 31 December 2015 the Group paid Oil Income Tax ("IRP") through its subsidiary Galp Energia Overseas Block 14, B.V and its respective branch in Angola, amounting to €14,702 k relating to Oil Income Tax, determined based on the Angolan tax regime applied to Production Sharing Agreements in which the Group participates.

Deferred taxes

The tax rates used by Galp Group take into account the risk of substantively enacted tax rates do not become effective, which essentially depends on the reliability associated with the legal certainty of the legislative production.

This analysis takes into account the associated jurisdiction, the respective political risk and its legislative history.

As for the rate changes observed in Portugal for the financial years 2014 and 2015 as a result of Law No. 2/2014 of 16 January and Law No. 82 -B / 2014 of 31 December, they were considered by the company as substantively enacted on 31 December 2013 and 31 December 2014 respectively and were therefore considered in the measurement of deferred taxes on those dates.

The impact on earnings resulting from changes in the tax rate in Portugal for the year 2014 amounted to €13,507 k. In the year 2015 no tax rate change was noted.

As at 31 December 2015, the balance of deferred tax assets and liabilities is as follows:

(€ k)

Deferred Taxes December 2015 - Assets						
Captions	**Initial balance**	**Effect in results**	**Effect in equity**	**Effect of currency translation**	**Ending balance**	**Ending balance**
Adjustments to accruals and deferrals	8,284	(1,814)	-	-	42	6,512
Adjustments to tangible and intangible assets	25,033	134	-	4,037	12,010	41,214
Adjustments to inventories	742	(111)	-	-	-	631
Overlifting adjustments	147	749	-	31	-	927
Retirement benefits and other benefits	100,847	(353)	1,867	-	41	102,402
Double economical taxation	3,522	(771)	-	-	1	2,752
Financial instruments	-	-	254	-	-	254
Tax losses carried forward	65,950	40,061	-	(4,302)	721	102,430
Regulated revenue	14,083	(5,542)	-	-	-	8,541
Non deductible provisions	27,374	8,489	-	(2,790)	(37)	33,036
Potential foreign exchange differences Brazil	79,523	(31,661)	112,945	(16,876)	(10,739)	133,192
Others	38,468	(17,138)	-	(171)	9,084	30,243
	363,973	**(7,957)**	**115,066**	**(20,071)**	**11,123**	**462,134**

(€ k)

Deferred Taxes December 2015 - Liabilities					
Captions	Initial balance	Effect in results	Effect of currency translation	Other adjustments	Ending balance
Adjustments to accruals and deferrals	(53)	2	38	-	(13)
Adjustments to tangible and intangible assets	(20,019)	(8,526)	1,149	(12,736)	(40,132)
Adjustments to tangible and intangible assets Fair Value	(16,496)	2,626	-	(1,211)	(15,081)
Adjustments in Inventories	(181)	-	-	-	(181)
Underlifting Adjustments	(1,113)	836	(112)	-	(389)
Dividends	(39,973)	12,361	-	-	(27,612)
Regulated revenue	(39,828)	17,206	-	-	(22,622)
Accounting revaluations	(2,605)	219	-	-	(2,386)
Others	(920)	(95)	8	39	(968)
	(121,188)	**24,629**	**1,083**	**(13,908)**	**(109,384)**

Changes in deferred taxes reflected in Equity, correspond to:

- €1,867 k, including €1,866 k for deferred taxes related with the actuarial gains/(losses)and €1 k related to non-controlling interests (Note 21);

- €254 k for changes in deferred taxes related to hedge reserves components;

- €112,945 k including €79,061 k related to the deferred taxes on the Exchange rate differences resulting from the financial contributions which are similar to "quasi capital" (Note 20) and €33,884 k related to non-controlling interests.

Potential foreign exchange differences in Brazil result from the tax option to tax potential foreign exchange differences only when they are realised.

Tax losses for which deferred tax assets were recognised are as follows:

Year	Tax losses carried forward	Limit year use	Deferred tax asset	Nominal tax rate
Portugal:				
2014	47,979	2026		
	47,979		**10,076**	**21,00%**
Spain :				
2012 and previous years:	33,182	No limit		
2013	-	No limit		
2014	89,462	No limit		
2015	140,305	No limit		
	262,949		**65,737**	**25,00%**
Brazil:				
2013	1,777	No limit		
2015	76,511	No limit		
	78,288		**26,617**	**34,00%**

Regarding the assumptions underlying the existence of future taxable income sufficient to realise the deferred tax assets, Galp follows the medium and long-term plan designed for the Companies.

It should also be noted that in the case of jurisdictions where there are fiscal consolidation regimes Galp simulates the implementation of these consolidations. It should also be referred that the prescribed legal limits for recovery of the losses are considered as the period for the recovery of deferred tax assets arising from tax losses.

In situations where the legal period for recovery exceeds the periods for which the Group makes the preparation of budgets and plans, forecasts are made for those periods based on the values established for the Budgets and Plans years.

Tax losses carried forward for which no deferred tax assets have been accounted for are mainly related to tax losses of companies based in the Netherlands.

10. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2015 and 2014 are as follows:

(€ k)

	December 2015	December 2014
Results		
Net result for purposes of calculating earnings per share (consolidated net result for the period)	122,566	(173,394)
Number of shares		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
Basic and diluted earnings per share (amounts in Euros):	**0.15**	**(0.21)**

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

11. GOODWILL

The difference between the amounts paid to acquire an equity share in Group companies and the fair value of the acquired companies' equity as at 31 December 2015 was as follows:

(€ k)

				Equity proportion at the acquisition date			Goodwill movement			
Subsidiaries		Acquisition year	Acquisition cost	%	Amount	2014	Currency exchange differences (d)	Disposal of subsidiary (e)	Impairments (f)	2015
Galp Energia España, S.A.										
Galp Comercializacion Oil España, S.L.	a)	2008	176,920	100.00%	129,471	46,266	-	-	(8,541)	37,725
Galp Distribuición Oil España, S.A.U.	b)	2008	172,822	100.00%	123,611	46,823	-	-	(35,731)	11,092
Petróleos de Valência, S.A. Sociedad Unipersonal	a)	2005	13,937	100.00%	6,099	7,759	-	-	(7,759)	-
						100,848	**-**	**-**	**(52,031)**	**48,817**
Petróleos de Portugal - Petrogal, S.A.										
Galp Comercialização Portugal, S.A.	c)	2008	146,000	100.00%	69,027	50,556	-	-	-	50,556
						50,556	**-**	**-**	**-**	**50,556**
Galp Swaziland (PTY) Limited		2008	18,117	100.00%	651	18,754	2,160	-	-	20,914
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	-	-	5,568
Galp Gambia, Limited		2008	6,447	100.00%	1,693	405	(405)	-	-	-
Empresa Nacional de Combustíveis - Enacol, S.A.R.L		2007 and 2008	8,360	15.77%	4,031	4,329	-	-	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	3,491	402	-	-	3,893
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.		2006	3,094	25.00%	1,454	1,640	-	-	-	1,640
Lusitaniagás - Companhia de Gás do Centro, S.A.		2002/3 and 2007/8/9	1,440	1.543%	856	584	-	-	-	584
Gasinsular - Combustíveis do Atlântico, S.A.		2005	50	100.00%	(353)	403	-	-	-	403
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		2005	858	67.65%	580	278	-	-	-	278
Beiragás - Companhia de Gás das Beiras, S.A.		2003/6 and 2007	152	0.94%	107	51	-	-	-	51
Galp Sinopec Brazil Services (Cyprus)		2012	3	100.00%	1	2	-	-	-	2
Madrileña Suministro de Gas SUR S.L.		2010	12,523	100.00%	3,573	8,686	-	(8,686)	-	-
Madrileña Suministro de Gas S.L.		2010	43,356	100.00%	12,641	29,766	-	(29,766)	-	-
						225,361	**2,157**	**(38,452)**	**(52,031)**	**137,035**

(a) The subsidiaries Petróleos de Valência, S.A. Sociedad Unipersonal and Galp Comercializacion 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 Distribuición Oil España, S.A.U., was incorporated in Galp Energia España, S.A. through a merger process, during the year ended 31 December 2011.

(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 result 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).

(e) Disposed subsidiaries (Note 3d) and 4.4).

(f) Amounts calculated as a result of goodwill impairment tests (Nota 4.4).

Goodwill Impairment analysis

When performing impairment tests, goodwill is allocated to the respective cash generating unit. Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The recoverable amount is estimated for the cash-generating unit to which it may belong, according to the method of discounted cash flows. The discount rate used reflects Galp group's WACC (Weighted Average Cost of Capital) for the reporting segment and country of each cash generating unit.

		Assumptions		
Cash generating unit	**Evaluation method**	**Cash flows**	**Growth factor**	**Discounted rates**
Financial Investment (comprised in business segments)	*DCF (Discounted Cash Flow)*	According to corporate business plan	Gordon model with a growth factor to perpetuity of 2%	WACC between: R&M [7,2%-10%] E&P [9,8%-12,2%] G&P [6,2%-6,8%]

E&P - Exploration & Production

R&M - Refining & Marketing of Oil products

G&P - Gas & Power

The former Esso investments (Galp Comercialização Portugal e Espanha) and former Agip investments (Galp Distribuicion Espanha) were merged in Galp Energia España for those relating to Spain, and in Petrogal, those related to Portugal. Thus, the Goodwill is tested for impairment with those assets (e.g. station network) with the respective sensitivity analysis (note 12).

In fact, at the acquisition date of the former Esso and Agip companies, the Group had the expectation that with these acquisitions it could double the market share of Galp in Spain. Despite the efforts that have been carried out, these expectations have generally not been achieved, which will progressively impact on the reduction on the number of service stations in operation, starting with those who have a less positive performance. Under these circumstances, considering IAS 36.104 paragraph a) impairment on goodwill was recorded at the acquisition date.

The impairment relating to Petróleos de Valencia goodwill in the amount of €7,759 k is mainly due to the reduction in the business activity and uncertainty about the extent of the port concession granted by the Valencia authorities.

According to the defined assumptions for the year ended 31 December, 2015 impairment losses in Goodwill amount to €52,031 k (Note 4.4).

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12. TANGIBLE AND INTANGIBLE ASSETS

Movements in tangible assets at 31 December 2015:

(€ k)

	2015											2014
Tangible Assets:	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils	Administrative equipment	Reusable containers	Other tangible assets	Tangible assets in progress	Advances to suppliers of tangible assets	Total tangible assets	Total tangible assets
Acquisition cost:												
Balance at 1 January 2015	286,994	940,163	7,142,059	31,060	4,469	174,666	158,791	91,740	1,907,460	28	10,737,430	9,660,942
Additions	61	765	41,600	210	22	1,399	508	685	907,565	-	952,815	885,181
Additions by financial costs capitalisation (Note 8)	-	-	-	-	-	-	-	-	88,522	-	88,522	46,192
Write-offs/Disposals	(1,676)	(1,698)	(25,749)	(787)	(63)	(849)	(4,177)	(775)	(86,885)	-	(122,659)	(84,091)
Adjustments	-	-	-	-	-	-	-	(64)	1,167	(28)	1,075	90,354
Adjustments for currency differences in initial balance	(35)	(2,474)	(4,745)	(94)	(3)	(228)	(917)	(432)	(173,347)	-	(182,275)	151,591
Transfers	91	5,753	345,084	85	248	2,532	5,008	566	(366,708)	-	(7,341)	(12,739)
Gross acquisition cost at 31 December	**285,435**	**942,509**	**7,498,249**	**30,474**	**4,673**	**177,520**	**159,213**	**91,720**	**2,277,774**	**-**	**11,467,567**	**10,737,430**
Accumulated impairments at 1 January	(8,667)	(20,849)	(39,263)	-	(61)	(1,182)	(1)	(2,384)	(158,063)	-	(230,470)	(133,655)
Increase in impairments	(1,297)	(313)	(4,756)	-	-	-	-	-	(155,732)	-	(162,098)	(134,076)
Reversal of impairments	-	-	(149)	-	-	-	-	-	590	-	441	7,930
Adjustments for currency differences in initial balance	-	-	-	-	-	-	-	-	(4,877)	-	(4,877)	(5,888)
Utilisation/Transfers of impairments	244	(4)	19,844	-	-	-	-	-	87,896	-	107,980	35,219
Impairments balance at 31 December	**(9,720)**	**(21,166)**	**(24,324)**	**-**	**(61)**	**(1,182)**	**(1)**	**(2,384)**	**(230,186)**	**-**	**(289,024)**	**(230,470)**
Accumulated depreciations and impairment losses:												
Balance at 1 January	(2,005)	(654,368)	(4,382,246)	(27,308)	(3,915)	(159,688)	(146,060)	(79,014)	-	-	(5,454,604)	(4,954,588)
Depreciations for the year	(288)	(23,383)	(433,370)	(1,171)	(206)	(8,385)	(4,072)	(2,294)	-	-	(473,169)	(411,089)
Write-offs/Disposals	-	1,284	21,427	674	48	778	4,176	667	-	-	29,054	55,670
Adjustments	45	72	(1,740)	42	-	18	56	13	-	-	(1,494)	(58,448)
Adjustments for currency differences in initial balance	64	631	(64,415)	68	3	137	629	281	-	-	(62,602)	(86,149)
Transfers	237	(91)	(144)	(10)	-	(6)	-	10	-	-	(4)	-
Accumulated balance at 31 December	**(1,947)**	**(675,855)**	**(4,860,488)**	**(27,705)**	**(4,070)**	**(167,146)**	**(145,271)**	**(80,337)**	**-**	**-**	**(5,962,819)**	**(5,454,604)**
Net amount as at 31 December	**273,768**	**245,488**	**2,613,437**	**2,769**	**542**	**9,192**	**13,941**	**8,999**	**2,047,588**	**-**	**5,215,724**	**5,052,356**

Tangible assets are recorded in accordance with the accounting policy defined by the Group in Note 2.3.

The depreciation rates that are being applied are disclosed in the same note.

The adjustments for exchange differences relate to the revaluation of opening balances from foreign currencies into euro of the tangible assets of the subsidiaries denominated in foreign currencies.

Movement in intangible assets at 31 December 2015:

(€ k)

	2015									2014
Intangible assets	Research and development costs	Industrial property and other rights	Goodwill	Reconversion of consumption to natural gas	Other intangible Assets	Service Concession Arrangements	Intangible assets in progress	Intangible assets in progress - Service Concession Arrangements	Total intangible assets	Total intangible assets
Acquisition cost:										
Balance at 1 January	285	601,734	19,668	551	498	1,718,566	35,533	3,199	2,380,034	2,395,482
Additions	-	4,125	-	-	-	-	15,135	19,816	39,076	46,961
Write-offs/Disposals	-	(2,734)	-	-	-	(1,523)	-	-	(4,257)	(9,942)
Adjustments	-	2	-	-	-	5,284	26	-	5,312	(69)
Adjustments for currency differences in initial balance	-	4,479	-	-	-	-	(3,729)	-	750	6,595
Transfers	-	14,394	-	-	-	21,314	(14,302)	(21,314)	92	12,739
Transfers to assets held for sale	-	-	-	-	-	-	-	-	-	(71,732)
Changes in the consolidation perimeter	-	(22,479)	-	-	-	-	-	-	(22,479)	-
Gross acquisition cost at 31 December	**285**	**599,521**	**19,668**	**551**	**498**	**1,743,641**	**32,663**	**1,701**	**2,398,528**	**2,380,034**
Accumulated impairments at 1 January	(5)	(39,962)	(2,483)	-	-	-	(3,316)	-	(45,766)	(26,458)
Increase in impairments	-	(8,818)	(5,327)	-	-	-	(114)	-	(14,259)	(1,459)
Adjustments for currency differences in initial balance	-	(3,933)	-	-	-	-	-	-	(3,933)	(2,519)
Utilisation/Transfers of impairments	-	1,952	-	-	-	-	(1)	-	1,951	(15,330)
Impairments balance at 31 December	**(5)**	**(50,761)**	**(7,810)**	**-**	**-**	**-**	**(3,431)**	**-**	**(62,007)**	**(45,766)**
Accumulated depreciations and impairment losses:										
Balance at 1 January	(271)	(299,391)	(10,205)	(431)	(498)	(576,566)	-	-	(887,362)	(823,656)
Amortisation for the year	(9)	(29,322)	-	(8)	-	(41,211)	-	-	(70,550)	(74,904)
Write-offs/Disposals	-	1,039	-	-	-	1,323	-	-	2,362	6,748
Adjustments	1	86	(1)	-	-	(113)	-	-	(27)	88
Adjustments for currency differences in initial balance	-	385	-	-	-	-	-	-	385	(97)
Transfers	-	4	-	-	-	-	-	-	4	-
Transfers to assets held for sale	-	-	-	-	-	-	-	-	-	4,459
Changes in the consolidation perimeter	-	21,644	-	-	-	-	-	-	21,644	-
Accumulated balance at 31 December	**(279)**	**(305,555)**	**(10,206)**	**(439)**	**(498)**	**(616,567)**	**-**	**-**	**(933,544)**	**(887,362)**
Net amount:										
as at 31 December	**1**	**243,205**	**1,652**	**112**	**-**	**1,127,074**	**29,232**	**1,701**	**1,402,977**	**1,446,906**

Intangible assets are recorded in accordance with the accounting policy defined by the Group in Note 2.4.

The amortisation rates that are being applied are disclosed in the same note.

The adjustments for exchange differences relate to the revaluation of opening balances from foreign currencies into euro of the intangible assets of the subsidiaries denominated in foreign currencies.

Amortisations and depreciation for the years 2015 and 2014 are as follows:

(€ k)

	December 2015			December 2014		
	Tangible	Intangible	Total	Tangible	Intangible	Total
Amortisation / Depreciation for the year	473,169	29,340	502,509	411,089	32,899	443,988
Amortisation for the year - Service Concession Arrangements	-	41,211	41,211	-	42,005	42,005
Impairments	161,657	14,258	175,915	126,146	1,459	127,605
Amortisation, depreciation and impairments (Note 6)	**634,826**	**84,809**	**719,635**	**537,235**	**76,363**	**613,598**

The net amount of €835 k in the caption Variation of the perimeter is related with the disposal of the subsidiaries Madrileña Suministro de Gas SL and Madrileña Suministro Gas SUR SL. (Note 3.d).

Main events occurring during the year ended 31 December 2015:

The increases noted in tangible and intangible assets captions, amounting to €1,080,413 k, mainly include:

i) Exploration & Production segment

- €632,106 k regarding exploration and development investments in blocks in Brazil;
- €161,952 k regarding exploration investments in Block 32 in Angola;
- €95,601 k regarding exploration and development investments in block 14 in Angola;
- €61,739 k regarding exploration investments in Block 4 in Mozambique;
- €5,470 k regarding oil exploration investments in the Portuguese coast – Peniche basin; and
- €2,063 k regarding oil exploration investments in the Portuguese coast – Alentejo basin.

ii) Gas & Power segment

- €22,391 k regarding natural gas infrastructure construction (network, plot and other infrastructures) of which the amount of €19,827 k is covered by IFRIC 12 (Note 5 and 6).

iii) Refining & Marketing Segment

- The refineries of Sines and Oporto made industrial investments amounting to €11,809 k; and
- €25,015 k related with the Retail business unit and is due mainly to the improvement of stations, convenience stores, expansion of activities and development of information systems.

In the year ended 31 December 2015, tangible and intangible assets amounting to a net €95,500 k were disposed and written-off, as a result of the update of the assets register that was performed in the year and include:

i) €62,815 k regarding the write-off of equipment, expenses and mineral rights in Brazil without economic viability;

ii) €24,376 k regarding the write-off of equipment, expenses and rights related to the FLNG in Brazil without economic viability;

iii) €6,769 k regarding write-offs related to the Retail business unit, mainly relating to improvements in stations, convenience stores, expansion activities and development of information systems, the majority of which were fully amortised.

In the year ended 31 December 2015, impairments on tangible and intangible assets have been recognised amounting to €351,031 k which mainly include:

- €88,662 k for impairment losses in exploration in Morocco;
- €76,477 k for impairment losses in blocks in Namibia;
- €66,930 k for impairment losses in the retail network in Portugal and Spain;
- €45,936 k for impairment losses on non-operated and operated blocks and other assets in Brazil and Angola;
- €40,812 k for impairment losses on the Angola LNG/Sonagas gas exploration project in Angola;
- €8,753 k for impairment losses in exploration in Aljubarrota;
- €7,170 k for impairment losses in exploration in Mozambique; and
- €4,590 k for impairment losses in blocks in East Timor.

The split of tangible and intangible assets in progress (including advances to suppliers on tangible and intangible assets net of impairment losses) in the year ended 31 December 2015 is as follows:

(€ k)

	Assets in progress	Impairments	Net
Research and exploration of oil in Brazil	1,122,287	(16,830)	1,105,457
Research and exploration of oil in Angola and Congo	575,312	(28,580)	546,732
Research in Mozambique	275,792	(7,170)	268,622
Research in Portugal	68,184	(8,753)	59,431
Industrial investment relating to refineries	41,287	-	41,287
Renewal and expansion of the network	31,274	(231)	31,043
Transportation and logistics	4,002	-	4,002
Conversion projects of the Sines and Oporto refineries	968	-	968
Research of gas in Angola	637	-	637
Research in Namibia	39,751	(39,368)	383
Underground storage of natural gas	217	-	217
Production of energy and steam	55	-	55
Research in Morocco	81,773	(81,773)	-
LNG Block Gas - Angola	40,646	(40,646)	-
Research of oil in Blocks 3 and 4 in Uruguay	7,670	(7,670)	-
Research in East Timor	2,596	(2,596)	-
Other projects	19,687	-	19,687
	2,312,138	**(233,617)**	**2,078,521**

The Exploration & Production segment is divided in three stages: Exploration, Development and Production.

The transition from the exploration stage to the development stage is related to the discovery of commercially viable reserves and the transition to the production stage is related with the start of the production process.

As mentioned in the accounting policies, Galp capitalises the investment expenses in all three stages, subjecting them to periodic impairment tests.

The table below, details the Assets in progress and Fixed assets for the E&P segment:

2015 (€ k)

	ASSETS IN PROGRESS									FIXED ASSETS									
	Signature bonus		Assets in research		Assets in development		Financial interests		Others	Signature bonus		Assets in research		Assets in development		Financial interests		Others	
	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	TOTAL
Angola	2	-	249,312	(51,682)	361,202	(17,544)	5,348	-	-	22,516	(549)	74,921	-	1,270,886	-	1,669	-	279	1,916,357
Brazil	8,779	-	382,867	(14,189)	643,241	(2,609)	77,976	(33)	2,964	4,722	(142)	69,840	-	526,482	-	39,438	-	4,342	1,743,678
East Timor	-	-	2,597	(2,597)	-	-	-	-	-	1,993	(1,993)	-	-	-	-	-	-	-	
Morocco	115	(115)	81,658	(81,658)	-	-	-	-	-	6,889	(6,889)	-	-	-	-	-	-	-	-
Namibia	-	-	39,751	(39,751)	-	-	-	-	-	37,108	(37,108)	-	-	-	-	-	-	-	-
Mozambique	2,040	-	253,447	(7,184)	-	-	20,318	-	20,318	4,304	-	-	-	-	-	-	-	54	272,980
Portugal	-	-	68,184	(8,753)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,430
Uruguay	-	-	7,670	(7,670)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**10,935**	**(115)**	**1,085,485**	**(213,484)**	**1,004,443**	**(20,153)**	**103,642**	**(33)**	**2,964**	**77,532**	**(46,682)**	**144,761**	**-**	**1,797,368**	**-**	**41,107**	**-**	**4,674**	**3,992,445**

2014 (€ k)

	ASSETS IN PROGRESS									FIXED ASSETS									
	Signature bonus		Assets in research		Assets in development		Financial interests		Others	Signature bonus		Assets in research		Assets in development		Financial interests		Others	
	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	TOTAL
Angola			223,775	(11,169)	204,859	-	-	-	-	20,189	(343)	52,918	-	1,051,113	-	1,497	-	250	1.543,089
Brazil	11,752	-	476,549	(28,279)	496,296	(3,497)	52,343	(939)	-	8,578	(270)	85,461	-	415,003	-	18,805	-	9,157	1,540,959
East Timor	-	-	2,564	(2,564)	-	-	-	-	-	1,993	(1,993)	-	-	-	-	-	-	-	-
Morocco	-	-	64,438	(64,438)	-	-	-	-	-	6,177	-	-	-	-	-	-	-	-	6,177
Namibia	-	-	34,396	(34,053)	-	-	-	-	-	33,275	(33,275)	-	-	-	-	-	-	-	343
Mozambique	1,847	-	177,782	(5,760)	-	-	12,315	-	-	3,859	-	-	-	-	-	-	-	48	190,091
Portugal	-	-	59,314	(8,826)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,488
Uruguay	-	-	7,599	(1,695)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,904
TOTAL	**13,599**	**-**	**1,046,417**	**(156,784)**	**701,155**	**(3,497)**	**64,658**	**(939)**	**-**	**74,071**	**(35,881)**	**138,379**	**-**	**1,466,116**	**-**	**20,302**	**-**	**9,455**	**3,337,051**

Expenses capitalised as assets in the exploration and evaluation stage, for which proven reserves do not currently exist, are as follows:

2015 (€ k)

	Gross Assets						Costs	Cash-Flow
Geography	Signature bonus	Research	Interests	Total	Impairments	Net Assets	Annual impairment	Annual investment
Angola	549	48,895	-	49,444	(49,444)	-	(39,953)	454
Brazil	22,223	390,512	25,476	438,210	(114,340)	**323,870**	(58,757)	108,658
East Timor	1,993	2,597	-	4,590	(4,590)	-	(32)	32
Morocco	7,004	81,658	-	88,662	(88,662)	-	(16,555)	9,982
Namibia	37,108	39,751	-	76,859	(76,477)	**382**	-	-
Mozambique	6,344	253,502	20,318	280,164	(7,184)	**272,980**	(732)	55,174
Portugal	3,368	55,138	9,678	68,184	(8,753)	**59,431**	72	6,847
Uruguay	-	7,579	90	7,670	(7,670)	-	(5,975)	70
TOTAL	**78,589**	**879,630**	**55,562**	**1,013,782**	**(357,119)**	**656,663**	**(121,933)**	**181,218**

2014 (€ k)

	Gross Assets						Costs	Cash-Flow
Geography	Signature bonus	Research	Interests	Total	Impairments	Net Assets	Annual impairment	Annual investment
Angola	494	43,583	-	44,078	(7,703)	**36,375**	(6,984)	1,638
Brazil	29,726	435,257	18,664	483,647	(85,581)	**398,066**	(22,939)	94,510
East Timor	1,993	2,564	-	4,558	(4,558)	-	(5)	5
Morocco	6,177	64,438	-	70,616	(64,439)	**6,177**	(58,823)	62,723
Namibia	33,275	35,878	-	69,153	(68,810)	**343**	(2,514)	2,934
Mozambique	5,706	177,830	12,315	195,852	(5,760)	**190,091**	(5,264)	46,933
Portugal	3,368	48,291	7,654	59,314	(8,826)	**50,488**	(618)	3,129
Uruguay	-	7,509	90	7,599	(1,695)	**5,905**	(1,695)	5,001
TOTAL	**80,740**	**815,352**	**38,724**	**934,816**	**(247,372)**	**687,444**	**(98,841)**	**216,874**

Sensitivity analysis on Impairment tests for tangible and intangible assets

Exploration & Production segment

Tangible and intangible assets of the E&P segment were subject to impairment tests and sensitivity analysis, and the assumptions underlying these analyses and safety margin against the carrying value are as follows:

Assumptions:

• The forecast of Brent prices considered in impairment studies, was based on the average estimates of specialised analysts and were as follows as of 31 December, 2015:

Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
USD 55 /barrel	USD 60/barrel	USD 65/barrel	USD 70/barrel	USD 75/barrel

Resources and crude oil reserves used for impairment analysis are detailed in the Directors' Report.

• Brent Pricing Scenarios

• Angola: 10% reduction in Brent prices has an impact of up to 16.2% of NPV (Net Present Value)

• Brazil: 10% reduction in Brent prices has an impact of up to 8.3% of NPV

• Mozambique: 10% reduction in Brent prices has an impact of up to 14.6% of NPV

In a separate analysis of the Lula/Iracema field in Brazil, a reduction of 10% in the Brent price has an impact of 8.2% of NPV.

No other scenarios were considered, such as reducing Capex and Opex, other than the variation in the Brent prices.

The safety margin against the carrying value had the following position at the current date:

- Angola: 2.33%
- Mozambique: 333%
- Brazil: 374%

In an isolated analysis of the Lula/Iracema field, the safety margin goes up to 396%.

In Angola an economic impairment amounting to 41 million euros has been recorded, related to Galp 's position in Sonagás (Angola) due to low commercial viability, 17.2 million euros in Block 14 (Angola) related to the Brent price decrease and 5 million euros in respect of the interest held in Uruguay, due to expiry and negative expectations regarding the renewal of the exploration licenses.

Remaining impairments recognised in the year for this segment are related to wells without reserve discoveries (dry wells).

Refining & Marketing Segment

Impairment tests were carried out on the service stations network in Portugal and Spain, accompanied by a sensitivity analysis.

For the two CGU, service stations network in Portugal and service stations network in Spain, the sensitivity analysis performed considered the following most significant assumptions:

- Negative variation in the Cash-flows by 10%;
- Increase in the discount rate by 1%.

We believe that these two assumptions represent a good stress test to the impairment tests.

The individual application of each of the above assumptions resulted in the following changes in the evaluation of the value in use of the cash-generating units :

Assumptions	Stations network Portugal	Stations network Spain
Negative variation of the Cash Flows by 10%	-13.72%	-18.42%
Increase in the discount rate by 1%	-9.02%	-18.26%

The safety margin of the value in use over the carrying amount is as follows:

	Stations network Portugal	Stations network Spain
Safety margin	362%	82.20%

In June 2015 Galp recognised an impairment on Goodwill relating to previous acquisitions of financial investments in Galp Comercialización Oil Spain (former Esso) and Galp Distribuición Oil Spain (formerly Agip) amounting to €44,272 k (see note 11) . After the previous merger of these companies in Galp Energia España, the group started to analyse the Goodwill in connection with the station network in Spain. From this analysis that the Group has been doing for some time it was found that, as a result of the economic crisis in Spain and lower consumptions noted, impairment existed. After its recognition in cost and update of the figures as at December 2015, the safety margin of the value in use over the carrying amount is 82.2%.

13. GOVERNMENT GRANTS

As at 31 December 2015 and 31 December 2014 the amounts to be recognised as government grants in future years amount to €253,679 k and €266,066 k, respectively (Note 24).

During the years ended 31 December 2015 and 31 December 2014 subsidies of €12,618 k and €10,631 k, respectively (Note 5) were recognised in the income statement.

14. OTHER RECEIVABLES

The non-current and current caption "Other receivables" as of 31 December 2015 and 31 December 2014 is detailed as follows:

	December 2015		December 2014	
Captions	Current	Non-current	Current	Non-current
State and Other Public Entities:				
"ISP" - Tax on Oil Products	558	-	3,127	-
Value Added Tax - Reimbursement requested	539	-	240	-
Others	16,769	-	7,944	-
Loans granted to Sinopec Group	722,936	-	718,904	170,954
Advances to tangible and intangible suppliers	99,795	-	85,670	-
Underlifting	27,792	-	22,137	-
Subsoil levies	24,750	28,068	18,801	34,044
Carry from public participations interests	22,937	-	18,922	-
Over cash-call from partner Petrobras in operated blocks	18,817	-	13,437	-
Guarantees	12,541	-	11,091	-
Means of payment	7,276	-	7,506	-
Other receivables - associates, joint ventures and other related parties (Note 28)	5,821	90	7,427	4,007
Advances to suppliers	2,457	-	32,121	-
Personnel	1,588	-	1,972	-
Spanish Bitumen process	385	-	385	-
Loans to costumers	124	1,355	73	1,513
Ceding rights contract of telecommunications infrastructures usage	86	-	222	-
Loans to associates, joint ventures and other related parties (Note 28)	-	30,271	-	28,433
Receivables from Block 14 consortium in Angola (excessive profit-oil receivable)	-	-	3,102	-
Other receivables	45,259	28,294	66,029	3,416
	1,010,430	**88,078**	**1,019,110**	**242,367**
Accrued income:				
Sales and services rendered not yet invoiced	146,410	-	214,853	-
Adjustment to tariff deviation - "pass through" - ERSE regulation	29,424	-	36,546	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation	23,231	17,551	30,937	34,495
Accrued management and structure costs	7,581	-	1,786	-
Financial neutrality - regulation ERSE	6,102	-	17,499	-
Accrued interest	1,691	-	3,511	-
Compensation for the uniform tariff	1,032	-	1,798	-
Commercial discount on purchases	884	-	1,205	-
Sale of finished goods to be invoiced by the service stations	724	-	7,420	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation	-	61,639	14,012	45,537
Other accrued income	8,531	63	6,195	63
	225,610	**79,253**	**335,762**	**80,095**
Deferred charges:				
Energy sector extraordinary contribution	23,370	107,663	-	-
Catalyser charges	20,070	-	10,130	-
Prepaid rent relating to service stations concession contracts	2,894	25,633	2,757	28,406
Prepaid rent	2,448	-	2,578	-
Prepaid insurance	1,033	-	1,073	-
Interest and other financial costs	180	-	256	-
Retirement benefits (Note 23)	-	176	-	10,635
Other deferred costs	21,957	99	21,925	-
	71,952	**133,571**	**38,719**	**39,041**
	1,307,992	**300,902**	**1,393,591**	**361,503**
Impairment of other receivables	**(8,096)**	**(2,753)**	**(7,406)**	**(2,753)**
	1,299,896	**298,149**	**1,386,185**	**358,750**

The movements which occurred in the caption “Impairment of other receivables” for the years ended 31 December 2015 and 2014 were as follows:

(€ k)

Other receivables	Initial balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
2015	10,159	1,215	(239)	(306)	20	10,849
2014	6,990	3,426	(286)	(9)	38	10,159

The increase and decrease in the caption “Impairment of other receivables” in the net amount of €976 k is included in the caption “Provisions and impairment losses on receivables” (Note 6).

The caption “Loans granted” includes the amount of €722,936 k (US$787,060 k) relating to a loan granted by the Group to Tip Top Energy, SARL (company from Sinopec Group) on 28 March 2012, renewable every three months until September 2017, remunerated at a three-month LIBOR interest rate plus a spread and registered as a current asset. See additionally Note 28.

During the year ended 31 December 2015 an amount of €4,084 k (Note 28) has been recognised under the caption for interest relating to loans granted to related companies.

The caption Subsoil levies amounting to €52,818 k refers to levies on subsoil occupation already paid to local municipalities. According to the natural gas supply concession agreement between the Portuguese Government and the Group companies, and in accordance with the Resolution of the Council of Ministers No. 98/2008, dated 8 April, companies have the right to pass on the full amount of subsoil levies paid to the local authorities for the area under concession to marketing entities or to end customers.

The amount of €27,792 k recorded in the caption Other receivables – underlifting represents the amounts to be received by the Group for the lifting of barrels of crude oil below the production quota (underlifting) and is valued at the lower of the market price at the sale date and the market price on 31 December 2015.

The caption Carry from public participation interests amounting to €22,937 k refers to amounts receivable from public partners during the exploration period. Farm-in contracts agreed with partners consider that, during the exploration period, the Group is responsible for investment through cash calls and requested by the operator to the public partner up to their participation limit.

The caption Means of payment amounting to €7,276 k refers to amounts receivable for sales made with Visa/debit cards, which as of 31 December 2015 were pending receipt.

The amount of €5,911 k recorded in the current and non-current caption Other receivables– associates, joint ventures, affiliates and related entities refers to amounts receivable from non-consolidated companies.

The caption Guarantees provided amounting to €12,541 k includes €11,663 k from payments on account and negotiated guarantees to support transactions and operations in the Spanish and French electricity markets.

The caption Accrued income - sales and services rendered not yet invoiced, amounting to €146,410 k, is mainly related with the billing of natural gas consumption and electricity in December, to be issued to customers in January next year and is detailed as follows:

Company	TOTAL	Natural Gas	Eletricity
Galp Gás Natural, S.A.	78,836	78,836	-
Galp Power, S.A.	29,637	6,213	23,424
Lusitaniagás Comercialização, S.A.	5,158	5,158	-
Petróleos de Portugal - Petrogal, S.A.	4,933	-	4,933
Lisboagás Comercialização, S.A.	4,359	4,359	-
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	3,161	3,161	-
Lusitaniagás - Companhia de Gás do Centro, S.A.	2,726	2,726	-
Portcogeração, S.A.	2,579	2,579	-
Galp Energia España, S.A.	1,630	1,289	341
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	1,512	1,512	-
Transgás, S.A.	1,343	1,343	-
Setgás Comercialização, S.A.	1,015	1,015	-
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	525	525	-
Agroger-Sociedade de Cogeração do Oeste S.A.	457	457	-
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	372	372	-
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	186	186	-
Beiragás - Companhia de Gás das Beiras, S.A.	47	47	-
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	27	27	-
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	3	3	-
	138,506	**109,808**	**28,698**

The caption Accrued income - sale of finished goods to be invoiced by the service stations amounting to €724 k relates to purchases up until 31 December, 2015 through the Galp Frota loyalty card scheme and which will be invoiced in the following months.

Expenses recorded in deferred costs amounting to €28,527 k, relate to prepayments of rents regarding service station leases and are registered as a cost over the respective concession period, which varies between 17 and 32 years.

There are core activities and pass trough activities within the Operators of Natural Gas Distribution Networks (ONGDN) and in the Retailers of Last Resort (RLR). This classification relates to the nature of which. In the first there is "value creation" intrinsic to the company. In the second activity the company is limited to billing its customers, and to pass on to the companies the amounts due for their core activities.

In the case of ONGDNs, the pass through activity is called "Access Activity to NGNTN and NGNDN performed by Operators of the Distribution Networks" ("Atividade de Acesso à RNTGN e à RNDGN exercida pelos Operadores das Redes de Distribuição"), and in RLRs the pass-through functions are called "Natural Gas Purchase and Sale" and "Purchase and Sale of Access to NGNTN and NGNDN" ("Compra e Venda de Gás Natural" e "Compra e Venda do Acesso à RNTGN e à RNDGN"). These activities / functions performed by various participants are regulated by ERSE through a regulatory mechanism of costs and revenues for regulated tariffs , resulting from the sector legislation. This regulatory mechanism gives rise to deviations, positive or negative, which stem from different periods of billing/collections and existing tariff structures in the various regulated activities.

In general terms, in the case of the pass through activities:

- For ONGDNs, they charge to the retailers the amounts related to the access tariffs to the Natural Gas Transportation Network (UGS and URT tariffs), passing on these values to REN , which is the holder of this infrastructure;
- For Retailers of Last Resort (RLRs), they charge to the end customers the tariffs for access to the transport and distribution infrastructures (UGS, URT and URD tariffs), which pass on the ONGDNs (the fraction of transportation access fee is then passed by these to REN) and the cost of natural gas is simply passed on to the Retailer of Last Resort Wholesaler (RLRW) in the Energy Tariff;
- The activity of purchase and sale of natural gas by the RLRW vis-a -vis the Retailer of the NGNS is then described under Articles 74 to 86 of the RT, and the adjustments for the regulated cost of natural gas are made exclusively in RLRW, whereas for RLRs it is just a pass through item.

The caption Accrued income – Adjustments to tariff deviation – Energy tariff – ERSE regulation, contains the following detail:

(€ k)

Wholesale gas commercialisation activity - Energy Tariff ("CURG")		2014	Variation	2015
Gas Year 2008-2009				
First half of Gas Year 2008-2009 (31,12,2008)		32,325	-	32,325
Second half of Gas Year 2008-2009 (30,06,2009)		28,531	-	28,531
Adjustment to regulated tariff - Real - Gas year 2008-2009		6,535	-	6,535
Regulated Revenue in respect of Gas year 2008-2009 - Amortisation difference		(65,375)	-	(65,375)
		2,016	**-**	**2,016**
Second half of 2009				
Second half of 2009		8,314	-	8,314
		8,314	**-**	**8,314**
Fiscal Year of 2010				
First half of 2010		14,651	-	14,651
Second half of 2010		987	-	987
		15,638	**-**	**15,638**
Fiscal Year of 2011				
First half of 2011		21,154	-	21,154
Second half of 2011		12,427	-	12,427
		33,581	**-**	**33,581**
Fiscal Year of 2012				
First half of 2012		(4,224)	-	(4,224)
Second half of 2012		563	-	563
		(3,661)	**-**	**(3,661)**
Fiscal Year of 2013				
First half of 2013		(657)	-	(657)
Second half of 2013		(1,074)	-	(1,074)
		(1,731)	**-**	**(1,731)**
Fiscal Year of 2014				
First half of 2014		(6,275)	-	(6,275)
Second half of 2014		(4,164)	-	(4,164)
		(10,439)	**-**	**(10,439)**
Fiscal Year of 2015				
First half of 2015		-	821	821
Second half of 2015		-	1,269	1,269
		-	**2,090**	**2,090**
		43,718	**2,090**	**45,808**
	Accrued charges (Note 24)	(15,831)	-	(15,831)
	Accrued Income (Note 14)	59,549	2,090	61,639
		43,718	**2,090**	**45,808**

The amount of €45,808 k relates to the cumulative difference between the natural gas acquisition cost from the Group's suppliers and regulated tariffs defined by ERSE for each Gas Year, applied in the billing to customers. This difference will be recovered by the tariff reviews of the following years, in accordance with the mechanism established by ERSE. These amounts are to be paid at three months Euribor plus a spread of 1.75%

Galp recorded €61,639 k in non-current assets as of 31 December, 2015, relating to the energy tariff deviation and that aims to reflect the publication by ERSE of the estimated 6 year period to recover the tariff deficit.

The caption Accrued income – Adjustments to tariff deviation – Regulated revenue – ERSE regulation, includes the following detail:

(€ k)

Activity of supply, distribution and storage of natural gas	2014	Adjustment to regulated revenue - Real - Gas Year (Note 5)	Regulated Revenue in respect of Gas year - Amortisation / Reversal (Note 5)	Adjustment between the estimated regulated revenue and the revenues invoiced (Note 5)	Other reclassifications	2015
First Half of 2012	17,495	-	-	-	-	17,495
Second Half of 2012	13,322	-	-	-	1,038	14,360
Adjustment Year 2012	223	230	-	-	34	487
Reversal of 2012 Regulated revenue	(15,654)	-	(15,789)	-	(899)	(32,342)
	15,386	**230**	**(15,789)**	**-**	**173**	**-**
First Half of 2013	(821)	-	-	-	-	(821)
Second Half of 2013	22,769	-	-	-	(4,835)	17,934
Adjustment Year 2013	-	(809)	-	-	-	(809)
Reversal of 2013 Regulated revenue	-	-	(7,747)	-	-	(7,747)
	21,948	**(809)**	**(7,747)**	**-**	**(4,835)**	**8,557**
First Half of 2014	(947)	-	-	-	-	(947)
Second Half of 2014	9,244	-	-	-	8,109	17,353
Adjustment Year 2014	-	(438)	-	-	-	(438)
	8,297	**(438)**	**-**	**-**	**8,109**	**15,968**
First Half of 2015	-	-	-	(9,407)	-	(9,407)
Second Half of 2015	-	-	-	6,381	(4,450)	1,931
	-	**-**	**-**	**(3,026)**	**(4,450)**	**(7,476)**
	45,631	**(1,017)**	**(23,536)**	**(3,026)**	**(1,003)**	**17,049**
Accrued Charges (Note 24)	(19,801)	(13)	9,164	(14,268)	1,186	(23,733)
Accrued Income (Note 14)	65,432	(1,004)	(32,700)	11,242	(2,189)	40,782
	45,631	**(1,017)**	**(23,536)**	**(3,026)**	**(1,003)**	**17,049**

The caption Adjustment to tariff deviation – regulated revenue amounting to €17,049 k is related to the difference between the estimated regulated revenue published for the regulated activity and the revenue for the real invoices issued (Note 2.13). These amounts are remunerated at the three month Euribor rate.

The amounts to be paid or received for each gas year are presented for each activity at the net amount, depending on their nature in each gas year, as this is the manner in which the regulated revenue deviations allowed by ERSE are approved.

From 2010, financial statements for “ERSE - Entidade Reguladora do Sector Energético”, started to be reported in accordance with the calendar year. Consequently the opening balances have been reclassified to reflect the calendar year.

During the year ended 31 December, 2015, the differences for the Group's Regulated Revenue for the calendar year 2013 were settled, amounting to a recoverable amount of €8,557 k. As the accrual made is lower than the amount agreed, the Group recognised in the caption Sales the respective decrease amounting to €809 k.

As mentioned in Note 2.13 the total amount to be recovered was included by ERSE in the regulated revenues to be recovered in the 2015-2016 gas year, thus the Group recognised the reversal of the amount of the approved tariff deviation in the income statement.

The caption Accrued income - financial neutrality - ERSE regulation refers to the gradual replacement of financial neutrality which will be recovered over 6 years, associated with the termination of the flattening of the cost of capital for the first regulatory period mechanism, resulting from the difference between the cost of the flattened and non-flattened capital. Accrued amounts refer to the amounts to be recovered in the tariff for the Gas Year 2015-2016 and Gas Year 2016-2017.

Items contained in Section IX of the Tariff Regulations: "Compensation for the application of tariff uniformity of the Tariff Regulations" defines the Compensations and Transfers between Regulated Entities. These amounts, enshrined in the annual publication of ERSE for Regulated Revenues are designed to ensure the recovery of the regulated revenues and ensure economic and financial equilibrium for the Regulated Entities.

Finally, it should be noted that the ERSE has established this compensation and transfer mechanism to allow the establishment of a uniform national tariff, since from the consumption structure in each distribution area (absolute size of the consumption and weight on the domestic and industrial sectors) there are distributors which are not able to achieve a recovery of the revenue ("insufficient" tariff), while in others there is an over- recovery ("high" tariff). Thus, in the latter case ("payers") the excess income recovered is transferred to the former ("receivers"), ensuring a balanced recovery of the regulated revenues.

Accruals for compensations related to the uniform tariff amount to €1,032 k.

The following is an ageing schedule of Group Other receivables as of 31 December 2015 and 2014:

(€ k)

Ageing other receivables	Not overdue	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2015 Gross amount	1,584,106	8,385	1,840	4,332	450	1,115	8,666	1,608,894
Impairments	(2,754)	-	-	(576)	(286)	(581)	(6,652)	(10,849)
	1,581,352	**8,385**	**1,840**	**3,756**	**164**	**534**	**2,014**	**1,598,045**
2014 Gross amount	1,715,522	24,122	2,038	1,311	395	5,360	6,347	1,755,095
Impairments	(2,753)	-	-	(142)	(438)	(544)	(6,282)	(10,159)
		24,122	**2,038**	**1,169**	**(43)**	**4,816**	**65**	**1,744,936**

The Group has included as amounts not overdue, balances related to other receivables that are not in arrear and the captions of accrued income and deferred charges amounting to €510,386 k and €493,617 k in 2015 and 2014, respectively.

The amounts of other receivables that are overdue but for which no impairment has been recognised correspond to credits which have payment agreements, are covered by credit insurance or for which there is an expectation of partial or total settlement.

Galp holds collateral guarantees on receivables, namely bank guarantees and security deposits, which as of 31 December 2015, amount to approximately €107,883 k.

15. TRADE RECEIVABLES

The caption "Trade receivables" as of 31 December 2015 and 31 December 2014 includes the following detail:

(€ k)

	December 2015		December 2014	
Captions	Current	Non-current	Current	Non-current
Trade receivables - current accounts	797,927	24,162	1,082,235	24,242
Trade receivables - doubtful accounts	202,120	-	256,194	-
Trade receivables - notes receivable	4,261	-	5,686	-
	1,004,308	**24,162**	**1,344,115**	**24,242**
Impairment on trade receivables	(199,428)	-	(228,828)	-
	804,880	**24,162**	**1,115,287**	**24,242**

The non-current caption "Trade receivables - current accounts", amounting to €24,162 k and €24,242 k for the years ended 31 December 2015 and 31 December 2014, respectively, relates to debts payment agreements from customers with maturities over one year.

The movements in the caption "Impairment of trade receivables" for the years ended 31 December 2015 and 2014 were as follows:

(€ k)

Impairment on trade receivables	Initial balance	Increases	Decreases	Utilisation	Adjustments	Changes in consolidation perimeter	Ending balance
2015	228,828	30,238	(16,771)	(14,259)	(565)	(28,043)	199,428
2014	199,678	42,884	(8,660)	(5,001)	(73)	-	228,828

The increase and decrease in the caption "Impairment of trade receivables" amounting to €13,467 k net was recorded in the caption "Provision and impairment losses on receivables" (Note 6).

The "Changes in consolidation perimeter" is related with the sale of Madrileña Suministro de Gas SL and Madrileña Suministro de Gas SUR SL (Note 3).

The following is an ageing schedule of Group trade receivables as of 31 December 2015 and 2014:

(€ k)

Ageing trade receivables	Not overdue	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2015 Gross amount	536,435	188,505	19,831	80,291	15,516	14,342	173,550	1,028,470
Impairments	-	(1,187)	(3,968)	(16,794)	(7,830)	(9,461)	(160,188)	(199,428)
	536,435	**187,318**	**15,863**	**63,497**	**7,686**	**4,881**	**13,362**	**829,042**
2014 Gross amount	761,890	333,001	12,485	37,856	37,783	22,412	162,930	1,368,357
Impairments	(451)	(1,445)	(1,646)	(17,651)	(35,744)	(19,717)	(152,174)	(228,828)
	761,439	**331,556**	**10,839**	**20,205**	**2,039**	**2,695**	**10,756**	**1,139,529**

Overdue balances which have not been subject to adjustments are in respect of receivables for which there are payment agreements or for which there is a total or partial expectation of settlement.

The average days receivable of Galp's not overdue trade receivables balance is lower than 30 days.

16. INVENTORIES

Inventories as of 31 December 2015 and 31 December 2014 are detailed as follows:

(€ k)

Captions	December 2014	December 2015
Raw, subsidiary and consumable materials:		
Crude oil	126,476	146,324
Other raw materials	48,435	45,216
Raw material in transit	30,850	179,138
	205,761	**370,678**
Impairment on raw, subsidiary and consumable materials	(11,639)	(44,466)
	194,122	**326,212**
Finished and semi-finished products:		
Finished products	141,965	156,997
Semi-finished products	188,573	238,199
Finished products in transit	3,986	6,394
	334,524	**401,590**
Impairment on finished and semi-finished products	(3,677)	(40,781)
	330,847	**360,809**
Work in progress	156	192
	156	**192**
Goods	359,849	551,876
Goods in transit	1,477	359
	361,326	**552,235**
Impairment on goods	(13,933)	(29,074)
	347,393	**523,161**
	872,518	**1,210,374**

The detail of the inventory caption by type of product can be broken down as follows:

Detail of inventories per type of product	December 2015	December 2014
Crude	155,324	289,229
Other raw materials	11,781	9,065
Gasoline	80,344	88,480
Diesel	293,347	317,402
Jets	65,753	80,415
Fuel	41,390	88,927
LPG (petroleum gas)	12,958	19,872
Base oil and lubricants	21,115	41,791
Chemicals, solvents and aromatics	16,349	20,046
Naphthas	16,623	27,774
NG (natural gas)	76,460	140,143
Electricity	26,466	18,506
Store products	6,347	5,802
Various materials	21,036	24,072
Oil products basket	23,159	31,340
Others	4,066	7,510
Total inventories	**872,518**	**1,210,374**

As of 31 December 2015, the caption "Goods" amounting to €359,849 k, mainly relates to €75,148 k of natural gas in pipelines and 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. amounting to €259,881 k, €7,759 k and €3,644 k, respectively.

As of 31 December 2015 and 31 December 2014, the Group's liability to competitors in relation to strategic reserves, which are satisfied by sales in advance, amounted to €30,002 k and €48,781 k respectively (Note 24). This decrease is explained by legislative alterations and the modifications in the activity of national entity for the full market ("Entidade Nacional para o Mercado de Combustíveis, E.P.E. (ENMC)"), which decided to increase its responsibilities for the strategic reserves of other operators, having contracted with the Group a "tickets" system that allows it to ensure the stock of products.

The subsidiary Petróleos de Portugal – Petrogal, SA has a contract with the national entity for the full market ("ENMC") for the storage and exchange of crude oil and for the storage of refined products, for the national strategic reserve. The ENMC's crude oil and refined products are stored in Petrogal's installations, in such a way that allows ENMC to audit them whenever it so wishes, in terms of quantity and quality. In accordance with the contract, Petrogal must, when so required by ENMC, exchange the stored crude oil for refined products, receiving in exchange an amount representing the refining margin as of the date of exchange. Crude oil and refined products stored in the installations of Petróleos de Portugal – Petrogal, SA under this contract are not reflected in the Group financial statements.

The movement in Inventories impairment captions for the years ended 31 December 2015 and 2014 are as follows:

(€ k)

Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
2015						
Impairment on raw, subsidiary and consumable materials	44,466	-	(32,803)	(24)	-	11,639
Impairment on finished and semi-finished products	40,781	395	(37,592)	-	93	3,677
Impairment on goods	29,074	389	(15,469)	-	(61)	13,933
	114,321	**784**	**(85,864)**	**(24)**	**32**	**29,249**
2014						
Impairment on raw, subsidiary and consumable materials	11,019	33,447	-	-	-	44,466
Impairment on finished and semi-finished products	23	40,841	-	(134)	51	40,781
Impairment on goods	1,771	28,135	(38)	(27)	(767)	29,074
	12,813	**102,423**	**(38)**	**(161)**	**(716)**	**114,321**

The net balance of increases and decreases, amounting to €85,080 k was recorded against the caption "Cost of sales - Impairment in inventories" (Note 6) in the income statement. This decrease is mainly related to the evolution of market prices.

17. OTHER FINANCIAL INVESTMENTS

Other financial investments as at 31 December 2015 and 31 December 2014 are detailed as follows:

(€ k)

	December 2015		December 2014	
Captions	Current	Non-current	Current	Non-current
Financial derivatives at fair value through profit and loss (Note 27)				
Swaps and Options over Commodities	4,458	1,041	6,986	405
Currency Swaps	-	-	3,150	-
	4,458	**1,041**	**10,136**	**405**
Other Financial Assets				
Other	-	23,389	-	20,973
	-	**23,389**	**-**	**20,973**
	4,458	**24,430**	**10,136**	**21,378**

As at 31 December 2015 and 31 December 2014, the derivative financial instruments are valued at their fair value on those dates (Note 27).

18. CASH AND CASH EQUIVALENTS

For the years ended 31 December 2015 and 31 December 2014 the caption "Cash and cash equivalents" is detailed as follows:

(€ k)

Captions	December 2015	December 2014
Cash	3,589	6,664
Cash Deposits	263,519	111,453
Term deposits	5,866	1,419
Other negotiable securities	69,147	35,020
Other treasury applications	788,485	989,426
Cash and cash equivalents in the consolidated statement of financial position	**1,130,606**	**1,143,982**
Bank overdrafts (Note 22)	(85,755)	(120,586)
Cash and cash equivalents in the consolidated statement of cash flow	**1,044,851**	**1,023,396**

The caption "Other negotiable securities" mainly includes:

- €64,904 k regarding bank deposit certificates;
- €4,241 k of electricity futures and futures over commodities (Brent).

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

The caption "Other treasury applications" includes applications of surplus cash, with maturities up to three months, in respect of the following Group companies:

(€ k)

Companies	December 2015	December 2014
Galp Energia E&P, B.V.	666,662	940,549
Galp Sinopec Brazil Services B.V.	91,853	7,001
Petróleos de Portugal - Petrogal, S.A. Sucursal en España	13,000	-
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	6,800	8,450
Beiragás - Companhia de Gás das Beiras, S.A.	4,000	6,000
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	3,700	2,200
Galp Exploração Serviços do Brasil, Lda.	1,881	2,749
Petrogal Brasil, S.A.	589	-
Petróleos de Portugal - Petrogal, S.A.	-	13,590
Galp Gás Natural, S.A.	-	8,389
Galp Energia Brasil S.A.	-	498
	788,485	**989,426**

The funds that Galp has classified as Cash and Cash equivalents, in various geographies, have no restrictions or relevant legal conditions in order to be used or distributed as dividends to their shareholders (subject to the legal requirements of the Commercial Company Code in each country).

19. SHARE CAPITAL

Capital Structure

The share capital of Galp is comprised of 829,250,635 shares. Of these, 771,171,121, (93% of the share capital), are traded in the Euronext Lisbon stock exchange. The remaining 58,079,514 shares, representing some 7% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not available for trade.

In 2015 there was an increase in the free float of the Company, when compared to the end of 2014 , from 46.66% to 54.66% , after completion of the sale of shares of the Company by Eni SpA (Eni) , which as a result no longer holds any participation in the share capital.

This increase in the free float has contributed to the Company's visibility in the capital markets. Indeed, various entities now hold qualifying participations in the share capital of Galp, as disclosed by the Company in accordance with articles 16 and 17 of the Securities Code ("Código dos Valores Mobiliários – CVM").

In October 2015, Eni placed on the market, shares representing approximately 4% of Galp's share capital, announcing in November the disposal of the remaining participation in the share capital of the Company through an accelerated book building process to institutional investors, corresponding to approximately 4% of the share capital. As a result, Eni, that in 2012 held participation interests corresponding to 33.34% of the share capital, no longer holds any shareholding position in Galp.

The agreements signed between Amorim Energia, Caixa Geral de Depósitos, S.A. (CGD) and Eni, ceased their effects in relation to CGD and to Eni, when these companies disposed their participations in the share capital of Galp. These shareholder agreements established, under the terms in paragraph 1.c) of article 20 of the Portuguese Securities Code ("Código dos Valores Mobiliários"), that the voting rights corresponding to shares held by each of those Parties were allocated to the remaining. Thus, at the end of 2015, Amorim Energia held a qualified participation and voting rights of 38.34% in the share capital of Galp.

The qualified participations in the share capital of Galp are calculated in accordance with article 16 and 20 of the Portuguese Securities Code. In accordance with these articles, the shareholders of Galp have to notify the Company whenever their participations reach, exceed or are reduced in relation to certain limits. These limits are 2%, 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of the voting rights.

The Company's shareholder structure at the end was held as follows:

2015

	Number of shares	% of Capital	% of Voting rights
Amorim Energia,BV	317,934,693	38.34%	38.34%
Parpública	58,079,514	7.00%	7.00%
Free float	453,236,428	54.66%	54.66%
Total	**829,250,635**	**100.00%**	**-**

2014

	Number of shares	% of Capital	% of Voting rights
Amorim Energia, B.V.	317,934,693	38.34%	46.34%
ENI S.P.A	66,337,592	8.00%	8.00%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free-float	386,898,836	46.66%	46.66%
Total	**829,250,635**	**100.00%**	**-**

20. RESERVES

As of 31 December 2015 and 31 December 2014 "Translation reserves" and "Other reserves" are detailed as follows:

(€ k)

Captions	December 2015	December 2014
Translation reserves:		
Reserves - financial allocations ("quasi capital")	(426,523)	(193,989)
Reserves - Tax on financial allocations ("quasi capital") (Note 9)	156,737	77,676
	(269,786)	**(116,313)**
Reserves - Translation of financial statements	265,178	131,764
Reserves - Goodwill currency update (Note 11)	4,375	2,218
	(233)	**17,669**
Hedging reserves:		
Reserves - financial derivatives (Note 27)	(1,920)	(744)
Reserves - Deferred tax on financial derivatives (Note 9)	254	-
	(1,666)	**(744)**
Other reserves:		
Legal reserves	165,850	165,850
Free distribution reserves	27,977	27,977
Special reserves	(443)	(443)
Reserves - Capital increase in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services B.V.	2,493,088	2,493,088
Reserves - Increase of 10.7532% in 2012 and 0.3438% in 2013 in the participation in the share capital of the subsidiary Lusitaniagás - Companhia de Gas do Centro, S.A.	(2,027)	(2,027)
Reserves - Increase of 33.05427% in 2015 in the participation in the share capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. (Note 3)	(571)	-
Reserves - Increase of 33.0541% in 2015 in the participation in the share capital of the subsidiary Setgás Comercialização, S.A. (Note 3)	450	-
Reserves - Increase of 99% in the participation in the share capital of the subsidiary Enerfuel, S.A.	(31)	(31)
	2,684,293	**2,684,414**
	2,682,394	**2,701,339**

Translation reserves:

The caption Translation reserve reflects the exchange rate fluctuations:

i) €265,178 k relating to positive exchange differences resulting from the translation of financial statements in foreign currency to Euros;

(€ k)

Translation reserve - by currency:	Exchange rate as at 31 December 2014	Initial balance	Variation	Ending balance	Exchange rate as at 31 December 2015
Gambian Dalasi	51.30	(583)	(216)	(799)	42.19
United States Dollars	1.21	247,810	317,001	564,811	1.09
Cape Verde Escudos	110.27	(69)	-	(69)	110.27
CFA Francs	655.96	(202)	-	(202)	655.96
Angolan Kwanzas	125.11	(1,695)	(3,101)	(4,796)	147.11
Swazi Lilangeni	13.97	(296)	(916)	(1,212)	16.78
Mozambican Meticais	40.36	(4,568)	(6,821)	(11,389)	50.50
Brazilian Reais	3.22	(108,644)	(172,572)	(281,216)	4.31
Moroccan Dirhams	10.94	11	39	50	10.75
		131,764	**133,414**	**265,178**	

ii) €269,786 k relating to negative exchange differences on the financial allocations from Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A., Petrogal Brazil, B.V., Galp Sinopec Brazil Services B.V. and Winland International Petroleum, SARL (W.I.P.) to Petrogal Brasil, S.A. stated in Euros and US Dollars, remunerated and not remunerated, and for which there is no intention of reimbursement, and as such are similar to share capital ("quasi capital"), thus being considered an integral part of the net investment in that foreign operational unit in accordance with IAS 21;

iii) €4,375 k regarding positive exchange differences resulting from the translation of Goodwill.

Hedging reserves:

Hedging reserves reflects changes that have occurred in financial derivatives on commodities (e.g. electricity) from Galp Power and interest rates of joint ventures and associates that are contracted to hedge the price variation and the changes in interest rate on loans (cash flow hedge) and their respective deferred taxes.

In the year ended 31 December 2015, the amount of €1,920 k is related with the fair value of financial derivatives - cash flow hedges and €254 k relates to the respective tax impact (note 9).

Other reserves:

Legal Reserves

In accordance with the Company deeds and Commercial Law ("Código das Sociedades Comerciais - 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 2015 the caption did not present any changes as the legal reserves have already reached 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 the negative amount of €20 k relates to a donation to the subsidiary Gasinsular – Combustíveis do Atlântico, S.A.

Reserves – capital increases in Petrogal Brasil, S.A. and Galp Brasil Services, B.V.

On 28 March 2012 Winland International Petroleum SARL (WIP), a subsidiary of Tip Top Energy, SARL (Sinopec Group), subscribed and paid a capital increase amounting to $4,797,528,044.74 in respect of the subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services, B.V. (previously denominated Galp Brazil Services, B.V.), acquiring 30% of the shares and voting rights of both Galp subsidiaries.

As a result of the capital increase operation, the Galp Group has retained the operational and financial control of the Companies, for which it now owns 70% of the capital and voting rights, continuing, under IAS 10, to consolidate their assets by the full consolidation method. Accordingly, the difference of €2,493,088 k between the amount paid of the capital increase and the book value of the equity at the date of the increase was recognised in equity under the caption "Reserves".

Reserves - increase of 11.097% in the capital of the subsidiary Lusitaniagás - Companhia de Gás do Centro, S.A

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

In May 2013, the Group acquired 0.3438% of the capital of the subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A. and recognised in equity under 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 terms of a contract signed in August 2012 in which it committed to purchase the remaining social participation at the final completion date of the plant project, the Group acquired 99% of the capital of Enerfuel, S.A. As the Group already had control, the Company was already consolidated using the full consolidation method. Accordingly, the difference of €31 k between the amount paid and the book value of equity at the acquisition date, was recognised in equity under reserves.

Reserves - increase of 33.05427% in the capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A.

On 21 December 2015, the Group acquired 33.05427% of the capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. from Enagás – SGPS, S.A., which was already previously controlled by the Group and consolidated using the full consolidation method. Accordingly, the negative difference of €571 k (Note 3 b)) between the amount paid and the book value of the equity at the acquisition date, was recognised in equity under reserves.

Reserves - increase of 33.0541% in the capital of the subsidiary Setgás Comercialização, S.A.

On 21 December 2015, the Group acquired to Enagás – SGPS, S.A. 33.0541% of the capital of the subsidiary Setgás – Comercialização, S.A., which was previously controlled by the Group and consolidated using the full consolidation method. Accordingly, the difference of €450 k (Note 3 b)) between the amount paid and the book value of the equity at the acquisition date, was recognised in equity under reserves.

21. NON-CONTROLLING INTERESTS

As of 31 December 2015 and 31 December 2014, the caption "Non-controlling interests" included in equity refers to the following subsidiaries:

(€ k)

		% Non-controlling interest 2014	Balance as at December 2014	Share capital and reserves	Assigned dividends (d)	Prior year results	Translation reserves	Retained earnings - actuarial gains and losses	Net result for the year	Balance as at December 2015	% Non-controlling interest 2015
Galp Sinopec Brazil Services B.V.		30.00%	1,127,303	-	-	-	130,063	-	11,334	1,268,700	30.00%
Petrogal Brasil, S.A.		30.00%	225,790	-	(5,649)	-	(131,640)	-	16,639	105,140	30.00%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(a)	33.12%	23,804	(7,903)	-	(17,473)	-	1	1,630	59	0.07%
Empresa Nacional de Combustíveis - Enacol, S.A.R.L		51.71%	20,247	-	(608)	-	-	-	64	19,703	51.71%
Beiragás - Companhia de Gás das Beiras, S.A.		40.50%	15,653	-	-	-	-	-	1,443	17,096	40.50%
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		20.00%	2,622	-	(457)	1	-	-	708	2,874	20.00%
Lusitaniagás - Companhia de Gás do Centro, S.A.		3.16%	1,771	-	-	-	-	-	228	1,999	3.16%
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		25.00%	1,180	-	(297)	-	-	-	353	1,236	25.00%
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		32.35%	1,100	-	(218)	(5)	-	-	162	1,039	32.35%
Setgás Comercialização, S.A.	(b)	33.05%	999	(664)	-	(448)	-	-	113	-	-
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.		25.00%	643	-	(493)	-	-	-	481	631	25.00%
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	(c)	35.00%	(709)	-	-	-	-	-	(1,531)	(2,240)	35.00%
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(c)	35.00%	(219)	-	-	-	-	-	28	(191)	35.00%
			1,420,184	**(8,567)**	**(7,722)**	**(17,925)**	**(1,577)**	**1**	**31,652**	**1,416,046**	

(a) The subsidiary Setgás – Sociedade de Produção e Distribuição de Gás, S.A., which was previously owned at 66.87906%, is now held 99.93333% by the Group. Due to the increase of 33.05427%, a negative amount of €25,376 k, relating to the variation in the percentage held by the Group, was recorded in Non-controlling interests (Note 3 b) and 20).

The negative amount of €7,903 k corresponds to the variation of non-controlling interests in the captions "Share capital", "Other reserves" and "Share premium" and the negative amount of €17,473 k corresponds to the variation of non-controlling interests in the caption "Retained earnings" until the date of the participation increase.

(b) The subsidiary Setgás Comercialização, S.A., which was previously 66.496% owned, is now 100% held by the Group. Due to the increase of 33.0541%, a negative amount of €1,112 k, relating to the variation in the percentage held by the Group, was recorded in Non-controlling interests (Note 3 b) and 20).

The negative amount of €664 k corresponds to the variation of non-controlling interests in the captions "Share capital", "Other reserves" and "Share premium" and the negative amount of €448 k corresponds to the variation of non-controlling interests in the caption "Retained earnings" until the date of the participation increase.

(c) As at 31 December 2015, the subsidiary has negative equity. Accordingly, the Group only recognised accumulated losses in the proportion of the capital held in that subsidiary, which is why the non-controlling interests' balance is a debit.

(d) Of the assigned dividends amounting to € 7,722 k, the amount of € 2,693 k was paid in the period ended 31 December 2015 (Note 30).

22. LOANS

Detail of loans

Loans obtained as of 31 December 2015 and 31 December 2014 were as follows:

(€ k)

	December 2015		December 2014	
	Current	Non-current	Current	Non-current
Bank loans:				
Loans	162,439	1,152,214	182,845	1,116,991
Bank overdrafts (Note 18)	85,755	-	120,586	-
Discounted notes	2,174	-	3,668	-
	250,368	**1,152,214**	**307,099**	**1,116,991**
Origination Fees	(3,578)	(1,183)	(3,856)	(3,590)
	246,790	**1,151,031**	**303,243**	**1,113,401**
Other loans obtained:				
IAPMEI	1	384	2	177
	1	**384**	**2**	**177**
	246,791	**1,151,415**	**303,245**	**1,113,578**
Bonds and Notes:				
Bonds	250,000	920,000	-	1,770,000
Notes	-	1,000,000	-	500,000
	250,000	**1,920,000**	**-**	**2,270,000**
Origination Fees	(4,244)	(11,890)	-	(22,459)
	245,756	**1,908,110**	**-**	**2,247,541**
	492,547	**3,059,525**	**303,245**	**3,361,119**

Current and non-current loans, excluding origination fees, bank overdrafts and discounted notes, have the following repayment plan as at 31 December 2015:

(€ k)

	Loans		
Maturity	Total	Current	Non-current
2016	412,440	412,440	-
2017	460,066	-	460,066
2018	640,056	-	640,056
2019	709,479	-	709,479
2020	657,047	-	657,047
2021	535,049	-	535,049
2022	25,901	-	25,901
2023 and subsequent years	45,000	-	45,000
	3,485,038	**412,440**	**3,072,598**

As of 31 December 2015 and 31 December 2014, Loans obtained are expressed in the following currencies:

(€ k)

		December 2015		December 2014	
Currency		Total initial amount	Due amount (€ k)	Total initial amount	Due amount (€ k)
United States Dollars	USD	126,000	115,734	326,000	268,512
Cape Verde Escudos	CVE	48,377	439	307,939	2,793
Euro	EUR	3,662,172	3,368,865	3,519,888	3,296,143
Mozambican Meticais	MZN	-	-	96,369	2,388
			3,485,038		**3,569,836**

The average interest rate of the loans, including costs associated with overdrafts, incurred by the Group, was 3.75% and 4.21%, respectively, in 2015 and 2014.

Description of the main loans

Commercial paper issuance

As at 31 December 2015, the Group has contracted commercial paper programs amounting to €1,065,000 k which are fully underwritten, and split into €490,000 k medium and long-term and €575,000 k short term. Of these amounts the Group has used the €490,000 k medium and long-term program.

These instruments bear interest at the Euribor rate applicable for the respective period of issuance, plus variable spreads defined in the contractual terms of the commercial paper programs subscribed to by the Group. The referred interest rates are applicable 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 December 2015:

(€ k)

Entity	Due amount	Interest rate	Maturity	Reimbursement
Banco Itaú	115,734	Libor 6M + spread	April 17	50% @ april 16 50% @ april 17
UniCredit Bank Austria	150,000	Euribor 6M + spread	April 20	April 20
	265,734			

Additionally, the Group has recorded loans amounting to €41,130 k, obtained by the companies Agroger- Sociedade de Cogeração do Oeste S.A., Beiragás – Companhia de Gás das Beiras, S.A., and CLCM – Companhia Logística de Combustíveis da Madeira, S.A.

Detail of the loans obtained from the European Investment Bank (EIB) as of 31 December 2015:

(€ k)

Entity	Due amount	Interest rate	Maturity	Reimbursement
EIB (Oporto cogeneration)	50,000	Fixed rate	October '17	October '17
EIB (Instalment A - Sines cogeneration)	22,565	Fixed rate	September '21	Semi-annual instalments beginning in March '10
EIB (Instalment B - Sines cogeneration)	11,761	Euribor 6M + Spread	March '22	Semi-annual instalments beginning in September '10
EIB (Instalment A - refinery conversion)	234,000	Revisable fixed rate	February '25	Semi-annual instalments beginning in August '12
EIB (Instalment B - refinery conversion)	156,000	Fixed rate	February '25	Semi-annual instalments beginning in August '12
	474,326			

Additionally, the Group has other loans obtained from the EIB amounting to €43,022 k.

Loans contracted with the EIB, for the purpose of financing the cogeneration projects in the Sines and Oporto refineries and Instalment A for the conversion project of the Sines and Oporto refineries, are guaranteed by guarantee contracts signed by Petróleos de Portugal - Petrogal, S.A..

The remaining loan with the EIB, amounting to € 199,022k, is guaranteed by a bank syndicate.

Bonds

Detailed information for bonds as of 31 December 2015:

(€ k)

Emission	Due amount	Interest rate	Maturity	Reimbursement
GALP ENERGIA/2013-2017 €600 M. FRN	500,000	Euribor 6M + spread	May '17	50% @ may 16 50% @ may 17
GALP ENERGIA/2012-2018 FRN	260,000	Euribor 3M + spread	February '18	February '18
GALP ENERGIA/2013 - 2018	110,000	Euribor 3M + Spread	March '18	March '18
GALP ENERGIA/2013-2018 €200 M.	200,000	Euribor 6M + spread	April '18	April '18
GALP ENERGIA/2012-2020	100,000	Euribor 6M + spread	June '20	June '20
	1,170,000			

Notes Issuance/Emission

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

Detail by issuance/emission, as at 31 December 2015:

(€ k)

Emission	Due amount	Interest rate	Maturity	Reimbursement
Galp 4,125% 01.2019	500,000	Fixed rate 4.125%	January 2019	January 2019
Galp 3,000% 01.2021	500,000	Fixed rate 3.000%	January 2021	January 2021
	1,000,000			

23. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

The Group provides its employees with 3 defined benefit plans, which are non-contributory for the participants, and one defined contribution plan, which is contributory. In addition, it provides benefits for health insurance, life insurance and a complimentary defined contribution plan in the event of death or disability.

The 3 defined benefit plans are as follows:

The Petrogal Pension Plan provides the following benefits:

- Pension supplements for retirement and disability;
- Pension supplements for surviving orphans (death in the active or post retirement);
- Early retirement pension;
- Pre-retirement pension;
- Retirement bonus; and
- Voluntary social insurance.

The closed Petrogal Pension Fund aims for the payment of pension supplements for retirement and disability and survival pensions under the Petrogal Pension Plan.

The GDP Group Pension Plan provides the following benefits:

- Pension supplements for retirement and disability;
- Pension supplements for surviving orphans (death in the active or post retirement);
- Early retirement pension; and
- Pre-retirement pension.

The closed GDP Group Pension Fund aims for the payment of pension supplements for retirement and disability and survival pensions under the GDP Group Pension Plan.

The Sacor Maritima Pension Plan provides the following benefits:

- Pension supplements for retirement and disability;
- Pension supplements for surviving orphans (death in the active or post retirement); and
- Pre-retirement pension.

The closed Sacor Maritima Pension Fund aims for the payment of pension supplements for retirement and disability and survival pensions under the Sacor Maritima Pension Plan.

Two scenarios have been used for the calculation of the liabilities of these defined benefit plans:

- Finance scenario - used by Galp Group for determination of past liabilities; and
- Minimum Solvency Level scenario - scenario using recommended assumptions to calculate the minimum amount of funding of the Pension Funds (Rule No. 21/96 -R).

The liabilities presented in this report have been calculated based on the Projected Unit Credit method. The principle behind this method is to cover the benefits of each of the participants of the plan as they accrue, taking into account the future growth of costs associated with the benefit under analysis. Thus, the total cost for each participant is divided into units, each of which is associated with a past or future year of service.

For the purpose of the assessment, the cumulative liability of an individual is the present value of the accumulated benefits, at the reference date.

Responsibilities for Past Services (RPS) result from the sum of the accumulated liabilities for all participants of the plan.

The Petrogal Pension Plan is a Final Pay type, supplementary to the public social security scheme, according to the rules officially in force at 31 December 1993.

The retirement benefits (retirement and disability) and survival benefits are paid directly by the Pension Fund. The benefits for early retirement , pre-retirement, voluntary social insurance and retirement bonus are paid by accounting provisions created for the purpose, and thus not chargeable to the Pension Fund.

The GDP Group Pension Plan is a Final Pay type.

The benefits provided under the Plan are paid directly by the Pension Fund. For the early retirement pension, the benefit is paid by the Fund to 2 early retirees whose early retirement started before 30/09/2009, with the liabilities corresponding to the remaining early retirees and pre-retirees, as well as to future cases , financed through an accounting provision created for that purpose.

The Sacor Maritima Pension Plan is a Final Pay type, supplementary to the public schemes.

The benefits provided under the plan are paid directly by the Pension Fund, and the liabilities associated with the pre-retirees financed through an accounting provision created for this purpose.

Galp also offers its employees a defined contribution plan, to which the following companies are currently associated: Galp Energia SGPS, Petróleos de Portugal-PETROGAL, S.A., Galp Energia S.A., Lisboagás GDL, Galp Exploração e Produção Petrolífera S.A., SAAGA-Sociedade Açoreana de Armazenagem de Gás, S.A. , Beiragás - Companhia de Gás das Beiras, S.A., Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A., Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A., Galp Gás Natural Distribuição, S.A., Galp Gás Natural, S.A., Galp Gas & Power,SGPS, S.A., Galp Power, S.A., Lusitaniagás - Companhia de Gás do Centro, S.A., Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A., Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A., and Setgás - Sociedade de Produção e Distribuição de Gás, S.A..

In the Defined Contribution Plan, the benefits to be attributed to employees are the result of the contributions made up to the time of retirement of both the company and their employees.

The Companies make contributions of 3% of the pensionable salary and a "matching" contribution of an amount equal to the employee's contribution up to a limit of 1% of pensionable salary.

The annual cost is fixed as a percentage and has no risk to changes in life expectancy, fund performance, Social Security contributions, and does not require actuarial valuations.

This defined contribution plan also includes a minimum benefit in case of death or disability of active participants, by attributing a minimum total pension to be added to that from Social Security, which guarantees a minimum total pension equal to 50% of the pensionable salary of the employee to date of occurrence.

All Galp Group pension plans are governed by Portuguese law applied to pension funds and supervised by the Supervisory Authority for Insurance and Pensions (“Autoridade de Supervisão de Seguros e Pensões – ASF”).

It is the Fund Management Company that is responsible for executing all necessary or convenient acts and operations to ensure the good administration and management of the Fund, in accordance with what has established in the Constitution Agreement and in the Fund Management Contract.

CGD Pensões is the fund management company of the Petrogal Fund, BPI Vida e Pensões manages the GDP Fund and Pensões Gere manages the Sacor Maritima pension fund.

The Health Insurance benefit aims to cover medical/hospital expenses in accordance with existing policies.

The Life Insurance benefit aims to ensure financial protection of employees and/or spouses and children in the event of death or disability and in accordance with the existing policies.

On 31 December, 2015 and 2014, the net assets of the Petrogal Pension Fund, Sacor Maritima Pension Fund and GDP Pension Fund, valued at fair value, were as follows according to the reports submitted by the respective fund management companies:

(€ k)

	December 2015	December 2014
Bonds	182,803	218,366
Shares	61,862	65,531
Other Investments	10,066	11,304
Real Estate	32,840	32,678
Liquidity	30,039	7,071
	317,610	**334,950**

Lisboagás, S.A. was the only Group company to make contribution to the Pension Fund amounting to €1,650 k, during the year ended 31 December 2015.

On 31 December 2015, the Group had the following amounts related to liabilities for retirement benefits and other benefits:

(€ k)

	2015			2014		
Captions	**Asset (Note 14)**	**Liability**	**Equity**	**Asset (Note 14)**	**Liability**	**Equity**
Post eployment benefits:						
Relating to the Pension Fund	176	(4,835)	42,009	10,635	(1,276)	26,742
Retired Employees	-	(3,433)	2,001	-	(3,565)	1,614
Pre-retirement	-	(67,175)	9,006	-	(72,930)	9,239
Early retirement	-	(83,152)	5,806	-	(75,473)	3,042
Retirement bonus	-	(6,919)	43	-	(6,974)	(168)
Voluntary social insurance	-	(2,319)	3,543	-	(2,600)	3,473
Other	-	(406)	(91)	-	(384)	(122)
Other benefits:						
Healthcare	-	(241,635)	85,769	-	(236,627)	80,348
Life insurance	-	(3,129)	66	-	(2,919)	(204)
Defined contribution plan minimum benefit	-	(8,537)	(1,621)	-	(7,843)	(148)
	176	**(421,540)**	**146,531**	**10,635**	**(410,591)**	**123,816**

The caption Relating to the Pension Fund amounting to €4,835 k includes €170 k for the Retirement and Disability Plan - Amortisation of the deficit of the defined benefit plan of the subsidiary SAAGA - Sociedade Açoreana de Armazenagem de Gás, S .A.. Until 31 December 2009, the retirement benefit consisted of a defined benefit plan. On 3 May 2010, the retirement benefits scheme was changed, and from that moment became a defined contribution (plan existing at the level of Galp Group). Accordingly, for retirement and disability pension liabilities existing on 3 May, 2010 amounting to €394 k, corresponding to the amount of those liabilities which were not covered by the assets of the pension fund, a repayment plan was agreed so as to amortise the difference, plus interest over a period of ten years. On 31 December 2015, the value of these liabilities amounted to €170 k.

The caption Retired employees amounting to €3,433 k includes a €37 k provision to cover future liabilities assumed by the subsidiary Petrogal Moçambique, Lda. in relation to its employees who had retired up until 1990 (before the creation of the social security system in Mozambique).

The Pre-retirement caption amounting to €67,175 k includes €1,754 k and €222 k respectively for the subsidiaries Lisboagás, SA and Beiragás - Companhia de Gás das Beiras, SA, to cope with already agreed pre-retirements that will only be effective in 2016.

In addition, the Group has an amount of €179 k for early retirements already agreed, which will only become effective in 2016.

The caption Personnel costs - retirement benefits amounting to €35,369 k (Note 6) includes mainly : (i) €714 k relating to benefits related to the Fund; (ii) €32,730 k from the remaining retirement benefits; (iii) a loss of €6,574 k of other benefits; (iv) €3,620 k for the defined contribution plan and (v) a gain of €8,287 k regarding pre-retirements and early retirements not included in the other benefits.

The difference of €26,129 k between the amount recorded in the Equity detail above and the amount in the caption Retained earnings – actuarial gains and losses - pension fund, of the consolidated statement of changes in equity is due to the amount relating to deferred tax.

The table below shows the number of participants and beneficiaries sorted by category:

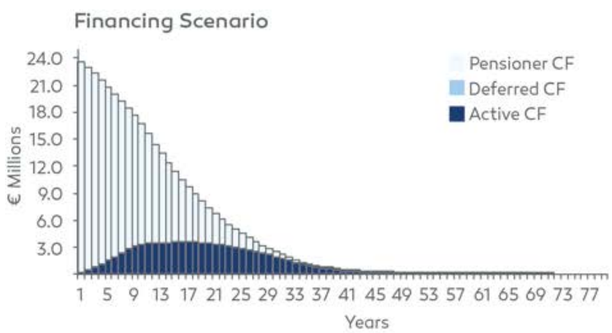
	December 2015	December 2014
Active	1,880	1,990
Pre-Retired	370	352
Early Retirements	341	305
Disability Retirements	83	84
Elderly Retirements	2,968	3,028
Pensioners - Widowood/Orphanhood	1,773	1,750
	7,415	**7,509**

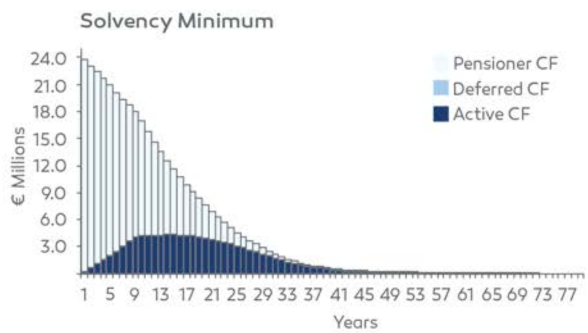
During the year 2015 there were 66 new cases of pre-retirement, 44 new cases of early retirement and 6 exists for termination by mutual agreement.

The average maturity of liabilities for the defined benefit plans, is 10.4 years.

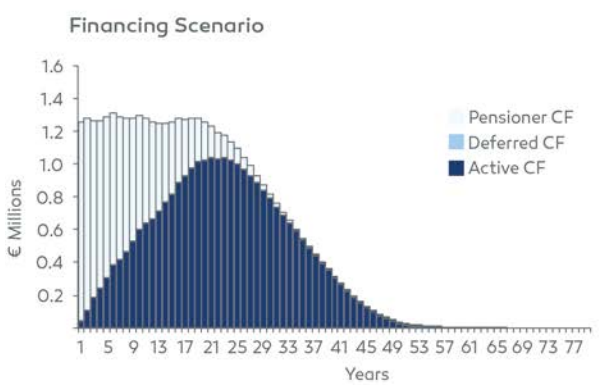
Payment distribution associated with the Petrogal and GDP Group Pension Funds:

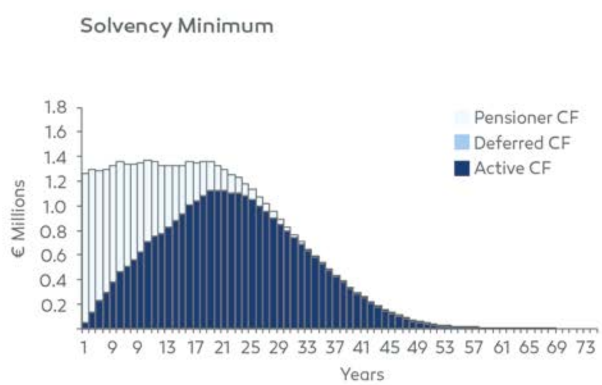
PETROGAL





GDP GROUP





The assumptions used for the calculation of post-employment benefits are considered by the Group and an entity specialised in actuarial studies as those that best meet the commitments set out in the pension plan and their respective liabilities with the retirement benefits and are set out as follows:

(€ k)

	Group in Portugal	
	2015	2014
Assumptions		
Rate of return on assets	2.50%	2.75%
Technical interest rate	2.50%	2.75%
Rate of increase in salaries	1.00%	1.00%
Rate of increase in pensions	[0.00% - 2.00%]	[0.00% - 2.00%]
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011
Retired personnel mortality table	INE 2009-2011	INE 2009-2011
Disability table	EVK 80 - 50%	EVK 80 - 50%
Common age for retirement	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65
Method	Projected credit unit	Projected credit unit

(€ k)

	Group in Portugal	
	2015	2014
Changes in past service liability (PSL)		
PSL at the end of the previous year	325,515	333,875
Current service cost	773	1,260
Interest cost	8,604	12,043
Actuarial (gain) / loss	13,539	21,326
Benefit payments made by the Fund	(25,208)	(26,154)
Changes in the benefits plan	(756)	-
Cut back - Early retirements	694	747
Cut back - Pre-retirement	20	(210)
Cut Back - Mutual termination agreement	-	(179)
Cut Back - Migration to DC	(896)	(17,194)
Liquidations	(9)	-
Other adjustments	(1)	1
PSL at the end of the current year	**322,275**	**325,515**
Changes in coverage of financial assets (pension fund)		
Assets at the end of the previous year	334,950	338,735
Net interest	8,863	12,226
Associates contribution	1,650	-
Benefit payments	(25,208)	(26,154)
Cut Back - Migration to DC	(896)	(17,194)
Financial gains / (losses)	(1,749)	27,337
Assets at the end of the current year	**317,610**	**334,950**
Reconciliation of gains and losses - through Comprehensive Income		
(Gain) / loss from actuarial experience	6,176	(6,504)
(Gain) / loss by actuarial assumptions change	7,363	27,830
Financial (Gain) / loss	1,749	(27,337)
Other impacts	(15,288)	6,011
(Gains) / losses to be recognized in the year-end	**-**	**-**
Reconciliation to the Statement of Financial Position		
(Gains) / losses recognized at the beginning of the year - Asset/(Liability)	9,435	4,860
Net cost of the year	(462)	(1,435)
Associates contribution	1,650	-
Gains / (losses) recognized - through Comprehensive Income	(15,288)	6,011
Other impacts	-	(1)
Total recognized at year end - Assets / (Liabilities)	**(4,665)**	**9,435**
Net cost of the year		
Current service cost	773	1,260
Interest cost	(259)	(183)
Net cost of the year before special events	**514**	**1,077**
Cut back impact - Early Retirement	694	747
Cut back impact - Pre-retirement	20	(210)
Liquidations impacts	(9)	(179)
Other adjustments	(756)	-
Net cost of the year	**463**	**1,435**
Reconciliation of gains and loss recognized- through Comprehensive Income		
Cummulative (Gains) / losses recognized at the beginning of the year	24,404	30,415
Actuarial (Gains) and Losses from experience	6,176	(6,504)
(Gains) / losses from change in assumptions	7,363	27,830
Financial (Gains) / losses	1,749	(27,337)
Cummulative (Gains) / losses recognized at the beginning of the year	**39,692**	**24,404**

The changes to the benefit plan are due to the adoption of the new Company Agreement (CA), applied as at 1 January 2016. The active population was considered under the new CA. This change caused a reduction of €756 k recognized as a past service cost.

The actuarial losses related to past service liabilities which occurred in 2015 year amounting to €13,539 k can be segregated as follows:

- by changes in assumptions: losses amounting to €7,363 k. This amount is related only to the change in the discount rate. As the change in the regular retirement age was driven by the change in legislation, the impact was considered as a gain/loss by experience.

- by experience: losses amounting to €6.176 k

The financial losses resulting from the Funds, amounting to €1,749 k, are a consequence of the difference between the estimated value for the development of the Fund and the actual value shown in the previous paragraph, as detailed below:

(€ k)

	Estimate	Real	Deviation	Date value
Inicial balance	**334,950**	**334,950**	**-**	31/12/14
Pensions	(25,286)	(25,208)	78	2015
Acquired rights	-		-	2015
Associates contributions	1,486	1,650	164	2015
Participant contributions	-	-	-	2015
Transfer to the Galp Energia Pension Fund (relating to the employee migration to the DC Plan)	-	(896)	(896)	2015
Total Movements	**(23,800)**	**(24,454)**	**(654)**	**2015**
Fund return	8,863	7,114	(1,749)	2015
Ending balance	**320,013**	**317,610**	**(2,403)**	**31/12/15**

In 2015, financial deviations amounted to €2,403 k, as detailed in the table above.

(€ k)

	Group in Spain	
	2015	2014
Assumptions		
Rate of return on assets	2.45%	2.30%
Technical interest rate	2.45%	2.30%
Rate of increase in salaries	2.50%	2.50%
Rate of increase in pensions	2.00%	2.00%
Current personnel and pre-retirees mortality table	PERMF 2000P	PERMF 2000P
Retired personnel mortality table	PERMF 2000P	PERMF 2000P
Disability table		
Common age for retirement	65	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous year	431	372
Current service cost	5	10
Interest cost	10	13
Actuarial (gain) / loss	1	74
Liquidations	-	21
Other adjustments	(13)	(59)
PSL at the end of the current year	**434**	**431**
Changes in coverage of financial assets (pension fund)		
Assets at the end of the previous year	554	428
Net interest	12	15
Associates contribution	22	(26)
Liquidations	-	21
Financial gains / (losses)	22	116
Assets at the end of the current year	**610**	**554**
Reconciliation to the Statement of Financial Position		
(Gains) / losses recognized at the beginning of the year - Asset/(Liability)	123	56
Net cost of the year	10	52
Associates contribution	22	(26)
Gains / (losses) recognized - through Comprehensive Income	21	41
Total recognized at year end - Assets / (Liabilities)	**176**	**123**
Net cost of the year		
Current service cost	5	10
Interest cost	(2)	(2)
Net cost of the year before special events	**3**	**8**
Liquidations impacts	(13)	(59)
Net cost of the year	**(10)**	**(51)**
Reconciliation of gains and loss recognized- through Comprehensive Income		
Cummulative (Gains) / losses recognized at the beginning of the year	2,338	2,379
Actuarial (Gains) and Losses from experience	13	(17)
(Gains) / losses from change in assumptions	(12)	92
Financial (Gains) / losses	(22)	(116)
Cummulative (Gains) / losses recognized at the end of the year	**2,317**	**2,338**

Other pension benefits not affecting funds:

			2015				(€ k)
	Retired	Pre-retirement	Early Retirement	Retirement bonuses	Voluntary social insurance	Others	Total
Assumptions							
Technical interest rate	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rate of increase in salaries	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Rate of increase in pensions	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.05% - 1.40%]	[0.05% - 1.40%]	[0.0% - 1.40%]
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Disability table	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%
Common age for retirement	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)							
PSL at the end of the previous year	3,513	60,515	75,473	6,974	2,600	384	149,459
Current service cost	-	9	498	228	-	5	740
Interest cost	88	1,471	1,925	189	65	10	3,748
Actuarial (gain) / loss	387	(248)	2,763	211	70	28	3,211
Benefits payment made by the Company	(587)	(15,199)	(11,115)	(557)	(452)	(21)	(27,931)
Cut back - Early retirements	-	-	13,636	(127)	36	-	13,545
Cut back - Pre-retirement	-	18,651	(207)	30	-	-	18,474
Liquidations	-	-	-	(29)	-	-	(29)
PSL at the end of the current year	**3,401**	**65,199**	**82,973**	**6,919**	**2,319**	**406**	**161,217**
Reconciliation to the Statement of Financial Position							
(Gains) / losses recognized at the beginning of the year - Asset/(Liability)	(3,513)	(60,515)	(75,473)	(6,974)	(2,600)	(384)	(149,459)
Net cost of the year	(88)	(20,131)	(15,852)	(291)	(101)	(15)	(36,478)
Benefits paid directly by the Company	587	15,199	11,115	557	452	21	27,931
Gains / (losses) recognized - through Comprehensive Income	(387)	248	(2,763)	(211)	(70)	(28)	(3,211)
Total recognized at year end - Assets / (Liabilities)	**(3,401)**	**(65,199)**	**(82,973)**	**(6,919)**	**(2,319)**	**(406)**	**(161,217)**
Net cost of the year							
Current service cost	-	9	498	228	-	5	740
Interest cost	88	1,471	1,925	189	65	10	3,748
Net cost of the year before special events	**88**	**1,480**	**2,423**	**417**	**65**	**15**	**4,488**
Cut back impact - Early Retirement	-	-	13,636	(127)	36	-	13,545
Cut back impact - Pre-retirement	-	18,651	(207)	30	-	-	18,474
Liquidations impacts	-	-	-	(29)	-	-	(29)
Net cost of the year	**88**	**20,131**	**15,852**	**291**	**101**	**15**	**36,478**
Reconciliation of gains and loss recognized- through Comprehensive Income							
Cummulative (Gains) / losses recognized at the beginning of the year	1,614	9,239	3,042	(168)	3,473	(119)	17,081
Actuarial (Gains) and Losses from experience	350	(1,210)	1,705	46	54	17	962
(Gains) / losses from change in assumptions	37	962	1,059	165	16	11	2,250
Other impacts	-	15	-	-	-	-	15
Cummulative (Gains) / losses recognized at the end of the year	**2,001**	**9,006**	**5,806**	**43**	**3,543**	**(91)**	**20,308**
Non-controlling interests	-	-	-	-	-	-	-
Cummulative (Gains) / losses recognized at the end of the year	**2,001**	**9,006**	**5,806**	**43**	**3,543**	**(91)**	**20,308**

	Retired	Pre-retirement	Early Retirement	2014 Retirement bonuses	Voluntary social insurance	Others	(€ k) Total
Assumptions							
Technical interest rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	
Rate of increase in salaries	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
Rate of increase in pensions	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.05% - 1.40%]	0.00%	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Disability table	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	
Common age for retirement	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)							
PSL at the end of the previous year	3,754	37,945	60,388	7,919	1,666	554	112,226
Current service cost	-	7	470	293	-	14	784
Interest cost	129	1,234	2,094	289	57	20	3,823
Actuarial (gain) / loss	253	8,596	8,359	(1,191)	912	39	16,968
Benefits payment made by the Company	(623)	(11,790)	(9,585)	(6)	(402)	(27)	(22,433)
Cut back - Early retirements	-	-	13,981	(238)	367	-	14,110
Cut back - Pre-retirement	-	24,523	(224)	(41)	-	-	24,258
Cut back - Actives	-	-	-	-	-	(216)	(216)
Liquidations	-	-	(10)	(51)	-	-	(61)
PSL at the end of the current year	**3,513**	**60,515**	**75,473**	**6,974**	**2,600**	**384**	**149,459**
Reconciliation to the Statement of Financial Position							
(Gains) / losses recognized at the beginning of the year - Asset/(Liability)	(3,754)	(37,945)	(60,388)	(7,919)	(1,666)	(554)	(112,226)
Net cost of the year	(129)	(25,764)	(16,311)	(252)	(424)	182	(42,698)
Benefits paid directly by the Company	623	11,790	9,585	6	402	27	22,433
Gains / (losses) recognized - through Comprehensive Income	(253)	(8,596)	(8,359)	1,191	(912)	(39)	(16,968)
Total recognized at year end - Assets / (Liabilities)	**(3,513)**	**(60,515)**	**(75,473)**	**(6,974)**	**(2,600)**	**(384)**	**(149,459)**
Net cost of the year							
Current service cost	-	7	470	293	-	14	784
Interest cost	129	1,234	2,094	289	57	20	3,823
Net cost of the year before special events	**129**	**1,241**	**2,564**	**582**	**57**	**34**	**4,607**
Cut back impact - Early Retirement	-	-	13,981	(238)	367	-	14,110
Cut back impact - Pre-retirement	-	24,523	(224)	(41)	-	-	24,258
Cut back impact - Actives	-	-	-	-	-	(216)	(216)
Liquidations impacts	-	-	(10)	(51)	-	-	(61)
Net cost of the year	**129**	**25,764**	**16,311**	**252**	**424**	**(182)**	**42,698**
Reconciliation of gains and loss recognized- through Comprehensive Income							
Cummulative (Gains) / losses recognized at the beginning of the year	1,361	643	(5,317)	1,024	2,561	(120)	152
Actuarial (Gains) and Losses from experience	104	6,870	4,720	(1,787)	834	1	10,742
(Gains) / losses from change in assumptions	149	1,726	3,639	595	78	37	6,224
Other impacts	-	-	-	-	-	(37)	(37)
Cummulative (Gains) / losses recognized at the end of the year	**1,614**	**9,239**	**3,042**	**(168)**	**3,473**	**(119)**	**17,081**
Non-controlling interests	-	6	-	-	-	-	6
Cummulative (Gains) / losses recognized at the end of the year	**1,614**	**9,233**	**3,042**	**(168)**	**3,473**	**(119)**	**17,075**

As mentioned in Note 2.10, the ISP authorised the establishment of the Galp Energia Defined Contribution Pension Fund in 31 December 2002, giving the possibility for the employees to choose between this new defined contribution pension plan and the existing defined benefit plan. During 2015, a cost of € 3,620 k was recognised in the Employee cost caption in respect of the contributions of the year, paid to the Fund management company of the associated companies of the Galp Energia Defined Contribution Pension Fund, in favour of their employees.

Other retirement benefits - healthcare, life insurance and minimum benefit defined contribution plan (disability and survival)

As mentioned in Note 2.11, the Group has registered on 31 December, 2015, a provision to cover its liability for healthcare, life insurance for past services of active population and total liabilities for the remaining population and the liability for the minimum benefit defined contribution plan. The current value of liabilities for past services and actuarial assumptions used in their calculation, is as follows:

		2015		(€ k)
	Healthcare	Life insurance	Defined contribution plan minimum benefit	Total
Assumptions				
Technical interest rate	2.50%	2.50%	2.50%	
Rate of increase in Costs	4.00%	1.00%	1.00%	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Disability table	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	
Common age for retirement	66*	66*	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous year	236,627	2,919	7,843	247,389
Current service cost	4,533	92	1,440	6,065
Interest cost	6,361	77	215	6,653
Actuarial (gain) / loss	5,420	275	(1,473)	4,222
Benefits payment made by the Company	(11,306)	(234)	-	(11,540)
Other adjustments	-	-	512	512
PSL at the end of the current year	**241,635**	**3,129**	**8,537**	**253,301**
Reconciliation to the Statement of Financial Position				
(Gains) / losses recognized at the beginning of the year - Asset/(Liability)	(236,627)	(2,919)	(7,843)	(247,389)
Net cost of the year	(10,894)	(169)	(2,164)	(13,227)
Benefits paid directly by the Company	11,306	234	-	11,540
Gains / (losses) recognized - through Comprehensive Income	(5,420)	(275)	1,473	(4,222)
Effect of other adjustments	-	-	(3)	(3)
Total recognized at year end - Assets / (Liabilities)	**(241,635)**	**(3,129)**	**(8,537)**	**(253,301)**
Net cost of the year				
Current service cost	4,533	92	1,440	6,065
Interest cost	6,361	77	215	6,653
Net cost of the year before special events	**10,894**	**169**	**1,655**	**12,718**
Other adjustments	**-**	**-**	**509**	**509**
Net cost of the year	**10,894**	**169**	**2,164**	**13,227**
Reconciliation of gains and loss recognized- through Comprehensive Income				
Cummulative (Gains) / losses recognized at the beginning of the year	80,348	(204)	(148)	79,996
Actuarial (Gains) and Losses from experience	(3,336)	209	(1,595)	(4,722)
(Gains) / losses from change in assumptions	8,757	66	122	8,945
Other impacts	-	(5)	-	(5)
Cummulative (Gains) / losses recognized at the end of the year	**85,769**	**66**	**(1,621)**	**84,214**
Non-controlling interests (Note 21)	1	(3)	14	12
Cummulative (Gains) / losses recognized at the end of the year	**85,768**	**69**	**(1,635)**	**84,202**

* For the Company Lisboagás, S.A. are deemed to be fulfilled the retirement conditions when achieved 40 years of service, 35 service and age equal or over 60 years or when achieved 66 years or 65 years of age with at least 43 years of contributions to Social Security at that age (first occurrence of the 4 conditions).

The current service cost, amounting to €6,065 k was recorded by the group in the consolidated income statement in the Personnel costs (Note 6).

Net interest, amounting to €6,653 k was recorded by the Group in the consolidated income statement under Other interest expense (Note 8).

	2014			(€ k)
	Healthcare	Life insurance	Defined contribution plan minimum benefit	Total
Assumptions				
Technical interest rate	2.75%	2.75%	2.75%	
Rate of increase in Costs	4.00%	1.00%	1.00%	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	GKF95	
Disability table	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	
Common age for retirement	66*	66*	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous year	211,532	3,615	4,872	220,019
Current service cost	3,736	118	1,024	4,878
Interest cost	7,734	131	182	8,047
Actuarial (gain) / loss	24,221	(742)	1,765	25,244
Benefits payment made by the Company	(10,596)	(203)	-	(10,799)
PSL at the end of the current year	**236,627**	**2,919**	**7,843**	**247,389**
Reconciliation to the Statement of Financial Position				
(Gains) / losses recognized at the beginning of the year - Asset/(Liability)	(211,532)	(3,615)	(4,872)	(220,019)
Net cost of the year	(11,470)	(249)	(1,206)	(12,925)
Benefits paid directly by the Company	10,596	203	-	10,799
Gains / (losses) recognized - through Comprehensive Income	(24,221)	742	(1,765)	(25,244)
Total recognized at year end - Assets / (Liabilities)	**(236,627)**	**(2,919)**	**(7,843)**	**(247,389)**
Net cost of the year				
Current service cost	3,736	118	1,024	4,878
Interest cost	7,734	131	182	8,047
Net cost of the year	**11,470**	**249**	**1,206**	**12,925**
Reconciliation of gains and loss recognized- through Comprehensive Income				
Cummulative (Gains) / losses recognized at the beginning of the year	56,127	538	(1,913)	54,752
Actuarial (Gains) and Losses from experience	(6,707)	(980)	1,328	(6,359)
(Gains) / losses from change in assumptions	30,928	238	437	31,603
Cummulative (Gains) / losses recognized at the end of the year	**80,348**	**(204)**	**(148)**	**79,996**
Non-controlling interests (Note 21)	1	(3)	14	12
Cummulative (Gains) / losses recognized at the end of the year	**80,347**	**(201)**	**(162)**	**79,984**

* For the Company Lisboagás, S.A. are deemed to be fulfilled the retirement conditions when achieved 40 years of service, 35 service and age equal or over 60 years or when achieved 66 years or 65 years of age with at least 43 years of contributions to Social Security at that age (first occurrence of the 4 conditions).

According to actuarial studies prepared by a specialised entity, the estimated contribution to the various defined benefit plans for 2016 is of €44,572 k.

<u>Discount rate changes</u>

Changing the discount rate from 2.75% to 2.50% from 2014 to 2015 reflects the decrease which has occurred in the reference interest rates of the market.

Sensitivity analysis of the discount rate

A sensitivity analysis was performed (except for the group in Spain) in order to measure the impact on liabilities caused by a change in the discount rate. For this purpose a negative variation of 25 b.p. in the discount rate was considered.

(€ k)

Liabilities	Discount rate 2.50%	Discount rate 2.25%	Variation
Retirement benefits:			
Related to the pension fund	322,275	329,952	2.38%
Non-related to the pension fund	161,217	163,019	1.12%
	483,492	**492,971**	
Other benefits:			
Healthcare	241,635	250,964	3.86%
Life insurance	3,129	3,198	2.20%
Defined contribution plan minimum benefit	8,537	8,667	1.52%
	253,301	**262,829**	
	736,793	**755,800**	

Trend rate of medical costs

Galp Group has considered a growth rate of 4% for medium and long term medical costs, based on historical growth rates of premiums and claims. The sensitivity analysis performed, demonstrates that a 1% increase in the growth rate of premiums implies a 17% increase in liabilities (€40,140 k), whereas a decrease of 1% in the growth rate of premiums results in a decrease of 13% of liabilities (€31,875 k).

Health Insurance sensitivity analysis

(€ k)

Captions	3.00%	4.00%	5.00%
Current services costs	209,760	241,635	281,775
Impact on past services liabilities	(31,875)	-	40,140

Historical analysis of the actuarial gains and losses

The historical analysis of actuarial gains and losses was carried out with reference to the Petrogal Pension Fund.

(€ k)

Discount rate	2.50%	2.75%	3.75%	4.50%	5.25%	5.25%	5.25%	6.10%	5.45%
	2015	2014	2013	2012	2011	2010	2009	2008	2007
Liabilities amount (a)	**288,409**	**293,615**	**302,461**	**342,720**	**336,401**	**329,908**	**339,565**	**311,357**	**328,220**
Value of the Fund (b)	**285,777**	**304,127**	**306,892**	**320,518**	**288,047**	**304,235**	**308,472**	**302,572**	**333,403**
Actuarial Gains (+) and Losses (-)	**(11,319)**	**(19,062)**	**35,491**	**(6,483)**	**(8,694)**	**8,833**	**(32,210)**	**12,871**	**24,205**
Gains (+) and Losses (-) for changes in assumptions	(6,307)	(24,452)	44,243	4,055	-	-	(27,009)	20,337	30,430
Actuarial Gains (+) and Losses (-) from experience (c)	(5,012)	5,390	(8,752)	(10,538)	(8,694)	8,833	(5,201)	(7,466)	(6,225)
Financial Gains (+) and Losses (-) (d)	**(1,806)**	**26,365**	**(2,744)**	**20,213**	**(15,219)**	**1,706**	**11,013**	**(26,840)**	**(7,363)**
(c)/(a)	-2%	2%	-3%	-3%	-3%	3%	-2%	-2%	-2%
(d)/(b)	-1%	9%	-1%	6%	-5%	1%	4%	-9%	-2%
Real Return on Plan Assets (%)	2.1%	12.7%	3.6%	12.5%	0.3%	4.8%	8.9%	-2.9%	3.1%
Real Return on Plan Assets	6,231	37,426	11,128	36,200	125	15,857	25,535	(9,796)	9,694

Group Post-employment Defined Benefit Pension Plan and Health and Life Insurance are exposed to various risks, among which are the following :

a) Longevity Risk

Real longevity higher than projected may be reflected by an increase in liabilities.

b) Bond Interest Rate Risk

A decrease of the reference interest rate used as discount rate leads to increased liabilities, which can be mitigated in cases where there is a fund as a financing vehicle, by the exposure of the assets to the Bond segment.

c) Investment Risk

The main investment risks are the risk of the interest rate, credit risk, equity market risk and currency risk. The implications that the level of risk related to the investment policy may have on compliance with the minimum solvency of the fund, result from interest rate fluctuations, exposure to shareholders and alternative markets, resulting in a lower performance to the discount rate. The risk of interest rate fluctuation is the most relevant. In this particular case, since the portfolios are primarily invested in this asset class. This, together with the impact of risks which can not be mitigated (e.g. variations of the population), increases the probability of necessary additional contributions (other than the current service cost) to maintain the solvency of the fund.

d) Risk of adverse developments in the real cost with Health Insurance and Life Insurance.

24. OTHER PAYABLES

As at 31 December 2015 and of 31 December 2014 the non-current and current captions "Other payables" were as follows:

(€ k)

	December 2015		December 2014	
Captions	Current	Non-current	Current	Non-current
State and other public entities:				
Value Added Tax payables	175,698	-	223,530	-
"ISP" - Tax on oil products	90,904	-	83,994	-
Personnel and Corporate Income Tax Withheld	8,500	-	9,127	-
Social Security contributions	6,301	-	6,672	-
Other taxes	19,519	-	22,213	-
Tangible and intangible assets suppliers	146,116	88,182	114,001	94,728
Advances on sales (Note 16)	30,002	-	48,781	-
Overlifting	21,447	-	29,714	-
Personnel	4,946	-	7,017	-
Trade receivables credit balances	3,782	-	6,529	-
Other payables - Associates, affiliates and related companies (Note 28)	3,652	121	22,636	-
Other payables - Other shareholders	3,495	-	1,235	-
Trade receivables advance payments	2,999	-	477	-
Guarantee deposits and guarantees received	2,723	-	2,798	-
"ISP" - Congeners debit	1,821	-	10,324	-
Loans - Associates, affiliates and related companies (Note 28)	365	172,842	365	154,990
Loans - Other shareholders	-	1,653	-	12,446
Other creditors	25,966	3,536	37,480	4,570
	548,236	**266,334**	**626,893**	**266,734**
Accrued costs:				
External supplies and services	111,293	-	108,265	-
Accrued interest	53,582	-	46,077	-
Holiday , holiday subsidy and corresponding contributions	28,967	-	29,701	-
Productivity bonuses	28,457	8,369	18,605	6,770
Adjustment to tariff deviation - other activities - "ERSE" regulation	16,707	-	18,346	-
Adjustment to tariff deviation - regulated revenue - "ERSE" regulation (Note 14)	7,559	16,174	10,255	9,546
Fastgalp prizes	2,576	-	7,377	-
Discounts, bonuses and rappel related to sales	2,139	-	4,059	-
Accrued insurance premiums	992	-	1,673	-
Financial costs	876	-	933	-
Financial neutrality - "ERSE" regulation	161	-	462	-
Accrued personnel costs - other	64	-	106	-
Adjustment to tariff deviation - energy tariff - "ERSE" regulation	-	15,831	-	15,831
Other accrued costs	16,351	-	21,642	-
	269,724	**40,374**	**267,501**	**32,147**
Deferred income:				
Investment government grants (Note 13)	10,142	243,537	10,694	255,372
Services rendered	4,322	-	4,964	-
Fibre optics	404	991	272	1,527
Others	11,505	51	10,735	60
	26,373	**244,579**	**26,665**	**256,959**
	844,333	**551,287**	**921,059**	**555,840**

The caption “Advances on sales” amounting to €30,002 k is related with Group liabilities with competitors for strategic reserves (Note 16).

The non-current caption “Tangible and intangible assets suppliers” refers essentially to land use rights.

The amount of €21,447 k presented in the caption “Other payables - Overlifting” represents the Group’s liability in respect of excess crude oil lifted considering its production quota and is measured as described in Note 2.7 e).

The amount of €1,821 k recorded in the caption “ISP” – Congeners Debit is related to the fact that the bonded warehouse is confined to Galp. Therefore, it is Galp’s responsibility to collect the “ISP” (tax on oil products) from counterparties (partners/competitors) and to deliver it over to the State.

The amount of €2,723 k recorded in the caption “Guarantee deposits and guarantees received” includes €2,152 k relating to Petrogal’s liability as of 31 December 2015 for customer deposits received for gas containers in use, that were recorded at acquisition cost, which corresponds to their approximate fair value.

The amount of €172,842 k recorded in the caption “Loans – associates, affiliates and related companies” refers to the following:

- In March 2012, Winland International Petroleum, SARL, granted loans amounting to €172,842 k (US$188,173,000). This amount is recorded in the caption “Loans – associates, affiliates and related companies” (non-current) and is related to shareholders loans obtained by the subsidiary Petrogal Brasil, S.A.. This loan bears interest at market rates and has a maturity of 10 years. In the period ended 31 December 2015 the amount of €7,898 k is recognised under the caption “Interest”, regarding loans obtained concerning related companies (Notes 8 and 28).

The amount of €1,653 k in the caption “Loans – other shareholders” mainly relates to:

- €1,205 k recorded as non-current payable to EDP Cogeração, S.A. related to shareholders loans obtained by the subsidiary Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A., which bears interest at market rates and does not have a defined maturity;
- €448 k recorded as non-current payable to Visabeira Telecomunicações, SGPS, S.A., related 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 maturity.

The amount of €2,576 k recorded under “Accrued costs – Fast Galp prizes” refers to Petrogal’s liability for Fast Galp card points issued but not yet claimed by 31 December 2015, and that are expected to be swapped for prizes in subsequent periods.

Government investment grants are recognised as income over the useful life of the assets. The amount to be recognised in future periods amounts to €253,679 k (Note 13).

Income from the contract of assignment of rights to use telecommunication infrastructures is deferred in the caption “Deferred income – Fibre optics” and is recognised as income during the period of the contract. As at 31 December 2015, the balance of deferred income to be recognised in future periods amounts to €1,395 k.

Land use rights presented in the Galp financial statements represent exclusive use rights over such land. These rights grant the same legal rights and obligations attributed to the owners of the land (in particular, the rights to build and use) over a given period of time, as contractually established.

The most relevant land use rights relate to the Sines refinery, in Portugal, with an initial period of 30 years, and being continuously extended by option of Galp. The respective information is detailed in the table below in € k:

NET TANGIBLE ASSETS OF €53,354 K

Liabilities net amount	
<1 year	1,915
>1 year and <5 years	7,659
>5 years	35,633
Total accounts payable Petrogal	**45,207**

Note: The account payable is subject to an annual index update.

In Spain, there are several Land Use Rights, for which the detailed information is presented below in € k.

NET TANGIBLE ASSETS OF €25,900 K

Liabilities gross amount	
<1 year	4,057
>1 year and <5 years	14,757
>5 years	16,213
Total	**35,027**
Interests (amortised cost)	6,616
Net amount	**28,411**
Other amounts	14,477
Total accounts payable Spain	**42,888**

Note: The other amounts of €14,477 k are related to other contracts not presented in the table above.

Considering the maturity of the land use rights and the related renewal conditions, they are equivalent to a finance lease.

25. PROVISIONS

The changes in provisions in the year ended 31 December 2015 and 2014 were as follows:

(€ k)

Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Changes in the consolidation perimeter	Ending balance
2015							
Lawsuits	11,252	27,472	(1,496)	(5,113)	(2,936)	-	29,179
Financial investments (Note 4)	3,954	184	-	-	(23)	-	4,115
Taxes	21,238	10,892	-	-	1,275	-	33,405
Environment	2,021	450	-	(263)	-	-	2,208
Abandonment of blocks	111,360	21,538	(12,665)	(4,058)	12,620	-	128,795
Other risks and charges	34,715	196,788	-	(113)	(270)	(60)	231,060
	184,540	**257,324**	**(14,161)**	**(9,547)**	**10,666**	**(60)**	**428,762**
2014							
Lawsuits	14,256	995	(943)	(3,058)	2	-	11,252
Financial investments (Note 4)	3,130	1,164	-	-	(340)	-	3,954
Taxes	32,890	13,900	(5,322)	(21,708)	1,478	-	21,238
Environment	3,781	180	(180)	(1,760)	-	-	2,021
Abandonment of blocks	88,227	23,094	-	(12,783)	12,822	-	111,360
Other risks and charges	11,865	26,586	(720)	(2,993)	(23)	-	34,715
	154,149	**65,919**	**(7,165)**	**(42,302)**	**13,939**	**-**	**184,540**

The increase in provisions, net of the decreases, in the year ended 31 December 2015 were as follows:

	(€ k)
Provisions (Note 6)	16,682
Capitalisation of abandonment blocks provision costs	8,873
Estimate for additional payments of IRP - Oil income tax (Angola)	10,365
Results from investments in associates and joint ventures (Note 4)	184
Estimate for additional payments of special participation tax in Brazil	20,708
Energy sector extraordinary contribution - CESE I	28,531
Energy sector extraordinary contribution - CESE II	26,787
Energy sector extraordinary contribution - CESE II - deferred costs for the period	131,033
	243,163

Lawsuits

The provision for current lawsuits amounts to €29,179 k and includes mainly: an amount of € 4,180 k relating to a liability for fines imposed by the Competition Authority relating to contracts with distributors in the LPG business and an amount of € 20,708 k related to the provision of the estimate for payment of an additional amount of the special participation tax in Brazil recorded in the year ended 31 December 2015. The utilisation corresponds essentially to the agreement with the Matosinhos Municipality in respect of a dispute regarding land occupancy levies of the Parque do Real pipeline.

Financial investments

The provision for financial investments reflects the joint commitment of the Group in respect of its associates that have reported negative equity (Note 4).

Taxes

The caption Tax provisions, amounting to €33,405 k includes mainly:

i) €21,769 k of additional liquidations of Oil Income Tax (“IRP”) (Note 9);

ii) €7.394 k concerning a tax contingency, related with a correction to the 2001 and 2002 corporate income tax of the subsidiary Petrogal (Note 9); and

iii) €3.377 k concerning the tax risk associated with the sale of the participation held in ONI, SGPS to Galp Energia, SGPS, S.A..

The increase of the tax provision amounting to € 10,892 k corresponds mainly to the additional liquidation of Oil Income Tax “IRP” in Angola amounting to €10,365 k.

Environmental issues

The amount of €2,208 k presented in the caption Environmental provisions is related to the costs associated with the soil decontamination of certain facilities occupied by the Group, where due to legal obligation a decision has already been taken to carry out the decontamination. In the year ended the environmental provision for Matosinhos was increased by €450 k, and the amount of €263 k was utilised for the Sines refinery soil decontamination.

Abandonment of blocks

The amount of €128,795 k recorded in provisions for the abandonment of blocks is destined 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. The changes in provisions for the abandonment of blocks in the period ended were as follows:

(€ k)

	Initial balance	Increases	NPV interests increase	Decreases	Utilisation	Exchange differences (Cta's) (a)	Exchange differences (P/L) (b)	Ending balance
Blocks in Brazil								
- Lula and Gaspeline	22,131	27,339	-	-	-	(5,600)	7,186	24,328
- Andorinha	803	3,954	-	-	-	(203)	-	618
- Rabo Branco	245	21,238	-	-	-	(62)	513	704
- Iracema	4,160	2,021	12,986	-	-	(1,053)	2,161	18,371
	22,131	24,328	12,986	-	-	(6,918)	9,860	44,021
Blocks in Angola	803	618						
- Block 1	245	704	-	-	-	-	125	1,209
- Block 14 - Kuito	4,160	18,371	465	(2,644)	-	1,872	-	15,949
- Block 14 - BBLT	25,166	-	420	(10,021)	(4,058)	2,899	-	14,406
- Block 14 - TL	41,515	3,530	1,494	-	-	4,782	-	51,321
- Block 14 - K	-	1,889	-	-	-	-	-	1,889
	84,021	5,419	2,379	(12,665)	(4,058)	9,553	125	84,774
Total	111,360	18,405	3,133	(12,665)	(4,058)	2,635	9,985	128,795

(a) Exchange differences resulting from conversion of the functional currency to the Group 's currency (Euro) are recorded in equity under caption Translation reserves (Cta's)
(b) The provision is recorded in USD , the currency valuation for the functional currency of the company(ies) is recorded in the income statement(P/L) under the heading Exchange (loss)/ gains.

Other risks and charges

As at 31 December 2015 the caption “Provisions – other risks and charges”, amounting to €231,060 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 cargo shipments received in Sines;

ii) €53.027 k relating to the provision to cover the Energy sector extraordinary contribution “CESE I”

For the year ended 31 December 2014, the Group was subject to a special tax (Energy Sector Extraordinary Contribution "CESE I"), pursuant to Article 228 of Law 83C/2013 of 31 December, which states that the energy companies that detain net assets in certain activities as at 1 January 2014 are subject to a tax calculated on the amount of net assets at that date.

As it intends to challenge the Law, the Group decided to record the total value of the liability amounting to €53,027 k under “Provisions” caption. The total value of the liability on 31 December 2014 amounted to €24,512 k. In the year ended 31 December 2015, an amount of €16 k was paid and in order to cover the full responsibility, the provision was reinforced by €28,531 k (Note 9), and recognised in the income statement under the caption “Energy sector extraordinary contribution”;

iii) €157,820 k relating to the provision to cover the Energy sector extraordinary contribution "CESE II”:

In the period ended 31 December 2015, the Group was subject to a special tax (Energy Sector Extraordinary Contribution "CESE II"), pursuant to Law 33/2015 of 27 April and Order No. 157 -B/2015 of 28 May, which focuses on the value of future sales, based on the four existing long term supply contracts which are on a take-or-pay basis. Resulting from the respective Law and Order, Galp recorded a total payable amount of € 157,820 k, which will be settled in instalments of € 52,052k in May of each of the years 2015, 2016 and 2017, respectively, and accrued the amount of €1,664 k related to interest.

As it intends to challenge the Law and Regulation, Galp Group has accounted for the total value of the liability amounting to €157,820 k under the “Provisions” caption and the respective cost is being deferred under the caption “Other receivables - Deferred costs” over the useful life of the contracts. In the year ended 31 December 2015, the Group recognised in the income statement under the caption Energy sector extraordinary contribution the amount of €26,787 k (Note 9) and the current and non-current captions “Other receivables - Deferred costs” amounts to €23,370 k and €107,663 k, respectively (Note 14).

In the year ended 31 December 2015 the amount of €11,684 k (Note 9) was also paid and recognised in the income statement under the caption Energy sector extraordinary contribution, relating to the National Fund for Energetic Efficiency (“Fondo Nacional de Eficiência Energética (FNEE)”), in relation to the Group companies headquartered in Spain.

iv) €10,256 k as a result of the purchase and sale contract signed between Galp and Endesa relating to the subsidiaries Madrileña Suministro de Gas and Madrileña Suministro de Gas Sur. In accordance with this contract, the selling companies, Petróleos de Portugal – Petrogal, S.A. - Sucursal en España and Galp Energia España, are liable to pay to the buyers, any payments due by the Madrileñas to the distribution companies, as a result of the dispute concerning the differences in pipelines gas measurements (Note 3).

v) €1,844 k to cover the impairment of the assets of the affiliate Moçamgalp Agroenergias de Moçambique, S.A.; and

vi) €2,061 k to cover charges received for the year 2012 made by the Lisbon Port Administration, for the use of the Cabo Ruivo land occupation as claimed by the Company.

The amount of €60 k in the perimeter variation caption is related with the sale agreement of Madrileña Suministro de Gas SL (Note 3b).

26. TRADE PAYABLES

As of 31 December 2015 and 31 December 2014 the amounts recorded in the caption "Trade payables" were as follows:

(€ k)

Captions	December 2015	December 2014
Trade payables - current accounts	367,891	326,179
Trade payables - pending invoices	288,455	571,868
	656,346	**898,047**

The balance of the caption "Trade payables –pending invoices" mainly corresponds to the purchase of crude oil, natural gas and goods in transit at those dates.

27. OTHER FINANCIAL INSTRUMENTS – FINANCIAL DERIVATIVES

The Group use financial derivatives to hedge interest rate risk, market fluctuation risks, particularly the risks of variation in crude oil prices, finished products and refining margins, as well as price variation risk of natural gas and electricity which affect the financial value of the assets and the future cash flows expected from its activities.

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". Commodities financial derivatives that are contracted to hedge changes of fair value or other risks that might affect the profit and loss of the period of customer contracts are designated as "fair value hedges".

In accordance with IFRS 13 an entity must classify the fair value measurement, based on a fair value hierarchy that reflects the meaning of the inputs used in measurement. The fair value hierarchy must have the following levels:

- Level 1 - the fair value of assets or liabilities is based on active liquid market quotation at the date of the statement of financial position;
- Level 2 - the fair value of assets or liabilities is determined through valuation models based on observable market inputs;
- 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 (Level 2) was determined by external and independent financial entities, applying evaluation models (such as "discounted cash flows", Black-Scholes model, Binomial and Trinomial models and Monte-Carlo simulations, among other models depending on the type and characteristics of the financial derivative under analysis) based on generally accepted principles (Level 2).

Futures are traded in the stock exchange and subject to a Clearing House, and as such their valuation is determined by quoted prices (Level 1).

The fair value of the remaining financial derivatives (Swaps, Forwards, Options and Currency Interest Rate Swaps) booked were determined by financial entities using observable market inputs and using generally accepted techniques and models.

Derivative financial instruments portfolio as of 31 December 2015 and 31 December 2014 are detailed as follows:

(€ k)

	Fair Value as at December 2015				Fair Value as at December 2014			
	Assets		Liabilities		Assets		Liabilities	
	current	non-current	current	non-current	current	non-current	current	non-current
Interest rate Financial Derivatives								
Swaps	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commodities Financial Derivatives								
Swaps (Note 17)	4,458	1,041	(29,091)	(2,498)	6,977	405	(14,512)	(838)
Options	-	-	-	-	9	-	(111)	-
Futures (Note 18)	4,241	-	-	-	7,156	-	-	-
	8,699	**1,041**	**(29,091)**	**(2,498)**	**14,142**	**405**	**(14,623)**	**(838)**
Currency Financial Derivatives								
Non-deliverable Forwards	-	-	(277)	-	218	-	-	-
Forwards	-	-	(103)	-	-	-	(521)	-
Currency Interest Rate Swaps	-	-	-	-	2,932	-	-	-
	-	**-**	**(380)**	**-**	**3,150**	**-**	**(521)**	**-**
	8,699	**1,041**	**(29,471)**	**(2,498)**	**17,292**	**405**	**(15,144)**	**(838)**

The MTM (Mark-to-Market) of the derivative financial liabilities amounts to €31,970 k. Of this amount, €29,471 k are classified as current liabilities and will be realised over one year. The amount presented in non-current liabilities, amounting to €2,498 k will be realised over the period of two years (2017).

The accounting impact at 31 December 2015 and 2014 in the income statement is presented in the following table:

(€ k)

	31 December 2015				31 December 2014			
	Income statement			Equity	Income statement			Equity
	Potential (MTM)	Real	MTM+Real	Potential (MTM)	Potential (MTM)	Real	MTM+Real	Potential (MTM)
Interest rate Financial Derivatives								
Swaps	-	-	-	-	-	(1,417)	(1,417)	1,241
	-	**-**	**-**	**-**	**-**	**(1,417)**	**(1,417)**	**1,241**
Commodities Financial Derivatives								
Swaps	(15,309)	(87,294)	(102,603)	-	(14,871)	1,678	(13,193)	-
Options	-	-	-	-	(95)	-	(95)	-
Futures	2,481	28,022	30,504	(1,134)	(2,970)	(22,631)	(25,601)	-
	(12,828)	**(59,272)**	**(72,099)**	**(1,134)**	**(17,936)**	**(20,953)**	**(38,889)**	**-**
Currency Financial Derivatives								
Non-deliverable Forwards	(512)	2,359	1,848	-	198	322	520	-
Forwards	418	(4,773)	(4,355)	-	(606)	(2,260)	(2,866)	-
Currency Interest Rate Swaps	(3,209)	21,916	18,707	-	10,312	3,848	14,160	-
	(3,303)	**19,502**	**16,200**	**-**	**9,904**	**1,910**	**11,814**	**-**
	(16,131)	**(39,770)**	**(55,899)**	**(1,134)**	**(8,032)**	**(20,460)**	**(28,492)**	**1,241**

Note: MTM - variation of the Mark -to-Market from January until the reporting date
Real - value of closed positions.

The potential value of MTM (Mark-to-Market) recognised under the caption "Result from financial instruments" includes the potential value of the interest component of Currency Interest Rate Swaps financial derivatives and Commodities derivatives, in the negative amount of €12,776 k, as shown in the following table:

(€ k)

	December 2015	December 2014
Income on Financial Instruments		
Commodities Financial Derivatives		
Swaps	(15,309)	(14,871)
Options	-	(95)
Futures	2,481	(2,970)
Currency Financial derivatives		
Currency Interest Rate Swaps (Interest)	50	(170)
Other trading operations	**1**	**287**
	(12,776)	**(17,819)**

* Interest component amounting to positive €50 k included in the positive variation of the MTM of the currency derivative amounting to €3,209 k. The negative difference amounting to €3,259 k for the variation of MTM is reflected in Exchange gains/(losses).

The real value of financial derivatives recognised in the "Cost of sales" caption amounts to negative € 59,272 k comprising commodities financial derivatives.

The difference between potential (MTM) and the amount reflected in the table above is recognised in the caption Exchange gains/(losses) in the income statement.

The changes in fair value reflected in Equity, resulting from cash flow hedges, are as follows:

(€ k)

Fair Value changes in Equity	December 2015	December 2014
Group companies	(1,134)	1,241
Non-controlling interests	-	-
	(1,134)	**1,241**
Associates (Equity method)	(42)	(283)
	(1,176)	**958**

Financial derivatives open positions have the following nominal values:

(€ k)

		31 December 2015		31 December 2014	
		Maturity		Maturity	
		< 1 year	> 1 year	< 1 year	> 1 year
Interest rate Financial Derivatives					
Swaps	Buy	-	-	-	-
	Sell	-	-	-	-
Commodities Financial Derivatives					
Swaps	Buy	88,161	13,895	71,529	4,819
	Sell	77,204	10,256	13,339	-
Options	Buy	661	477	4,034	-
	Sell	587	432	3,694	-
Futures	Buy	98,618	7,980	-	-
	Sell	47,742	-	9,592	-
Currency Financial Derivatives					
Non-deliverable Forwards	Buy	29,887	-	12,658	-
	Sell	-	-	-	-
Swaps	Buy	-	-	-	-
	Sell	29,204	-	-	-
Forwards	Buy	-	-	16,033	-
	Sell	-	-	21,966	-
Currency Interest Rate Swaps	Buy	-	-	202,935	-
	Sell	-	-	-	-
		62,590	**11,664**	**258,598**	**4,819**

Note: Equivalent nominal value in thousand Euro.

Galp Group has financial derivatives over commodities recognised as fair value hedge (fair value hedge and cash-flow hedge). These financial derivatives have been contracted for the reduction of risks associated with contracts signed with customers and suppliers. Accordingly, in the income statement there is recorded, under the MTM (Mark-to-market) caption and in Accruals and Deferrals captions the positive amount of €2,711 k, relating to fair value hedge, and in Equity, under the caption Hedging reserves, the negative amount of €1,134 k relating to cash-flow hedge.

Galp Group trades financial instruments denominated as futures. Given their high liquidity, as they are traded on an Exchange, they are classified as financial assets at fair value through profit and loss and included in "Cash and cash equivalents" caption. The gains and losses on commodity futures (Brent, natural gas and electricity) are classified in the caption "Cost of sales". Changes in the fair value of open positions are recorded in financial results. As these futures are traded on an Exchange, subject to a Clearing House, gains and losses are continuously recorded in the income statement.

28. RELATED PARTIES

Balances and transactions with related parties in 2015 and 2014, respectively, were as follows:

Receivables

	2015						(€ k)
		Non-current		Current			
	Total related parties	Loans granted (Note 14)	Other receivables (Nota 14)	Trade receivables	Loans granted (Note 14)	Other receivables (Nota 14)	Accruals and deferrals
Associates							
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	8,019	5,008	-	722	-	2,187	102
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	7,460	-	-	7,460	-	-	-
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	2,850	2,753	-	-	-	50	47
IPG Galp Beira Terminal Lda	1,831	-	-	839	-	992	-
Galp IPG Matola Terminal Lda	1,798	-	-	799	-	999	-
Gasoduto Extremadura, S.A.	1,339	-	-	-	-	-	1,339
Gasoduto Al-Andaluz, S.A.	1,054	-	-	-	-	-	1,054
EMPL - Europe Magreb Pipeline, Ltd	738	-	-	(3)	-	-	741
Terparque - Armazenagem de Combustíveis, Lda.	222	-	-	222	-	-	-
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	41	-	-	19	-	22	-
Tagusgás Propano, S.A.	36	-	-	36	-	-	-
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	15	-	-	3	-	12	-
	25,403	**7,761**	**-**	**10,097**	**-**	**4,262**	**3,283**
Joint ventures							
Ventinveste, S.A.	21,592	21,546	-	17	-	-	29
C.L.C. - Companhia Logística de Combustíveis, S.A.	1,240	-	-	121	-	311	808
Parque Eólico da Penha da Gardunha, Lda.	875	874	-	-	-	-	1
Belem Bioenergia Brasil, S.A.	773	-	-	325	-	448	-
Moçamgalp Agroenergias de Moçambique, S.A.	624	-	-	9	-	615	-
Sigás - Armazenagem de Gás, A.C.E.	175	-	-	55	-	112	8
Caiageste - Gestão de Áreas de Serviço, Lda.	89	-	-	71	-	18	-
Parque Eólico do Douro Sul, S.A.	13	-	-	13	-	-	-
Parque Eólico do Pinhal Oeste, S.A.	3	-	-	3	-	-	-
Parque Eólico da Serra do Oeste, S.A.	3	-	-	3	-	-	-
Parque Eólico de Vale do Chão, S.A.	3	-	-	3	-	-	-
Parque Eólico do Planalto, S.A.	2	-	-	2	-	-	-
Parque Eólico do Cabeço Norte, S.A.	1	-	-	1	-	-	-
Parque Eólico de Vale Grande, S.A.	1	-	-	1	-	-	-
Parque Eólico de Torrinheiras, S.A.	1	-	-	1	-	-	-
Âncora Wind-Energia Eólica,S.A	1	-	-	1	-	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
Tupi B.V.	1	-	-	1	-	-	-
	25,398	**22,420**	**-**	**627**	**-**	**1,505**	**846**
Assets held for sale and other related parties							
Tip Top Energy, SARL	723,165		-	-	722,936	-	229
Adene - Agência para a Energia, S.A.	92	90	-	1	-	1	-
ADEPORTO Agência de Energia do Porto	90	-	90	-	-	-	-
Cooperativa de Habitação da Petrogal , CRL	53	-	-	-	-	53	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	24	-	-	24	-	-	-
Portugal Ventures	1	-	-	1	-	-	-
PME Ventures	1	-	-	1	-	-	-
	723,426	**90**	**90**	**27**	**722,936**	**54**	**229**
	774,227	**30,271**	**90**	**10,751**	**722,936**	**5,821**	**4,358**

		Non-current		Current			
2014 (€ k)	Total related parties	Loans granted (Note 14)	Other receivables (Nota 14)	Trade receivables	Loans granted (Note 14)	Other receivables (Nota 14)	Accruals and deferrals
Associates							
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	9,787	4,358	3,916	609	-	281	623
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	8,688	-	-	7,747	-	941	-
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	5,557	2,753	-	-	-	2,779	25
Galp IPG Matola Terminal Lda	941	-	-	45	-	896	-
IPG Galp Beira Terminal Lda	935	-	-	45	-	890	-
Gasoduto Extremadura, S.A.	891	-	-	-	-	-	891
Gasoduto Al-Andaluz, S.A.	676	-	-	-	-	-	676
Metragaz, S.A.	244	-	-	-	-	65	179
EMPL - Europe Magreb Pipeline, Ltd	216	-	-	(3)	-	-	219
Terparque - Armazenagem de Combustíveis, Lda.	214	-	-	214	-	-	-
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	54	-	-	4	-	50	-
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	24	-	-	1	-	23	-
Tagusgás Propano, S.A.	3	-	-	3	-	-	-
	28,230	**7,111**	**3,916**	**8,665**	**-**	**5,925**	**2,613**
Joint ventures							
Ventinveste, S.A.	20,553	20,474	-	45	-	4	30
C.L.C. - Companhia Logística de Combustíveis, S.A.	1,561	-	-	347	-	310	904
Parque Eólico da Penha da Gardunha, Lda.	849	848	-	-	-	-	1
Belem Bioenergia Brasil, S.A.	634	-	-	62	-	448	124
Moçamgalp Agroenergias de Moçambique, S.A.	619	-	-	4	-	615	-
Parque Eólico do Douro Sul, S.A.	11	-	-	10	-	1	-
Parque Eólico do Pinhal Oeste, S.A.	5	-	-	4	-	1	-
Caiageste - Gestão de Áreas de Serviço, Lda.	5	-	-	2	-	3	-
Parque Eólico da Serra do Oeste, S.A.	4	-	-	3	-	1	-
Parque Eólico do Planalto, S.A.	3	-	-	2	-	1	-
Parque Eólico de Vale do Chão, S.A.	2	-	-	1	-	1	-
Parque Eólico de Vale Grande, S.A.	2	-	-	1	-	1	-
Parque Eólico do Cabeço Norte, S.A.	1	-	-	-	-	1	-
Parque Eólico de Torrinheiras, S.A.	1	-	-	-	-	1	-
Âncora Wind-Energia Eólica,S.A	1	-	-	-	-	1	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
Tupi B.V.	1	-	-	1	-	-	-
	24,253	**21,322**	**-**	**482**	**-**	**1,390**	**1,059**
Assets held for sale and other related parties							
Tip Top Energy, SARL	889,858	170,954	-	-	718,904	-	-
Adene - Agência para a Energia, S.A.	63	-	91	(28)	-	-	-
Cooperativa de Habitação da Petrogal , CRL	53	-	-	-	-	53	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	29	-	-	19	-	10	-
Fundação Galp Energia	22	-	-	(9)	-	31	-
ENI, S.p.a.	19	-	-	92	-	-	(73)
Portugal Ventures	1	-	-	1	-	-	-
Other Companies	18	-	-	-	-	18	-
	890,063	**170,954**	**91**	**75**	**718,904**	**112**	**(73)**
	942,546	**199,387**	**4,007**	**9,222**	**718,904**	**7,427**	**3,599**

Current and non-current loans granted to associates, joint ventures and related companies as of 31 December 2015 refer essentially to loans granted to the following entities:

(€ k)

	Current Assets - Loans granted (Note 14)	Non-current Assets - Loans granted (Note 14)	Interests related to loans granted (Note 8)
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	-	2,753	45
Parque Eólico da Penha da Gardunha, Lda.	-	874	27
Ventinveste, S.A.	-	21,546	672
by Galp Gás & Power, SGPS, S.A.	**-**	**25,173**	**744**
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	-	5,008	341
by Galp Gás Natural Distribuição, S.A.	**-**	**5,008**	**341**
Tip Top Energy, SARL	722,936	-	4,084
by Galp Sinopec Brazil Services (Cyprus) Limited	**722,936**	**-**	**4,084**
	722,936	**30,181**	**5,169**

The loan that Galp Group granted to Tip Top Energy, SARL on 28 March 2012, bears interest at 3 months LIBOR rate plus "spread", renewed every 3 months, until September 2017.

The changes noted in the caption Loans granted to Tip Top Energy, SARL, since the signature of the contract until 31 December 2015 are as follows:

	USD	Exchange rate 31/12/2015	(€ k)
Loan 28/03/2012	1,228,626,253.42	1,0887	1,128,526
Interest capitalisation	63,454,505.23	1,0887	58,285
Received interests	(61,012,962.89)	1,0887	(56,042)
Partial receipts	(444,007,500.00)	1,0887	(407,833)
Other receivables (Note 14)	**787,060,295.76**	**1,0887**	**722,936**

The loan granted to Tip Top (Sinopec Group) resulted after the capital increase made by this entity in Galp Group companies, but was not conditional on completion of the capital increase realised by Winland (Sinopec Group) in Galp companies. It was decided that the funds arising from the capital increase would be lent to shareholders (70% Galp, 30% Sinopec) as the expenditures to be made in Brazil were not immediately necessary.

The amount of the capital increase in Galp Sinopec was designed to meet all the CAPEX needs (investment) in Brazil. As the CAPEX is invested in Brazil, the shareholders of Galp Sinopec will gradually return the loans, and accordingly the balances receivable from Tip Top have been reducing. The balances of the loan have been reducing less than expected, as a result of a more efficient investment than anticipated, a much higher Brent price between 2012 and 2014, and due to a stronger USD (the conversion of this loan in USD to Euro inflates the balance reported in Euro).

In respect of the credit risk of the balance, Sinopec has equity at December 2015 amounting to 127 billion Euros and ratings of AA- (S&P) and Aa3 (Moody's). Neither Sinopec demanded guarantees from Galp nor Galp Sinopec benefits from any guarantee from Sinopec. The loan agreement has an "Unsecured loan" format without any condition that might imply the transfer of ownership of the shares.

In the year ended 31 December 2015, an amount of €4,084 k was recorded in caption interest on loans granted to related companies (Note 8 and Note 14).

The remaining loans bear interests at market rates and do not have a defined repayment plan.

Payables

		Non-current		Current			
2015 (€ k)	Total related parties	Loans obtained (Note 24)	Other payables (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associates							
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	1,266	-	-	-	1,019	-	247
EMPL - Europe Magreb Pipeline, Ltd	899	-	-	-	899	-	-
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	133	-	-	-	-	133	-
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	23	-	-	-	-	23	-
Terparque - Armazenagem de Combustíveis, Lda.	12	-	-	-	12	-	-
	2,333	**-**	**-**	**-**	**1,930**	**156**	**247**
Joint ventures							
C.L.C. - Companhia Logística de Combustíveis, S.A.	45,538	-	-	-	45,538	-	-
Sigás - Armazenagem de Gás, A.C.E.	387	-	-	-	151	-	236
Moçamgalp Agroenergias de Moçambique, S.A.	5	-	-	-	5	-	-
	45,930	**-**	**-**	**-**	**45,694**	**-**	**236**
Assets held for sale and other related parties							
Winland International Petroleum, SARL (W.I.P.)	181,620	172,842	-	-	-	3,151	5,627
Amorim Energia,B.V.	271	-	121	-	-	-	150
SABA - Sociedade Abastecedora de Aeronaves, Lda.	40	-	-	-	40	-	-
Other Companies	710	-	-	365	-	345	-
	182,641	**172,842**	**121**	**365**	**40**	**3,496**	**5,777**
	230,904	**172,842**	**121**	**365**	**47,664**	**3,652**	**6,260**

The amount of €172,842 k recorded as non-current payable to Winland International Petroleum, SARL (W.I.P.) is a loan obtained by the subsidiary Petrogal Brasil, S.A. (Note 24), which bears interests at market rates with a defined 10 year repayment plan.

	2014					(€ k)
		Non-current	Current			
	Total related parties	Loans obtained (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associates						
EMPL - Europe Magreb Pipeline, Ltd	4,883	-	-	4,883	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	3,252	-	-	2,620	-	632
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	2,752	-	-	-	2,752	-
Gasoduto Extremadura, S.A.	2,057	-	-	2,057	-	-
Gasoduto Al-Andaluz, S.A.	2,012	-	-	2,012	-	-
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	48	-	-	-	48	-
Terparque - Armazenagem de Combustíveis, Lda.	4	-	-	4	-	-
	15,008	**-**	**-**	**11,576**	**2,800**	**632**
Joint ventures						
C.L.C. - Companhia Logística de Combustíveis, S.A.	51,733	-	-	51,733	-	-
Tupi B.V.	18,613	-	-	-	18,613	-
Asa - Abastecimento e Serviços de Aviação, Lda.	113	-	-	113	-	-
Moçamgalp Agroenergias de Moçambique, S.A.	5	-	-	5	-	-
	70,464	**-**	**-**	**51,851**	**18,613**	**-**
Assets held for sale and other related parties						
Winland International Petroleum, SARL (W.I.P.)	159,883	154,990	-	-	-	4,893
Amorim Energia,B.V.	271	-	-	-	-	271
ENI, S.p.a.	126	-	-	26	(11)	111
Central-E, S.A.	11	-	-	11	-	-
PME Ventures	(1)	-	-	-	(1)	-
Other Companies	1,600	-	365	-	1 235	-
	161,890	**154,990**	**365**	**37**	**1,223**	**5,275**
	247,362	**154,990**	**365**	**63,464**	**22,636**	**5,907**

(€ k)

	2015				
	Purchases	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associates					
Galp IPG Matola Terminal Lda	-	-	(799)	-	-
IPG Galp Beira Terminal Lda	-	-	(794)	-	-
Terparque - Armazenagem de Combustíveis, Lda.	-	1,788	(745)	-	-
EMPL - Europe Magreb Pipeline, Ltd	70,385	-	(522)	-	-
Gasoduto Extremadura, S.A.	-	-	(448)	-	-
Gasoduto Al-Andaluz, S.A.	-	-	(378)	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	-	5,047	(93)	-	(341)
Tagusgás Propano, S.A.	-	-	(91)	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	-	(52)	-	-
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	-	-	-	-	(45)
	70,385	**6,835**	**(3,922)**	**-**	**(386)**
Joint ventures					
C.L.C. - Companhia Logística de Combustíveis, S.A.	-	14,813	(1,606)	-	-
Sigás - Armazenagem de Gás, A.C.E.	-	1,131	(1,295)	-	-
Belem Bioenergia Brasil, S.A.	-	-	(288)	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	-	30	(277)	-	-
Ventinveste, S.A.	-	-	(135)	-	(672)
Parque Eólico do Douro Sul, S.A.	-	-	(61)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	-	(21)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	-	(17)	-	-
Parque Eólico de Vale do Chão, S.A.	-	-	(10)	-	-
Parque Eólico do Planalto, S.A.	-	-	(9)	-	-
Parque Eólico de Vale Grande, S.A.	-	-	(3)	-	-
Parque Eólico do Cabeço Norte, S.A.	-	-	(1)	-	-
Parque Eólico de Torrinheiras, S.A.	-	-	(1)	-	-
Âncora Wind-Energia Eólica,S.A	-	-	(1)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	-	1,531	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	-	(27)
	-	**17,505**	**(3,725)**	**-**	**(699)**
Assets held for sale and other related parties					
SABA - Sociedade Abastecedora de Aeronaves, Lda.	-	499	(148)	-	-
Fundação Galp Energia	-	-	(45)	-	-
Portugal Ventures	-	-	(24)	-	-
Adene - Agência para a Energia, S.A.	-	-	(11)	-	-
PME Ventures	-	-	(9)	-	-
Amorim Energia,B.V.	-	520	-	-	-
Tip Top Energy, SARL	-	-	-	-	(4,084)
Winland International Petroleum, SARL (W.I.P.)	-	-	-	7,898	-
	-	**1,019**	**(237)**	**7,898**	**(4,084)**
	70,385	**25,359**	**(7,884)**	**7,898**	**(5,169)**

(€ k)

	2014				
	Purchases	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associates					
Galp IPG Matola Terminal Lda	-	-	(941)	-	-
IPG Galp Beira Terminal Lda	-	-	(935)	-	-
Terparque - Armazenagem de Combustíveis, Lda.	-	2,011	(740)	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	-	9,788	(725)	-	(318)
EMPL - Europe Magreb Pipeline, Ltd	68,861	-	(461)	-	-
Metragaz, S.A.	-	-	(458)	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	-	(86)	-	-
Gasoduto Al-Andaluz, S.A.	12,073	-	(33)	-	-
Gasoduto Extremadura, S.A.	12,341	-	(6)	-	-
Tagusgás Propano, S.A.	-	-	(6)	-	-
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	-	-	-	-	(52)
	93,275	**11,799**	**(4,391)**	**-**	**(370)**
Joint ventures					
C.L.C. - Companhia Logística de Combustíveis, S.A.	-	15,951	(1,787)	-	-
Belem Bioenergia Brasil, S.A.	-	-	(740)	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	-	-	(229)	-	-
Ventinveste, S.A.	-	-	(111)	-	(698)
Parque Eólico do Douro Sul, S.A.	-	-	(42)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	-	(21)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	-	(17)	-	-
Parque Eólico do Planalto, S.A.	-	-	(9)	-	-
Parque Eólico de Vale do Chão, S.A.	-	-	(7)	-	-
Parque Eólico de Vale Grande, S.A.	-	-	(3)	-	-
Parque Eólico do Cabeço Norte, S.A.	-	-	(1)	-	-
Parque Eólico de Torrinheiras, S.A.	-	-	(1)	-	-
Âncora Wind-Energia Eólica,S.A	-	-	(1)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	-	1,261	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	-	(28)
	-	**17,212**	**(2,969)**	**-**	**(726)**
Assets held for sale and other related parties					
ENI, S.p.a.	-	-	(61,555)	-	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	-	486	(155)	-	-
Fundação Galp Energia	-	-	(67)	-	-
Portugal Ventures	-	-	(28)	-	-
Adene - Agência para a Energia, S.A.	-	-	(23)	-	-
PME Ventures	-	-	(11)	-	-
Central-E, S.A.	-	137	-	-	-
Winland International Petroleum, SARL (W.I.P.)	-	-	-	7,103	-
Amorim Energia,B.V.	-	1,046	-	-	-
Tip Top Energy, SARL	-	-	-	-	(14,120)
	-	**1,669**	**(61,839)**	**7,103**	**(14,120)**
	93,275	**30,680**	**(69,199)**	**7,103**	**(15,216)**

29. REMUNERATION OF THE BOARD

The remuneration of the board members of Galp for the years ended 31 December 2015 and 2014 is detailed as follows:

(€ k)

	December 2015						December 2014					
	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
Board members of Galp Energia SGPS												
Executive management	3,832	807	297	2,848	58	7,842	3,711	803	292	2,783	178	7,767
Non-executive management	530	-	-	-	-	530	695	-	-	-	-	695
Supervisory board	79	-	-	-	-	79	92	-	-	-	-	92
General Assembly	4	-	-	-	-	4	2	-	-	-	-	2
	4,445	**807**	**297**	**2,848**	**58**	**8,455**	**4,500**	**803**	**292**	**2,783**	**178**	**8,556**
Board members of subsidiaries												
Executive management	1,506	-	-	-	28	1,534	1,886	-	4	(2)	-	1,888
General Assembly	10	-	-	-	-	10	-	-	-	-	-	-
	1,516	**-**	**-**	**-**	**28**	**1,544**	**1,886**	**-**	**4**	**(2)**	**-**	**1,888**
	5,961	**807**	**297**	**2,848**	**86**	**9,999**	**6,386**	**803**	**296**	**2,781**	**178**	**10,444**

Of the amounts of €9,999 k and €10,444 k, recorded in the year ended 31 December 2015 and 2014 respectively, €9,480 k and €9,157 k were recorded as personnel costs (Note 6) and €519 k and €1,287 k were recorded as external supplies and services.

In accordance with the current policy, remuneration of the Galp Corporate Board members includes all the remuneration due for the positions occupied in Group companies and all accrued amounts related to the current year.

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 non-executive) of the entity. According to Galp's interpretation of this standard only the members of the Board of Directors meet these characteristics.

In the Corporate Governance Report the amount presented differs from the amount recognised as expense in the year, as it is presented on cash flow basis, as shown in the following reconciliation:

(€ k)

	Corporate Governance Report						Variation in accruals/deferrals for the year					Other costs not included in the Corporate Governance Report				Note 29 of the Notes to the Financial Statements December 2015					
	Salary	Pension plans	Allowances for rent, travel expenses and others	Variable remuneration	Other charges and adjustments	Total	Fixed remuneration	Pension plans	Pluri-annual Bonuses	Other charges and adjustments	Total	Salary	Bonuses	Other charges and adjustments	Total	Salary	Pension fund	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
Board members of Galp Energia SGPS																					
Executive management	3,784	803	297	1,108	53	6,045	48	4	1,740	5	1,797	-	-	-	-	3,832	807	297	2,848	58	7,842
Non-executive management	598	-	-	-	-	598	(68)	-	-	-	(68)	-	-	-	-	530	-	-	-	-	530
Supervisory board	93	-	-	-	-	93	(14)	-	-	-	-	-	-	-	-	79	-	-	-	-	79
General Assembly	4	-	-	-	-	4	-	-	-	-	-	-	-	-	-	4	-	-	-	-	4
	4,479	803	-	1,108	53	6,740	(34)	4	1,740	5	1,729	-	-	-	-	4,445	807	297	2,848	58	8,455
Board members of subsidiaries																					
Executive management	-	-	-	-	-	-	-	-	-	-	-	1,506		28	1,534	1,506	-	-	-	28	28
General Assembly	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	10	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	1,516	-	28	1,534	1,516	-	-	-	28	28
	4,479	803	-	1,108	53	6,740	(34)	4	1,740	5	1,729	1,516	-	28	1,534	5,961	807	297	2,848	86	9,999

30. DIVIDENDS

In accordance with the deliberation of the General Meeting of Shareholders held on 16 April 2015, dividends amounting to €208,765k relating to the distribution of net result for the year 2014 and €77,824 k relating to the retained earnings, totaling €286,589 k, corresponding to a dividend of €0.3456 per share were attributed to the shareholders of Galp Energia, SGPS, S.A.. Dividends were distributed and paid amounting to € 143,295 k on 18 September 2014 and the remaining € 143,294 k were paid on 12 May 2015.

Additionally the Board of Directors approved the payment of interim dividends amounting to €171,954 k, which were fully paid on 24 September 2015.

In the year ended 31 December 2015 dividends amounting to €2,963 k were paid by subsidiaries of the Galp group to minority shareholders (Note 21).

As a consequence of the above, during the year ended 31 December 2015, the Group paid dividends amounting to €318,211 k.

31. OIL AND GAS RESERVES

Information regarding Galp'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.

Information on reserves can be found in the attached document entitled "Supplementary Information on Oil and Gas (unaudited)".

32. FINANCIAL RISK MANAGEMENT

Risk Management

Galp is exposed to several types of market risks (price risk, exchange rate risk and interest rate risk) inherent to the oil and natural gas industries, which affect the Group's financial results. The main market risks result from fluctuation of the crude oil price, its derivatives and the exchange rate.

Galp discloses in the Management Report a chapter on Risk Management and the main risks to which the Group is exposed including operating risks, not mentioned in this document.

Market risks

a) Commodities price risk

Due to the nature of its business, Galp is exposed to the risk of volatility of the international price of crude oil, of its derivatives and of natural gas and electricity. The frequent fluctuations in the price of crude oil and refined products generate uncertainty and have a significant impact on operating results.

The Company partially controls this risk through the derivatives market for oil and natural gas, to protect the refining margin and inventories from adverse market changes.

In respect of the natural gas and electricity activities, the Group partially controls this risk through the establishment of natural gas and electricity purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

b) Exchange rate risk

The US dollar is the currency used as reference price in the oil and natural gas markets. Since Galp prepares its financial statements in Euros, this factor, among others, exposes its operations to exchange rate risk. Given that the operating margin is mainly related to US dollars, the Company is exposed to fluctuations in the exchange rates, which can contribute positively or negatively to income and margins.

Since this is a currency risk associated to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the statement of financial position and cash flows. The level of exposure of cash flows and especially the statement of financial position is a function of the price levels of oil and natural gas.

As a result of the above, Galp controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The purpose of exchange rate risk management is to limit the uncertainty resulting from variations in exchange rates. Hedging debits and credits based on market speculation is not permitted. As of 31 December 2015, Galp Group held derivatives to hedge the exchange rate risk (Note 27).

c) Interest rate risk

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

As at 31 December 2015 Galp did not hold interest rate derivatives in its subsidiaries.

Sensitivity analysis performed to market risks resulting from financial instruments, as required by IFRS 13

The analysis prepared by the Group in accordance with IFRS 7 and IFRS 13 is intended to illustrate the sensitivity of profit before taxes and of equity to potential variations in the Brent or natural gas and electricity prices, exchange rates and interest rates of financial instruments, as defined in IAS 32, such as financial assets and liabilities and financial derivatives reflected on the statement of financial position as of 31 December 2015 and 2014. The financial instruments affected by the above mentioned market risks include Trade receivables, Other receivables, Trade payables, Other payables, Loans, Cash and Financial derivatives. When cash flow hedges are applied, fair value is recorded in the equity caption "Hedging reserves" only if it is shown that the hedge is efficient.

There may be financial instruments with more than one market risk, in which case the sensitivity analysis is performed for each variable at a time, the others remaining constant, therefore ignoring any correlation between them, which is unlikely to occur.

Sensitivity analyses do not include the impact of current or deferred taxes, which could reduce the presented variations, depending on the tax laws in the various geographic areas where the Group operates, as well as fiscal conditions for each company.

Foreign currency investments were not included in the analysis as the Group does not record them at fair value as defined in IAS 39.

Fluctuations of monetary balances in foreign currencies may directly affect the caption "Translation reserves" included in Equity in Galp Group's consolidated financial statements, if those monetary balances are stated in the same functional currency of the individual company under analysis.

Therefore, the sensitivity analysis is illustrative and does not represent actual current loss or gain, or other current variations in equity.

The following assumptions were considered in the sensitivity analysis of exchange rates:

- Exchange rate variation of +/- 10% (the variation considered in the 2014 financial statements was of 1%);

- The sensitivity analysis includes significant balances in foreign currency relating to Trade receivables, Other receivables, Trade payables, Other payables, Loans, Financial derivatives and Cash.

The sensitivity analysis performed on exchange rates, presented in the statement of financial position, is as follows:

(€ k)

		2015					2014				
			Income statement		Equity			Income statement		Equity	
		Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests	Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests
Investments - Depreciation/(appreciation) of x% of the EUR versus USD	+10%	1,493,714	530	-	144,131	4,711	1,377,725	2,226	-	135,320	226
	-10%		(530)	-	(144,131)	(4,711)		(2,226)	-	(135,320)	(226)
Investments - Depreciation/(appreciation) of x% of the BRL versus USD and versus EUR (a)	+10%	30,562	2,493	1,068	2,139	917	27,742	2,004	859	1,942	832
	-10%		(2,493)	(1,068)	(2,139)	(917)		(2,004)	(859)	(1,942)	(832)
Loans - Depreciation/(appreciation) of x% of the EUR versus USD	+10%	265,730	-	-	(26,573)	-	268,512	-	-	(26,851)	-
	-10%		-	-	26,573	-		-	-	26,851	-
Derivatives - Depreciation/(appreciation) of x% of the EUR versis USD (a)	+10%	15,375	(1,538)	-	-	-	4,990	499	-	293	-
	-10%		1,538	-	-	-		(499)	-	(293)	-
Trade payables - Depreciation/(appreciation) of x% of the EUR versus USD	+10%	132,880	(13,288)	-	-	-	136,741	(13,661)	-	-	-
	-10%		13,288	-	-	-		13,661	-	-	-
Trade receivables - Depreciation/(appreciation) of x% of the EUR versus USD	+10%	791,000	6,343	889	6,840	2,932	981,057	11,327	931	60,503	25,930
	-10%		(6,343)	(889)	(6,840)	(2,932)		(11,327)	(931)	(60,503)	(25,930)
Trade payables - Depreciation/(appreciation) of x% of the BRL versus USD and versus EUR (b)	+10%	172,683	-	-	(12,088)	(5,180)	154,847	-	-	(10,839)	(4,645)
	-10%		-	-	12,088	5,180		-	-	10,839	4,645

(a) Includes derivatives drawn in USD. Exposure over exchange rate variability of Mark-to-Market.

(b) Includes 10% variation in the exchange rate of BRL to USD, and 10% variation in the exchange rate of USD to EUR.

The following assumptions were considered in the commodities price sensitivity analysis:

- Price variation of +/- 10% of the price of the commodity (the variation considered in the 2014 financial statements was of 1%);

- Correlation between market risks was ignored;

- A sensitivity analysis was made for balances relating to financial derivatives over commodities.

The effect of changes in the proved oil reserves as a result of changes in the Brent price was not calculated.

Commodity "Brent Futures" were not considered in the sensitivity analysis performed on the commodity price derivatives, as these have monthly maturity.

A summary of the sensitivity analysis for the commodities price reflected on the statement of financial position is presented below:

(€ k)

		2015					2014				
		Income statement			Equity		Income statement			Equity	
		Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests	Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests
Variation in the price of the underlying derivatives on natural gas commodities (a)	+10%	(10,486)	172	-	-	-	(11,702)	2,225	-	-	-
	-10%		(172)	-	-	-		(1,781)	-	-	-
Variation in the price of the underlying derivatives on oil commodities	+10%	(16,475)	6,101	-	-	-	4,640	(873)	-	-	-
	-10%		(6,101)	-	-	-		873	-	-	-
Variation in the price of the underlying derivatives on other commodities	+10%	5,111	584	-	-	-	6,009	730	-	-	-
	-10%		(584)	-	-	-		(730)	-	-	-

(a) Excludes impacts of derivatives classified as fair value hedge and cash flow hedge.

The following assumptions were considered in the interest rate sensitivity analysis:

- Parallel shift of 0.5% in the time structure of interest rates;

- Analysis of interest rate risk includes variable interest rate loans and interest rate financial derivative;

- The income before taxes is affected by the interest rate risk sensitivity analysis, except for interest rate financial derivatives classified as cash flow hedges, in which the sensitivity analysis, if within the required efficiency parameters, affects Equity.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

(€ k)

		2015					2014				
		Income statement			Equity		Income statement			Equity	
		Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests	Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests
Loans- parallel shift in interest rate	+0,5%	3,490,216	(10,325)	(63)	-	-	3,607,767	(11,216)	(124)	-	-
	-0,5%		10,325	63	-	-		11,216	124	-	-
Applications-parallel shift in interest rate (a)	+0,5%	3,490,216	6,939	224	-	-	1,837,044	9,039	-	-	-
	-0,5%		(6,939)	(224)	-	-		(9,039)	-	-	-

(a) Includes outstanding balances with entity Tip Top (Sinopec).

The analysis was not affected by interest rate derivatives as the referred derivatives were not noted in its subsidiaries, but only in the associates and joint ventures.

Liquidity risk

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

Galp Group finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans. The Group has access to credit amounts that are not fully used but that are at its disposal. These credits can cover all loans that are repayable in 12 months. The available short term lines of credit that are not being used, amount to 1.2 billion Euros as of 31 December 2015, and 1.2 billion Euros as of 31 December 2014, and are sufficient to meet any immediate demand. In addition to these credits, the Group has approximately 1.1 billion Euros of cash and cash equivalents, as stated in the statement of financial position, as of 31 December 2015,, and 1.1 billion Euros as of 31 December 2014 which combined with the credit facilities amounts to 2.3 billion Euros of liquidity as of 31 December 2015, and 2.3 billion Euros as of 31 December 2014, respectively.

Credit risk

Credit risk results from potential non-compliance by third parties of contractual obligations to pay and so the risk level depends on the financial credibility of the counterparty. In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Galp and are implemented in the various business segments. The credit risk limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk.

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

Insurance Claim Risk

Galp Group has insurance contracts in place to reduce its exposure to various risks resulting from insurance claims that may occur during the pursuit of its activities, as follows:

- Property insurance - covering risks of Material Damages, Machinery Breakdown, Loss on Exploration and Construction;

- General liability insurance - covering risks of general activity (on-shore), risks related to maritime activities (off-shore), aviation risks, environmental risks and management risks (Directors & Officers);

- People insurance - covering risks of work accidents, personal accidents, life and health;

- Financial Insurance - covering credit risk, collateral and theft;

- Transportation Insurance - covering all risks related to cargo and hull;

- Other insurances - covering vehicles, travel, etc.

33. CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

Regarding the contract termination process related to the construction of the"Sacor II" ship and following the decision of the arbitration court, the manufacturer was ordered to pay the sum of €3,904 k (€2,886 k plus interest). On 3 April 2013, the Insolvency Administrator filed for closure and liquidation of the manufacturing company. As of 31 December 2015, the effective liquidation from the sale of the assets is pending. Due to uncertainty regarding the amount receivable resulting from liquidation, the amount receivable has not recorded in the financial statements for the year ended 31 December 2015.

Contingent liabilities

As of 31 December 2015, the Company and its subsidiaries had the following contingent liabilities:

i) Several municipal councils are demanding payments (liquidations and executions) amounting to €2,519 k, relating to licences for sub-soil usage for underground gas pipes by the natural gas distribution and supply concessions. As the Group companies do not agree with the municipal councils, they have contested the settlements demanded by municipal councils at the Fiscal Administrative Court, with the requests for suspension of the execution being agreed, and the execution suspended until a final and non-appealable decision is given. Guarantees have been provided for these processes.

In the course of negotiating the Concession Contract between the General Directorate for Energy and Geology (“Direção Geral de Energia e Geologia”) and concessionary companies of the Group, it was agreed, among other matters, that the Concessionaire has the right to charge, on to the entities selling natural gas and to the final consumers, the full amount of the subsoil usage levies assessed by the municipalities in the areas conceded under the previous concession contract but not yet paid or contested legally by the Concessionaire if such payment is considered to be mandatory by the competent authority, after issuance of the sentence, or after express prior consent of the Conceding entity. The subsoil usage levies paid each year will be reflected on the entities supplying gas that use the infrastructures or on the final consumers served by them, during the subsequent years, under the conditions to be defined by ERSE. The subsoil occupation levies will be assessed for each municipality, based on the amount charged by it;

Given the fact that eventual levies to be paid and interest to be paid can be passed on to customers, the Group has decided not to recognise any liabilities concerning this issue.

As of 31 December 2015 the amounts paid to Municipal Councils and charged to customers related to subsoil usage levies are as follows (the transfer conditions, including the amount to be recovered each year, the number of years of transfer and unit values for customers are governed by ERSE):

Settled amount	Subsoil levies - current account interests	Amounts invoiced to customers	Amount to be received (Note 14)
107,458	3,854	(58,494)	52,818

The amount to be received bears interests at the 3 month Euribor plus a spread stipulated by ERSE.

ii) As of 31 December 2015, a legal proceeding concerning a contractual breach has been filed by Dourogás Propano, S.A. against the Group, asking for compensation amounting to approximately €1,463 k. The Board of Directors, supported by its legal advisors, believes that the process will not result in any liability for the Group, which is the reason why no provision was recorded. It should be noted that the favourable decisions issued by the 1st and 2nd instance courts reinforce the probability of success;

iii) As of 31 December 2015, a legal proceeding was filed concerning unfair competition in natural gas amounting to €4,008 k. The Board of Directors, supported by its legal advisors, believes that the process will not result in any liability for the Group;

iv) As of 31 December 2015 legal proceeding concerning the licensing process for the Sines combined cycle natural gas power plant has been filed by Endesa Generación Portugal, S.A. against the Ministry of Economy and Innovation, against the best interests of Galp Power, SGPS, S.A. Galp Power, SGPS, S.A. has requested the impeachment of this lawsuit. The Board of Directors, supported by its legal advisors, believes that no liabilities will result from this process;

v) A legal proceeding which was brought against the Group by a subcontractor in relation to the construction of “Sacor II” ship amounting to a total of €2,274 k, is currently suspended at the Lisbon Maritime Court, due to declaration of insolvency by the manufacturer on 6 February 2013. The Board of Directors, supported by its legal advisors believes that it is not possible to determine the responsibilities that may arise to the subsidiary Sacor Maritima SA as a result of that process, but considers the chances of a condemnation to be reduced;

vi) Additional Corporate Income Tax and Personal Income Tax assessments amounting to €35,962 k for which provisions of €21,769 k and €7,394 k, respectively, were booked (Note 9 and 25);

vii) Related with the agreement celebrated with Matosinhos Municipality Council as of 14 June 2013, there may arise some liabilities associated with the decontamination process of the soils, before the final disposal of the plots to the Matosinhos Municipality Council. To this date, the Company has no information to enable it to estimate the amount of such liabilities since the necessary studies and assessments have not yet been prepared.

Other financial commitments

The Group's financial commitments not included in the statement of financial position as of 31 December 2015 are:

i) € 288,409 k, €8,245 k and €25,621 k related to the liability for past services covered by the Petrogal, Sacor Marítima and GDP Group Pension Funds, respectively, which are covered by the assets of the respective funds amounting to € 285,777 k, €7,492 k and €24,340 k, respectively (Note 23);

ii) €23,344 k related to purchase orders of tangible assets that have not yet been received;

iii) Galp Gas & Power, SGPS, S.A., previously named GDP – Gás de Portugal, SGPS, S.A., as shareholder of Ventinveste, S.A. has the commitment and responsibility under the contract and other agreements made with DGEG to fully comply and on a timely basis with 1/3 of the obligations of the wind farm project, consisting of the promotion, construction and operation of the Wind Farms.

The contractual obligations are safeguarded by an autonomous, unconditional first demand bank guarantee amounting to €25,332 k and by a pledge given by the shareholders, Galp Gas & Power, SGPS, S.A., Martifer SGPS S.A. and Martifer Renewables, SGPS, S.A. divided in equal parts, corresponding to approximately 10% of the total Direct Investment, amounting to €50,665 k. The amount of the guarantee will be reduced in each semester based on the contracted investment in the preceding semester;

iv) Galp Group has bank loans that in some cases have covenants that can, if triggered by banks, lead to early repayment of the borrowed amounts. As of 31 December 2015, the Medium/Long term debt amounted to 3.1 billion euros. From this total, the contracts concerning "covenants" correspond to 0.7 billion euros. The existing covenants in Galp Group are designed essentially to ensure compliance with financial ratios that monitor the financial position of the Company, including its ability to repay the debt service. The Total Net Debt to consolidated EBITDA ratio is the most frequently used and as at 31 December 2015 was 1.55x in accordance with the methodology stated in the contracts. The actual ratio amount is a lower value than that stipulated by all contracts, which in general terms is of 3.5 – 3.75 x EBITDA;

v) Galp Group has non-current contracts with Gas suppliers and Gas clients, which guarantee a minimum of acquisitions and sales, guaranteeing a good operational performance.

Guarantees granted

As of 31 December 2015, responsibilities with guarantees granted amounted to €342,315 k and included essentially the following:

i) Guarantees, mainly undated, amounting to €57,866 k in benefit of the Tax Administration;

ii) Guarantee issued, undated, amounting to €30,000 k in benefit of EDP – Distribuição, to guarantee contractual access to networks operated by EDP Distribuição, in order for the Group to supply electricity in the Portuguese market;

iii) Guarantees amounting to €8,577 k in benefit of city councils regarding subsoil occupation levies;

iv) Guarantees amounting to €9,228 k in benefit of ENMC-Entidade Nacional para o Mercado de Combustíveis, E.P.E.. In January 2015 Galp was notified by the Competition Authority to make a payment of €9,2 M due to fines resulting from gas containers competition issues. Galp considered the fine to be groundless and appealed legally. On 4 January 2016 the Competition Court reduced the fine applied by 55%. Galp does not agree with the condemnation based on purely formal grounds , therefore intends to appeal this decision, however a provision has been recognised amounting to €4,180 k relating to the responsibilities for fines applied by the Competition Authority (Note 25);

v) Guarantees issued for one year, amounting to €12,459 k in benefit of Oil Insurance, Ltd;

vi) Guarantees amounting to €7,749 k in benefit of Directorate General for Customs ("Direção Geral das Alfândegas");

vii) Guarantees, undated, amounting to €7,000 k in benefit of the Portuguese State with respect to the obligations and duties resulting from the Concession Contract to operate the natural gas regional distribution networks of Lisboagás, GDL – Sociedade Distribuidora de Gás Natural de Lisboa S.A., Lusitaniagás – Companhia de Gás do Centro, S.A., Beiragás– Companhia de Gás das Beiras, S.A. and Setgás - Sociedade de Produção e Distribuição de Gás, S.A.;

viii) Guarantee, undated, of €5,000 k given to the Portuguese State for the obligations and duties resulting from the Concession of underground storage of natural gas public service allocated by the Portuguese State to Transgás Armazenagem, S.A.;

ix) Guarantees, undated, amounting to €4,814 k in benefit of the Sines Port Authority;

x) Guarantees of €3,054 k (of which €2,354 k are undated and €700 k issued until 2024) given to Directorate General for Geology and Energy ("Direção Geral de Geologia e Energia") in guarantee of full compliance with the obligations assumed by the Company under the plan to construct the infrastructures relating to operation of the natural gas local networks and allocation of power injection in the network of the public electrical system;

xi) Guarantees of €2,069 k in benefit of the Institute for Roads in Portugal ("Instituto de Estradas de Portugal") based on paragraph a) of article 15º of the Law-decree 13/71 to licence the installation of natural gas conducts, parallels and road crossings;

xii) Guarantee of €710 k in benefit of EDP - Energias de Portugal, S.A. to guarantee diesel supply to thermoelectric stations of the Islands of Santa Maria, S. Miguel, Terceira, Faial, Pico and Flores;

xiii) Guarantee issued amounting to €7,855 k in benefit of several entities to support access contracts to the natural gas distribution networks;

xiv) Guarantee of €1,256 k (with a deadline of March 2016), in benefit of T.I.G. (Transport et Infrastructures Gaz France) to guarantee contractual usage of the natural gas transportation infrastructure in France;

xv) Guarantee issued, undated, amounting to €4,700 k to REN- Atlântico, S.A to guarantee contractual usage of LNG (Liquefied Natural Gas) infrastructure;

xvi) Guarantee issued, undated, amounting to €7,979 k to REN- Gasodutos, S.A to guarantee the National transport network use contract;

xvii) Guarantee, undated, amounting to €2,176 k to REN- Armazenagem, S.A to ensure the fulfilment of the underground storage use contract;

xviii) Guarantee issued, valid until 31 December 2024, amounting to €1,650 k to REN-Rede Elétrica Nacional, SA, to ensure financial commitments of the market agent resulting from the implementation of the Global Management System procedures manual;

xix) As of 31 December 2015, bank guarantees were issued, for an average period of two years, amounting to €58,697 k (BRL 253,042 k) to the Brazilian National Oil, Natural Gas and Biofuels Agency, resulting from a contractual imposition of the Concession Contract signed between the Brazilian Government and the block partners in Brazil in which the Company participates, where they commit to invest in seismic acquisitions and drilling wells during the exploration period. The amount of guarantees corresponds to the responsibility of the Company according to its percentage of participations in the consortium;

xx) Galp celebrated a contract with Petróleo Brasileiro, S.A. – Petrobrás, for the sale of natural gas for the concession area BM-S-11, in the Lula field, in the Santos basin, for a period of 23 years, by which Petrogal will sell the gas produced in the development modules of the Lula Pilot and Lula NE. To guarantee the gas supply contract, a guarantee was provided by Galp to Petrobrás, which as at 31 December 2015 amounts to €98,901 k (USD108,000 k); and

xxi) As of 31 December 2015, there were also other guarantees amounting to €10,575 k in benefit of third parties as guarantee of fulfilment of obligations occurring from signed contracts between the parties.

34. FINANCIAL ASSETS AND LIABILITIES AT BOOK VALUE AND FAIR VALUE

The book value and fair value of the financial assets and liabilities are detailed in the table below in € k:

Balance sheet captions	Book Value	Fair value
Assets		
Financial assets held for sale	2,487	a)
Trade receivables	829,042	829,042
Loans to Sinopec	722,936	722,936
Other accounts receivable	875,109	875,109
Other financial investments	28,888	28,888
Cash and cash equivalents	1,130,606	1,130,606
Liabilities		
Bank loans	1,398,207	1,398,207
Bonds	2,153,865	2,183,970
Other financial instruments	31,969	31,969
Trade payables	656,346	656,346
Other payables	1,395,620	1,395,620

a) Due to difficulties in calculating the fair value of the Assets held for sale (that comprise equity instruments not admitted to trading on regulated markets), these are recognised at the acquisition cost, as referred in note 2.2 c) and 2.16 a).

The fair value of the bonds was measured based on observable market inputs, thus the classification of the fair value hierarchy was Level 2.

35. INFORMATION ON ENVIRONMENTAL MATTERS

The main challenges facing refining operations are the compliance with the objectives of reducing greenhouse gas emissions as defined in the Kyoto Protocol, the reduction of the proportion of sulphur in fuel consumed in the facilities and increasing energy efficiency.

During 2013, Galp Group was informed by the Portuguese Environmental Agency, by means of publication of the National Allocation Table for the period 2013-2020, of the definitive emission licences to be granted to the following facilities:

Company	Petrogal		Carriço	Powercer	Aditional Petrogal
Facility	Sines Refinery	Oporto Refinery	Cogeneration	Cogeneration	Sines Refinery
2013	1,187,801	494,967	65,341	22,384	504,322
2014	1,167,170	486,370	64,204	20,601	495,547
2015	1,146,296	477,672	63,067	18,865	486,772
2016	1,125,205	468,883	61,930	17,181	477,996
2017	1,103,886	460,000	60,793	15,545	469,221
2018	1,082,361	451,030	59,656	13,959	460,446
2019	1,060,567	441,948	58,519	12,421	451,671
2020	1,038,697	432,834	57,382	10,934	442,896
Total by facility	**8,911,983**	**3,713,704**	**490,892**	**131,890**	**3,788,871**

Note: The company Powercer, SA was liquidated as at December 2014.

The following tables present the facilities currently operated by the Group, its annual emission licences – EUA's (Emission Unit Allowances), emission reduction certificates – ERU's (Emission Reduction Units), as well as the quantities of greenhouse gases (Ton/CO_2) per installation/company:

EUA's

Company	Facilities	EUA Licenses held Ton/CO_2 on 31/12/2014	Free licenses attributed Ton/CO_2	Licenses Ton/CO_2 used	Licenses Ton/CO_2 transferred	Licenses Ton/CO_2 purchased	Licenses Ton/CO_2 sold	EUA Licenses held Ton/CO_2 on 31/12/2015
Petrogal	Sines Refinery (a)	2,908,561	1,633,068	(2,219,005)	-	-	-	2,322,624
	Oporto Refinery	1,558,114	477,672	(879,395)	-	-	-	1,156,391
		4,466,675	**2,110,740**	**(3,098,400)**	**-**	**-**	**-**	**3,479,015**
Carriço Cogeração	Cogeração	45,844	63,067	(80,797)	-	-	-	28,114
Powercer	Cogeração	34,966	-	-	(34,996)	-	-	-
		80,810	**63,067**	**(80,797)**	**(34,996)**	**-**	**-**	**28,114**
Galp Power	n.a.	-	-	-	-	-	-	-
		4,547,485	**2,173,807**	**(3,179,197)**	**(34,996)**	**-**	**-**	**3,507,129**

(a) Includes under column "licenses attributed" (in accordance with National Allocation Table for the period 2013-2020), license estimate for Conversion of Sines in the amount of 486,775 Ton/CO_2 for the year 2015.

ERU's

Company	Facility	ERU certificates held Ton/CO_2 on 31/12/2014	Certificates Ton/CO_2 used	Certificates Ton/CO_2 transferred	Certificates Ton/CO_2 purchased	Certificates Ton/CO_2 sold	ERU certificates held Ton/CO_2 on 31/12/2015
Petrogal	Sines Refinery (a)	76	(76)	-	-	-	-
	Oporto Refinery	3,814	(3,814)	-	-	-	-
		3,890	**(3,890)**	**-**	**-**	**-**	**-**
Carriço Cogeração	Cogeração	-	-	-	-	-	-
Powercer	Cogeração	-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
Galp Power	n.a.	110	-	-	-	(110)	-
		4,000	**(3,890)**	**-**	**-**	**(110)**	**-**

Held certificates and licenses

Company	Company	EUA's held Ton/CO_2 on 31/12/2015	ERU's held Ton/CO_2 on 31/12/2015	EUA's and ERU's held Ton/CO_2 on 31/12/2015	CO_2 emissions up to December 2015 (a)	Excess / (Insufficiency) of licenses and certificates
Petrogal	Sines Refinery (a)	2.322.624	-	2.322.624	2.548.281	(225.657)
	Oporto Refinery	1.156.391	-	1.156.391	910.293	246.098
		3.479.015	**-**	**3.479.015**	**3.458.574**	**20.441**
Carriço Cogeração	Cogeração	28.114	-	28.114	28.116	(2)
Powercer	Cogeração	-	-	-	-	-
		28.114	**-**	**28.114**	**28.116**	**(2)**
Galp Power	n.a.	-	-	-	-	-
		3.507.129	**-**	**3.507.129**	**3.486.690**	**20.439**

(a) Subject to environmental audits.

At the end of 2014, Galp carried out the sale of the assets of Powercer, and the licences held as well as the liabilities related with the emissions, were transferred in 2015.

During 2015, a sale of licences of 110 TON/CO_2 were made by Galp Power, for residual amounts.

Due to the acquisition, in prior years, of licences which serve to meet the obligations with CO_2 emissions, the subsidiary Petrogal recognised as cost in the year the amount of €7,597 k (Note 6).

As of 31 December 2015, the pro-forma values of greenhouse gas emissions were below assigned and acquired licences. Thus, no accruals were made to the additional costs mentioned above.

36. SUBSEQUENT EVENTS

There are no subsequent events for disclosure purposes.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 1 April 2016.

However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law in place in Portugal. The Board of Directors believes that these financial statements reflect in a true and fair manner the Group's operations, financial performance and cash flows.

38. EXPLANATION ADDED FOR TRANSLATION

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

THE ACCOUNTANT:

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS

Chairman:

Américo Amorim

Vice-Chairmens:

Paula Ramos Amorim

Carlos Nuno Gomes da Silva

Members:

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Raquel Rute da Costa David Vunge

Carlos Manuel Costa Pina

Francisco Vahia de Castro Teixeira Rêgo

Miguel Athayde Marques

Jorge Manuel Seabra de Freitas

José Carlos da Silva Costa

Pedro Carmona de Oliveira Ricardo

João Tiago Cunha Belém da Câmara Pestana

Rui Paulo da Costa Cunha e Silva Gonçalves

Luis Manuel Pego Todo Bom

Diogo Mendonça Rodrigues Tavares

Joaquim José Borges Gouveia

Supplementary oil and gas information (unaudited)

The following information is presented in accordance with Extractive Activities – Oil & Gas (Topic 932) of the Financial Accounting Standards Board (FASB).

Results of operations from E&P activities

Results of operations from exploration and production by geographical area, for the years 2015, 2014 and 2013 are as follows:

(€ k)

	Africa	Latin America	Rest of the world	Total
31 December 2015				
Consolidated total contribution				
Sales	110,991	507,094	-	618,085
Production costs	(35,586)	(71,969)	-	(107,555)
Royalties	-	(49,777)	-	(49,777)
Other operating costs	(4,885)	(62,015)	(1)	(66,901)
Exploration costs	(17,232)	(55,310)	41	(72,500)
Depreciation, amortisation and provisions for the period	(151,053)	(164,522)	-	(315,575)
Operating profit before tax for the E&P activities	**(97,765)**	**103,501**	**40**	**5,777**
Income tax	(2,349)	(92,475)	10	(94,814)
Operating income for the E&P activities	**(100,114)**	**11,027**	**50**	**(89,037)**
31 December 2014				
Consolidated total contribution				
Sales	193,201	465,837	-	659,039
Production costs	(42,137)	(41,530)	-	(83,667)
Royalties	-	(52,188)	-	(52,188)
Other operating costs	(2,293)	(72,579)	(18)	(74,890)
Exploration costs	(75,289)	(28,070)	(623)	(103,982)
Depreciation, amortisation and provisions for the period	(88,697)	(63,107)	-	(151,803)
Operating profit before tax for the E&P activities	**(15,215)**	**208,363**	**(641)**	**192,507**
Income tax	(49,077)	(120,501)	(27)	(169,605)
Operating income for the E&P activities	**(64,292)**	**87,862**	**(668)**	**22,902**
31 December 2013				
Consolidated total contribution				
Sales	243,816	333,565	-	577,382
Production costs	(45,860)	(23,226)	-	(69,086)
Royalties	-	(38,765)	-	(38,765)
Other operating costs	(2,338)	(57,722)	4	(60,056)
Exploration costs	(61,528)	(24,778)	(2,186)	(88,492)
Depreciation, amortisation and provisions for the period	(113,727)	(51,944)	-	(165,671)
Operating profit before tax for the E&P activities	**20,364**	**137,130**	**(2,182)**	**155,312**
Income tax	(18,946)	(66,360)	(137)	(85,442)
Operating income for the E&P activities	**1,418**	**70,771**	**(2,319)**	**69,870**

The production costs include direct production costs associated with blocks which are currently in production. This caption is presented net of income regarding leasing of production equipment, registered in companies that are not consolidated by the full consolidation method. The following deductions were made: €32,283 k in 2015, €16,223 k in 2014 and €9,159 k in 2013.

Other operating costs include overhead costs pertaining to areas directly related to E&P activities. It excludes general corporate overhead costs related to Group companies, in accordance with FASB Topic 932 and includes costs recorded in companies that are not fully consolidated in the amount of €7,159 k in 2015, €21,161 k in 2014 and €3,262 k in 2013. The increase recorded in 2014 reflects a particular event arising from the contract termination with one of the companies supplying materials and the equipment used in production and the liquidation of associated investments.

Exploration costs in 2015 correspond to exploration impairments including costs of dry wells and other related activities following successful effort method. In 2014 and 2013, the amount correspond to the costs of dry wells or historical costs of blocks returned in the year.

Amortization, depreciation and provisions for the period include costs recorded in companies that are not consolidated by the full consolidation method in the amount €8,597 k in 2015, €3,526 k in 2014 and €1,811 k in 2013.

Operating income does not include corporate costs and financial costs, in accordance with FASB Topic 932.

The caption "Income taxes" includes: PIT applicable to blocks in Africa, the Special Participation Tax (SPT) applicable to blocks in Brazil, and income tax in accordance the applicable tax laws applicable in each country. The amount of income tax has been adjusted to exclude the effect of management and financial costs that were excluded from operating income.

Capital expenditure in E&P activities

Capitalized costs during the year, that represent expenditures made in E&P activities, by geographical area for the years 2015, 2014 and 2013 are as follows:

(€ k)

	Africa	Latin America	Rest of the world	Total
31 December 2015				
Consolidated total contributions				
Acquisitions with proved reserves	-	-	-	-
Exploration	14,145	72,846	6,879	93,870
Development	303,558	705,469	-	1,009,027
Total incurred in the period	**317,703**	**778,314**	**6,879**	**1,102,896**
31 December 2014				
Consolidated total contributions				
Acquisitions with proved reserves	-	-	-	-
Exploration	134,949	113,163	3,155	251,266
Development	161,794	585,109	-	746,903
Total incurred in the period	**296,743**	**698,272**	**3,155**	**998,169**
31 December 2013				
Consolidated total contributions				
Acquisitions with proved reserves	10,191	11,619	-	21,810
Exploration	112,433	143,388	2,789	258,610
Development	90,179	352,753	-	442,933
Total incurred in the period	**212,803**	**507,761**	**2,789**	**723,353**

The amounts in the caption "Development" include assets which are related to transport and production equipment for block BM-S-11 in Brazil, recorded in companies consolidated by the equity method, in the amount of €213,928 k in 2015, €255,928 k in 2014 and €115,203 k in 2013.

In the table above, investments are stated in the Galp Group's functional currency. For companies where the functional currency is not the Euro, assets were updated at the corresponding year end exchange rate, in accordance with the accounting policy defined in paragraph 2.12 of the notes to the consolidated financial statements, namely in Brazil, at the exchange rate of 4.3117 EUR/BRL and companies in Africa, at the exchange rate of 1.0887 EUR/USD.

Cumulative investments in E&P activities

Cumulative investments represent the total expenditures incurred in the acquisition of proved or unproved reserves and in exploration and development activities of blocks in which Galp holds a participation.

Cumulative costs are fully capitalized. Dry wells are recognized as costs and reflected in the table below, together with impairments. Returned blocks are written-off from assets, and consequently, are not included in this information.

Cumulative investments in production and exploration activities which are reflected in Galp Group's financial position are as follows:

(€ k)

	Africa	Latin America	Rest of the world	Total
31 December 2015				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,181,999	812,503	-	1,994,502
Incomplete wells (assets in progress)	83,314	1,178,631	-	1,261,945
Assets without proved reserves	993,675	392,039	63,096	1,448,810
Support equipment	7,829	4,595	-	12,424
Gross cumulative investment	**2,266,817**	**2,387,768**	**63,096**	**4,717,681**
Cumulative amortizations, depreciations and impairments	(1,164,176)	(224,935)	(12,421)	(1,401,532)
Net cumulative investments	**1,102,641**	**2,162,834**	**50,675**	**3,316,150**
31 December 2014				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,114,835	621,059	-	1,735,894
Incomplete wells (assets in progress)	121,555	910,845	-	1,032,399
Assets without proved reserves	648,296	461,309	56,217	1,165,821
Support equipment	6,397	9,184	-	15,580
Gross cumulative investment	**1,891,082**	**2,002,396**	**56,217**	**3,949,695**
Cumulative amortizations, depreciations and impairments	(1,007,582)	(172,732)	(13,384)	(1,193,698)
Net cumulative investments	**883,500**	**1,829,664**	**42,833**	**2,755,997**
31 December 2013				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	818,637	307,589	-	1,126,226
Incomplete wells (assets in progress)	64,365	607,130	-	671,495
Assets without proved reserves	462,128	421,227	53,082	936,438
Support equipment	4,663	11,394	-	16,056
Gross cumulative investment	**1,349,793**	**1,347,340**	**53,082**	**2,750,216**
Cumulative amortizations, depreciations and impairments	(687,514)	(99,260)	(10,768)	(797,541)
Net cumulative investments	**662,280**	**1,248,080**	**42,315**	**1,952,675**

Investments were classified in accordance to the following assumptions:

1) Assets with Proved Reserves (PR or 1P): assets related to fields which hold PR at the end of each year.

1.1) Assets with PR – Fixed: assets related with fields which hold PR at the end of each year, in production and under depreciation;

1.2) Assets with PR – Incomplete wells (assets in progress): assets related with fields with PR at the end of each year, which are not yet in production.

2) Assets without PR: assets related with fields without proved PR, at the end of each year.

3) Support equipment: office equipment allocated to E&P activities.

The amounts contained in the following captions include assets relating to transportation and production equipment for block BM-S-11 in Brazil, recorded in consolidated companies using the equity method. In "Fixed assets with Proved Reserves" are accounted €255,736 k in 2015, €119,127 k in 2014 and €70,539 k in 2013. In "Incomplete wells (assets in progress)", are accounted €542,601 k in 2015, €376,814 k in 2014 and €248,461 k in 2013. In "Cumulative amortizations, depreciations and impairments" are recorded €17,063 k in 2015, €7,443 k in 2014 and €3,482 k in 2013.

In the above table, cumulative investments are stated in the Galp Group's functional currency. For companies where the functional currency is not the Euro, assets were updated at the corresponding year end exchange rate, in accordance with the accounting policy defined in paragraph 2.12 of notes to the consolidated financial statements, namely in Brazil, at the exchange rate of 4.3117 EUR/BRL and companies in Africa, at the exchange rate of 1.0887 EUR/USD.

Oil and gas reserves

Total PR (1P) on 31 December 2015, 2014 and 2013 which are presented in the tables below, include developed and undeveloped PR, and were used for depreciation of tangible assets and recognition of provisions for abandonment costs, based in the UOP method. These reserves were determined by an independent entity, whose methodology is in accordance with the PMRS, approved in March 2007 by the SPE, the WPC, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The reference price used to determine the Company's reserves, under a net entitlement point of view, which are the reserves to be extracted as defined in signed agreements for the E&P activity, was $52.46/bbl, $98.95/bbl and $108.66/bbl and corresponds to the average market price of Brent for 2014, 2013 and 2012, respectively.

Reserves associated with blocks in Brazil correspond to 100% of the stake held by Petrogal Brasil in those blocks, since this company is consolidated using the full consolidation method in the Galp group.

The impacts of PSA (price effect and/or change in recoverable costs) in reserves associated with this type of agreements are reflected in the caption "Revisions of previous estimates".

Oil reserves (1P proved reserves)

(kbbl)

	Africa	Latin America	Total
2015			
Reserves on 31 December 2014	**7,817**	**195,549**	**203,366**
Developed	6,426	37,210	43,636
Undeveloped	1,391	158,339	159,730
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	3,164	44,569	47,733
Production	(2,572)	(11,954)	(14,526)
Reserves on 31 December 2015	**8,409**	**228,164**	**236,573**
Developed	7,075	47,455	54,530
Undeveloped	1,334	180,709	182,043
2014			
Reserves on 31 December 2013	**8,814**	**146,930**	**155,744**
Developed	7,124	19,294	26,418
Undeveloped	1,690	127,636	129,326
Extensions and discoveries	59	-	59
Acquisitions and sales	-	-	-
Revisions of previous estimates	1,580	54,476	56,056
Production	(2,636)	(5,857)	(8,493)
Reserves on 31 December 2014	**7,817**	**195,549**	**203,366**
Developed	6,426	37,210	43,636
Undeveloped	1,391	158,339	159,730
2013			
Reserves on 31 December 2012	**9,609**	**113,773**	**123,382**
Developed	7,011	15,925	22,936
Undeveloped	2,598	97,848	100,446
Extensions and discoveries	-	21,830	21,830
Acquisitions and sales	-	-	-
Revisions of previous estimates	2,244	15,132	17,376
Production	(3,039)	(3,805)	(6,844)
Reserves on 31 December 2013	**8,814**	**146,930**	**155,744**
Developed	7,124	19,294	26,418
Undeveloped	1,690	127,636	129,326

Gas reserves (1P proved reserves)

Gas reserves are presented in millions of cubic feet, with 1 barrel of oil equivalent (boe) corresponding to 6,000 cubic feet of gas.

(mscf)

	Africa	Latin America	Total
2015			
Reserves on 31 December 2014	**-**	**174,008**	**174,008**
Developed	-	27,941	27,941
Undeveloped	-	146,067	146,067
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	68,966	68,966
Production	-	(6,724)	(6,724)
Reserves on 31 December 2015	**-**	**236,250**	**236,250**
Developed	-	52,501	52,501
Undeveloped	-	183,749	183,749
2014			
Reserves on 31 December 2013	**-**	**130,935**	**130,935**
Developed	-	21,081	21,081
Undeveloped	-	109,854	109,854
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	46,517	46,517
Production	-	(3,444)	(3,444)
Reserves on 31 December 2014	**-**	**174,008**	**174,008**
Developed	-	27,941	27,941
Undeveloped	-	146,067	146,067
2013			
Reserves on 31 December 2012	**-**	**184,281**	**184,281**
Developed	-	24,749	24,749
Undeveloped	-	159,532	159,532
Extensions and discoveries	-	14,189	14,189
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	(64,133)	(64,133)
Production	-	(3,402)	(3,402)
Reserves on 31 December 2013	**-**	**130,935**	**130,935**
Developed	-	21,081	21,081
Undeveloped	-	109,854	109,854

Standard measure of discounted future net cash flows

The standard measure of discounted future cash flows have been prepared in accordance with the requirements of Topic 932 of FASB and correspond to an economic translation of the 1P PR presented in the previous section.

The estimated future cash inflows represent future revenues associated with production of with PR calculated by applying the average market price of Brent practiced during 2015: $52.46/bbl.

Future production costs correspond to the estimates of future production costs associated with PR.

Future royalties represent the estimates of royalties payable relating to production revenue. Applicable only in Latin America and correspond to 10% of sales.

Future development and future abandonment costs correspond to the estimated costs for the development of PR (drilling and installation of production platforms), as well as the estimated costs of field abandonment.

Future income taxes represent estimates of PIT (applicable to blocks in Africa calculated according to the existing PSA); SPT (applicable to blocks in Brazil) and income taxes, according to tax laws in each country.

The cash flows were calculated in U.S. dollars and translated into euros at the average exchange rate of 2015 (1.1096 EUR/USD).

(€ k)

	Africa	Latin America	Total
31 December 2015			
Future cash inflows	397,504	10,884,940	11,282,444
Future production costs	(142,727)	(2,379,469)	(2,522,196)
Future royalties	-	(1,219,931)	(1,219,931)
Future development and abandonment costs	(92,652)	(732,229)	(824,881)
Future net cash flow before tax	**162,126**	**6,553,311**	**6,715,437**
Future income tax	(40,294)	(3,826,206)	(3,866,500)
Future net cash flows	**121,832**	**2,727,105**	**2,848,937**
Discount factor (10%)	(19,226)	(1,345,756)	(1,364,982)
Standard measure of discounted future cash flows on 31 December 2013	**102,606**	**1,381,348**	**1,483,954**

7.4. Reports and opinions

Audit Report for Stock Exchange Regulatory Purposes on the Consolidated Financial Information

Introduction

1 As required by law, we present the Audit Report for Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached consolidated financial statements of Galp Energia S.G.P.S., S.A., comprising the consolidated statement of financial position as at December 31, 2015 (which shows total assets of €12,793,031 k and total shareholder's equity of €6,188,124 k including non-controlling interests of €1,416,046 k and a net profit of €122,566 k, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Code, for the purpose of issuing an independent and professional report based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method (when applicable); (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5 Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Galp Energia S.G.P.S., S.A. as at December 31, 2015, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the information included in the Directors' Report is consistent with the consolidated financial statements for the year and that the Corporate Governance Report includes the information required under Article 245º-A of the Portuguese Securities Code.

April 1 2016

PricewaterhouseCoopers & Associados

- Sociedade de Revisores Oficiais de Contas, Lda.

Registered in the Comissão do Mercado de Valores Mobiliários with no. 20161485

represented by:

António Joaquim Brochado Correia, R.O.C.

Statement of compliance by the Board of Directors

According to article 245, first paragraph c) of the Portuguese Securities Code, each of the below indicated members of the Board of Directors declares that, to the extent of his/her knowledge, the management report, the financial statements, the legal certification of the accounts and further accounting documents were prepared in compliance with the applicable accounting rules and give a true and fair view of the assets, liabilities, financial position and profit or loss of Galp and the companies included in the consolidation perimeter, and the management report includes a fair view of the development of the business and the performance and position of Galp and the companies included in the consolidation, and includes an description of the main risks and uncertainties faced by Galp and the companies included in the consolidation perimeter in their operations.

Lisbon, 1 April 2016

The Board of Directors

Chairman

Américo Ferreira de Amorim

Vice chairman

Paula Fernanda Ramos Amorim

Vice chairman

Carlos Nuno Gomes da Silva

Members

Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Raquel Rute da Costa David Vunge
Carlos Manuel Costa Pina
Francisco Vahia de Castro Teixeira Rêgo
Miguel Athayde Marques
Jorge Manuel Seabra de Freitas
José Carlos da Silva Costa
Pedro Carmona de Oliveira Ricardo
João Tiago Cunha Belém da Câmara Pestana
Rui Paulo da Costa Cunha e Silva Gonçalves
Luis Manuel Pego Todo Bom
Diogo Mendonça Rodrigues Tavares
Joaquim José Borges Gouveia

Supervisory Board's Report and Opinion

Dear shareholders,

According to the legislation in force and the Company's articles of association, and under our mandate, we hereby present our opinion on the corporate governance report, the management report, the individual and consolidated financial statements and the proposed allocation of net profit presented by the Board of Directors of Galp Energia SGPS, S.A., with regards to the year ended 31 December 2015.

We have met several times both with the statutory auditor and with the external auditor, monitoring both the audit activities and the legal certification of the accounts, as well as supervising their independence and competence.

We have reviewed both the legal certification of the accounts as well as the audit report of the individual and consolidated accounts regarding the year of 2015, which deserve our agreement.

Under the scope of our mandate, we have verified and we hereby declare to the extent of our knowledge that:

a) the management accounts includes a fair view of the business development and of the position of the Company and other companies included in the consolidation perimeter, highlighting in a clear manner the most significant aspects of their business, as well as a description of the main risks the Company and the other companies are exposed to in their operations;

b) the individual and consolidated financial statements and their corresponding notes allow for an adequate understanding of the Company's financial position and results, as well as that of the subsidiaries which are included in the consolidation perimeter;

c) the accounting principles and the metrical criteria used follow the IFRS, as adopted by the EU, and are adequate as to guarantee an appropriate representation of both the Company's and the other companies' included in the consolidation perimeter assets and results;

d) the corporate governance report regarding the year of 2015 includes all the information required by article 245-A of the Portuguese Securities Code.

Accordingly, taking into consideration the information received from the Board of Directors and other Company departments, as well as the conclusions set out in the legal certification of the accounts and the audit report about the individual and consolidated financial statements, we express our agreement to the management report, to the individual and consolidated financial statements and to the proposal of application of net profit for the financial year 2015, so we are of the opinion that those documents should be approved by the General Shareholders Meeting.

Lastly, the Supervisory Board wishes to express its gratitude to the Board of Directors and to the Executive Committee of Galp Energia, SGPS, S.A., whose cooperation greatly simplified, at all times, the exercise of the Supervisory Board's duties.

Lisbon, 1 April 2016

Daniel Bessa Fernandes Coelho

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

Attached: Declarations issued by the members of the Supervisory Board under paragraph 1 c) of article 245 of the Portuguese Securities Code.

Declaration

Daniel Bessa Fernandes Coelho, Chairman of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the Portuguese Securities Code, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and give a true and fair view of the assets, liabilities, financial position and results of Galp and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the principal risks and uncertainties faced by Galp's operations.

Lisbon, 1 April 2016

Daniel Bessa Fernandes Coelho

Declaration

Gracinda Augusta Figueiras Raposo, member of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the Portuguese Securities Code, to the best of her knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and gives a true and fair view of the assets, liabilities, financial position and results of Galp and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the main risks and uncertainties faced by Galp's operations.

Lisbon, 1 April 2016

Gracinda Augusta Figueiras Raposo

Declaration

Pedro Antunes de Almeida, member of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the Portuguese Securities Code, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the main risks and uncertainties faced by Galp's operations.

Lisbon, 1 April 2016

Pedro Antunes de Almeida

Annual Activity Report of the Supervisory Board for the Financial Year 2015

In accordance with article paragraph 1 g) of article 420 of the Portuguese Companies Code (Companies Code) and of paragraph 1 g) of article 8 of the Supervisory Board regulations of Galp Energia, SGPS, S.A. (hereinafter referred to as Galp or Company), the Board hereby presents its report on the supervisory activities performed during 2015.

I. Introduction

According to the corporate governance model implemented by Galp, which consists in the Latin model set out in paragraph 1 a) of article 278 and paragraph 1 b) of article 413, both from the Companies Code, the Supervisory Board is responsible for supervising the Company's activities.

The Supervisory Board in office was elected at the General Shareholders Meeting held on 16 April 2015, for the 2015-2018 term of office, and comprises three members, which two are independent in accordance with the criteria set out in paragraph 5 of article 414 of the Companies Code.

All members of the Supervisory Board meet the compatibility criteria for the performance of their duties as laid down in paragraph 1 of article 414-A of the Companies Code.

The main duties of the Supervisory Board, as described in the respective regulation which is available via the Company's website, refer to the following key areas:

a) Permanently monitoring the Company's activities, monitoring compliance with the law and articles of association, and overseeing the Company's management;

b) Monitoring compliance with accounting policies and practices, as well as the preparation and disclosure of financial information, and supervising the audit of the accounts included in the Company's accounting documents;

c) Monitoring the effectiveness of the risk-management and internal-control systems, annually assessing with the Executive Committee the internal-control and audit procedures and any issues raised about the accounting practices adopted by the Company, addressing to that Committee such recommendations as it may deem fit;

d) Overseeing the adoption by the Company of the principles and policies for the identification and management of the key risks of a financial and operational nature related to the Company's business, and monitoring and performing adequate and timely control and disclosure of such risks;

e) Receiving reports of irregularities made by shareholders, Company employees or others;

f) Proposing to the General Shareholders Meeting the appointment of the Statutory Auditor and monitoring its independence, notably as regards the provision of additional services;

g) Appointing or dismissing the Company's External Auditor and assessing its activity each year through a critical appraisal of the reports and documentation that it draws up in the performance of its duties.

II. Activity performed by the Supervisory Board concerning the financial year 2015

During 2015 the Supervisory Board held 15 meetings and implemented several measures within the scope of its duties, of which the following are highlighted:

1. Permanently monitoring the Company's activity, monitoring compliance with the law and articles of association, and overseeing the Company's management

Ongoing monitoring of the Company during 2015 was undertaken, in particular, through regular meetings with the heads of the Internal Auditing division, of the Risk-Management Committee, the Investor Relations Division, the Statutory Auditor and the External Auditor, as well as the Executive Director responsible for the area of finance, the Company Secretary and the head of Accounts.

On the other hand, members of the Supervisory Board attended meetings of the Board of Directors on the quarterly, half-yearly and annual accounts were approved, and the annual plan and budget.

During 2015, the Supervisory Board also monitored Galp's corporate governance system and its compliance with legal and statutory requirements, as well as legislative and regulatory developments in the field of corporate governance, in particular those issued by the CMVM, including recommendations relevant to the performance of its duties, having accompanied the process of corporate governance improvement.

Also within the context of monitoring corporate governance matters, the Supervisory Board has reviewed the corporate governance report for 2015, and confirmed that the report includes the information required by article 245-A of the Portuguese Securities Code and by the CMVM regulation no. 4/2013.

2. Monitoring compliance with the accounting policies and practices and with the process of preparation and disclosure of financial information and of the legal audit of the accounts

The Supervisory Board has monitored the accounting policies, criteria and practices and the reliability of the financial information through a review of the reports of the Statutory Auditor and External Auditor, and through an appraisal of the findings of the audits and of the procedure evaluations performed during the year by the Statutory Auditor and the External Auditor.

In fact, the Supervisory Board has reviewed the 2015 audit and legal certification of the accounts, having issued a favourable opinion thereon.

Access to the financial information by the Supervisory Board was conducted on a regular and adequate basis, and there were no constraints to its duties.

3. Monitoring and overseeing the effectiveness of the internal-control and risk-management systems, and annual review of the working of the systems and internal procedures

The Supervisory Board monitors the effectiveness of the risk-management, internal-control and internal-audit systems, the creation and implementation of which are the responsibility of the Executive Committee, as well as assesses on annual basis the working of the systems and respective internal procedures.

During 2015 the Supervisory Board performed several measures directed at monitoring, supervising and evaluating the working and adequacy of Galp's internal-control, risk-management and internal-audit systems, having submitted recommendations and proposed amendments to the working of those systems as deemed justified and necessary.

Within the scope of its supervisory duties, the Supervisory Board was also charged with supervising the implementation by the Company of principles and policies for the identification and management of key financial and operational risks associated with Galp's business, having supervised the measures to monitor, control and disclose the risks.

The Supervisory Board's understanding is that the Executive Committee and the Board of Directors have attributed increasing importance to the development and improvement of the risk-management, internal-control and internal-audit systems, in line with CMVM recommendations in relation to the Corporate Governance Code.

4. Supervision of the activity of the Internal Auditing division

The Supervisory Board has supervised the activity of the Internal Auditing division during 2015, which reports functionally to this Board, through regular monitoring of the implementation of the respective annual plan of activities for the assessment of the risks of the processes and systems of the business units and of the conclusions as to how risks are managed and resources allocated, having received from the division periodic reports and information concerning matters related to the submission of accounts, identification or resolution of conflicts of interest and the identification of potential illegalities.

Evaluation of the proper working of the risk-management and internal-control systems, and assessment of the effectiveness and efficiency of the implementation of controls and mitigation systems were performed by the Internal Auditing division, independently and systematically, having regularly informed and drawn the attention of the Supervisory Board to the more relevant comments and recommendations, detailing opportunities for improvement and corrective measures.

The Supervisory Board further considers that, in implementing the established work plan, the assessment of the internal control systems and of compliance with established procedures, as well as the use of the resources allocated, were performed efficiently.

5. Annual assessment of the activity of the Company's External Auditor

The Supervisory Board performed its duties as the Company's interlocutor with the External Auditor and as the first recipient of the information it draws up, having provided the External Auditor with the information and other appropriate conditions required for the effective performance of its activity.

During 2015 the Supervisory Board assessed the activity of the External Auditor, having monitored its activity on a regular basis, in particular through critical appraisal of the reports and documentation that it produced in the performance of its duties, and also appraised the procedure-alteration recommendations made by the External Auditor.

In its annual assessment, the Supervisory Board considers that the External Auditor provided its services in a satisfactory manner in accordance with the defined work plan, having complied with the applicable rules and regulations, revealed technical rigour in its activities, quality in its conclusions – particularly with regard to the legal audit of the accounts – timeliness and efficiency in the recommendations presented and competence in its procedures.

Within the scope of its verification of compliance by the External Auditor with the rules of independence, the Supervisory Board accompanied, during 2015, the provision of services other than audit services, which depends of a prior appraisal by the Supervisory Board, having confirmed the independence of the External Auditor. The Supervisory Board notes that the amount of services other than assurance corresponds to 29,4% of the total of services provided by the External Auditor, complying with the recommendation IV.2 of the CMVM Corporate Governance Code approved in 2013.

6. Company business with related parties

During 2015 there weren't related-party transactions subject to the prior opinion of the Supervisory Board under "Regulation applicable to related-party Galp Group's transactions".

7. Reporting irregularities

In accordance with best corporate governance practices and applicable market rules, as well as in line with the principles of fairness, correctness, honesty, transparency and integrity on the basis of which Galp conducts its business, the Galp policy governing the reporting of irregularities, available on its official website, governs the mechanism for reporting to the body responsible, the Supervisory Board, irregularities occurring at Galp Group companies.

The irregularities-reporting policy aims to allow any shareholder, employee, customer or supplier to report freely any irregularities they detect or of which they take cognisance or have reasoned suspicion, occurring at Galp or its subsidiaries, in particular as regards compliance with current legislation, standards and internal regulations, the code of ethics and the anti-corruption policy, and ancillary procedures.

To support the work of the Supervisory Board in the matter reporting irregularities, the Supervisory Boards' support office was set up in 2013, on which it has delegated the operational management and smooth operation of the mechanism for reporting irregularities under the terms of the respective regulation.

The Supervisory Board has prepared a report in relation to the irregularities notified and the procedures resulting therefrom during 2015, in accordance to the information duty set out in item 2 of the policy on communication of irregularities in force in 2015 and has made such report available to the Board of Directors. Considering the communications received, the conclusion was that they did not have impact regarding matters related with accounting, financial, internal control and audit. On the other hand, there was a small number of irregularities communicated through the respective mechanism.

With the entry into force of the new Galp Code of Ethics and Conduct on 18 December 2015, the Procedure on Reporting Irregularities was revised, renamed to Communication Procedure Irregularities - Ethics Line, and the Committee of Ethics and Conduct was created, whose role, among others, is to carry out the reception and processing of information reported under Communication Procedure Irregularities in force in Galp and Affiliated Companies, respecting the alleged irregularities or breaches of the Code of Ethics or the rules that develop or that deal with the matters listed in it, in the fields of accounting, internal accounting controls, auditing, fight against corruption and banking and financial crime.

Lastly, the Supervisory Board would like to express its thanks to the Board of Directors and to the Executive Committee of Galp Energia, SGPS, S.A. for the co-operation provided in the performance of their duties.

Lisbon, 1 April 2016

Daniel Bessa Fernandes Coelho

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

7.5. Glossary and abbreviations

Glossary

API density
Density expressed in API degrees, defined by the American Petroleum Institute by means of the following formula: API° = (141.5/g) – 131.5, where g is the density of the oil to 60 °F (15.6 °C). This is the formula that is internationally used to establish the density of crude oil. The greater the API density, the lighter the crude oil.

Atmospheric distillation
Distillation of crude oil effected under atmospheric pressure, from which oil product fractions are produced (light oil, heavy oil, diesel fuels, and heavy products, for example). After suitable treatment, these fractions are the components of the finished products.

CO_2
Carbon dioxide, colourless gas that is heavier than air, this being one of its natural components. Produced by certain natural processes, such as the carbon cycle, and by the complete burning contained in fossil fuels.

Cogeneration
Power generation technology that allows the combined production of heat and electricity. The advantage of cogeneration is the capacity it has to take double advantage of the heat produced by burning the fuel for the generation of thermal energy for the generation of electricity. This process allows the same installation to comply with the heat (hot water or steam) and electricity needs of both industrial clients and urban settlements. This system improves the energy efficiency of the generation process and reduces use of the fuel.

Complexity
The complexity of a refinery lies in its capacity to process crude oil and other raw materials and is measured by means of the complexity index, calculated separately by different organisations within the sector, such as energy sector consultants Solomon Associates and Nelson. A refinery's complexity index is calculated by attributing a complexity factor to each one of the refinery's units, which is based above all on the level of technology used in the construction of the unit, taking as a reference a crude oil primary distillation installation to which is attributed a complexity factor of 1.0. The complexity index of each unit is calculated by the multiplication of the complexity factor with the unit's capacity. The complexity of a refinery is equivalent to the weighted average of the complexity index of each one of its units, including the distillation units. A refinery with a complexity index of 10.0 is considered to be 10 times more complex than a refinery equipped with just crude oil atmospheric distillation, for the same quality of processed product.

Condensates
Hydrocarbons that, when stored in the respective deposits, are found to be in a gaseous state, but which on the surface become liquids under normal pressure and temperature conditions. This essentially concerns pentane and other heavier products.

Contingent resources
These are quantities of oil that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of reasons. For example, maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan); technological issues (new technology needs to be developed and tested for commercial production); or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market). 2C contingent resources are those that are calculated based on the best estimate, while 3C resources correspond to the highest estimate, thus reflecting a larger level of uncertainty. Volumes that fall into this category cannot be referred to as reserves.

Conversion
Set of various treatments (catalytic or thermal) where the principal reaction is effected on the carbon connections, with this having the possibility of being more or less deep due to the conditions imposed. This process is typically associated with the conversion of fuel oils in lesser fractions (diesel fuels, gasoline and gases) and fuel oils that are more sophisticated from the perspective of their use. In a modern refinery, these processes have assumed a growing importance.

Cracking
Transformation through a breaking down of the hydrocarbon molecules in long chains, with the objective of obtaining hydrocarbon molecules in shorter chains, thus increasing the proportion of lighter and more volatile products. Distinguishing between thermal cracking and catalytic cracking. Thermal cracking is only caused by the actions of heat and pressure. Catalytic cracking uses catalysers that, at the same temperature, allow a deeper and more selective transformation of fractions that could be heavier.

Dated Brent oil
Price of shipments of Brent oil as announced by the price fixing agencies. This is the reference price for the vast majority of crude oils sold in Europe, Africa and the Middle East, and is one of the most important references for the prices on the spot market. Dated Brent oil is the light crude oil from the North Sea that, since July 2006, has included the Fortis and Oseberg branches. The crude mix has an average API density of approximately 38.9°.

Diesel fuel
A mix of liquid hydrocarbons destined for feeding compression ignition engines (Diesel cycle). The behaviour of diesel fuel depends on the temperatures at which it is used.

Direct emissions (A1)
These can be directly controlled by the Company and concern the emissions due to the consumption of fuel in its own installations: ovens, heat or steam generators, or the Organisation's cars.

Distillation
The method used to separate substances (liquid or solid) by means of vaporisation followed by condensation. The distillation can be effected under atmospheric pressure or in a vacuum, depending upon the final product to be obtained. Under this process, the distilled products are produced.

Emissions
Release of gases into the atmosphere. Within the context of global climactic alterations, the gases released include gases capable of altering the climate – the so-called GGEs. A typical example is the release of CO_2 during the burning of fuels.

Exploration resources
Quantities of oil that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations through future development projects. The estimation of a prospect's resources is subject to both commercial and technological uncertainties. Risked mean estimate exploration resources have a higher implied recovery probability than unrisked mean estimate resources. The quantities classified as exploration resources cannot be classified as contingent resources or reserves.

Fuel oil
A mix of hydrocarbons destined for the production of heat in thermal installations. There are various types of fuel oil, due to its viscosity, which conditions their use.

Gasoline
Fuel for automobiles equipped with motors that use the Otto cycle. This should comply with precise specifications concerning its physical and chemical qualities, of which the most important is resistance to self-inflammation.

Hydrocracking
Process of cracking with the use of hydrogen and under the action of catalysts that allows the conversion of less valuable, high-boiling-point oil fractions into lighter, more valuable fractions. The hydrogen allows working at lower temperatures and greater selectivity and, therefore, produces better results.

The products from the reaction are saturated compounds, which provide them with important stability qualities.

ICE
The Intercontinental Exchange, Inc., or ICE, is a North-American company that operates virtual markets, in which futures contracts are transacted as well as OTC contracts on energy and commodities, and other financial derivatives products.

Indirect emissions (A2)
These are a result of the Company's activities but which use another organisation's resources: use of grid, heat or steam electricity, produced at installations that are not the Company's.

Indirect emissions (A3)
Emissions due to the consumption of fuel in installations that are not the Company's: leased cars, planes, waste incineration, logistics activities or services.

Jet fuel
Fuel for jet motors used in aviation.

Liquefied natural gas (LNG)

Natural gas that is changed into its liquid state to enable transportation. Liquefaction is performed by a reduction in the temperature of the gas, to atmospheric pressure, to amounts of less than -160°C. The volume of the LNG is approximately 1/600 of the volume of natural gas.

Liquefied Petroleum Gas (LPG)
Gaseous hydrocarbons, under normal conditions of temperature and pressure, and liquids, by raising the pressure or reduction of temperature, which can legally be transported and stored. The most common are propane and butane.

Lubricants
Products obtained by mixing one or more base oils and additives. This process obeys specific formulas due to the use of the lubricant. The percentage of additives in the lubricating oils reaches 40%. The lubricating oils have three main uses: automobiles, industry and marine.

Nafta
Oil product fraction that is located between gases and oil. This is also a raw material in the petrochemical industry, from which cracking provides a large variety of products.

This can also form part of the composition of engine gasoline (light nafta) or, in the case of heavy nafta, serve as a raw material for the production of reformate.

Natural Gas
Mix of light hydrocarbons found in the subsoil, in which methane is present at a percentage of more than 70% volume. The composition of natural gas may vary depending upon the field in which it is produced and the processes of production, conditioning, processing and transport.

Net entitlement production
The production percentage of the rights for the exploration and production of hydrocarbons in a concession following production-sharing agreements.

Proved reserves (1P)
Under the definitions approved by the SPE and the WPC, proved reserves are those quantities of oil which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

The definition of current economic conditions should include relevant historical oil prices and associated costs. In general, reserves are considered proved if the commercial productivity of the reservoir is supported by actual production or formation tests. In this context, the term "proved" refers to the actual quantities of oil reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proved if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

Proved and probable reserves (2P)
2P reserves correspond to the sum of proved (1P) and probable reserves. Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to those used in estimates

of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proved. Probable reserves are those quantities of oil that, by analysis of geological and engineering data, have a lower probability of being recovered than the proved reserves, but higher than the possible reserves. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the 2P estimate.

Proved, probable and possible reserves (3P)
3P reserves correspond to the sum of proved, probable and possible reserves. Under the definition approved by the SPE and the WPC, possible reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to those used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proved. Possible reserves have a lower probability of being recovered than probable reserves. If probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

Refineries' utilisation rate
Ratio of the total quantity of crude processed oil in the crude oil distillation units in relation to these units' maximum processing capacities.

Refinery
The installation where the industrial processes designed to transfer the crude oil into products adapted to the needs of the consumers (fuels, lubricants, bitumen, etc.) or into raw materials for other so-called "second generation" industries (for example, the petrochemical industry).

Renewable energy
Energy that is available from permanent and natural energy conversion processes and is economically exploitable under present conditions or in the foreseeable future.

Replacement Cost (RC)
According to this method, 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 the Portuguese 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, RCA items exclude non-recurring 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 regular operational performance.

Spot market
The name, relating to products such as oil, used to describe the international commerce of products shipped in single cargos, such as crude oil, the prices of which closely follow the respective demand and availability.

Storage facility
Installation used by principal and collector pipeline companies, producers of crude oil, and terminal operators (except refineries) for storage of crude oil and oil products.

Wind farm
Group of wind turbines for the production of electrical energy interlinked by a common network by means of a system of transformers, distribution lines and, usually, a substation. The functions of exploration, control and maintenance are normally centralised by means of a monitored IT system, which is complemented by visual inspections.

Wind power
Kinetic energy – that is, energy that is generated by movement that is obtained by displacement of the air, or in other words, wind. This can be converted into mechanical energy for the enactment of pumps, mills and electrical energy generators.

Working interest production
The production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Abbreviations and acronyms

AGU: Autonomous Gas Units.

Amorim Energia: Amorim Energia, B.V.

ANP: Agência Nacional do Petróleo, Gás Natural e Biocombustível (Brazilian national agency for oil, natural gas and biofuel).

API: American Petroleum Institute.

b.p.: basis points.

bbl: barrel of oil.

BBLT: Benguela-Belize-Lobito-Tomboco.

bcm: billion cubic metres.

BG Group: BG Group, p.l.c.

BJC: BJC Heavy Industries Plc.

Black Creek: Black Creek Investment Management Inc.

BlackRock: BlackRock, Inc.

bn: billion.

bn bbl: billion barrels of oil.

bn boe: billion barrels of oil equivalent.

BNY Mellon: The Bank of New York Mellon Corporation.

boe: barrels of oil equivalent.

BP: BP, p.l.c.

BRL (or R$): Brazilian Real.

BSR: Buoyancy Supported Risers.

CDLI: Climate Disclosure Leadership Index.

CDP: Carbon Disclosure Project.

CEO: Chief Executive Officer.

CER: certified emission reduction.

CFO: chief financial officer.

CGC: The Capital Group Companies, Inc.

CGD: Caixa Geral de Depósitos, S.A.

CI Investments: CI Investments, Inc.

CLH: Compañia Logística de Hidrocarburos CLH, S.A.

CMVM: Portuguese Securities Market Regulator.

CNPC: China National Petroleum Company.

CO_2: carbon dioxide.

CompeC: Advanced Course in Commercial Skills.

CONCAWE: Conservation of Clean Air and Water in Europe.

COOEC: Offshore Oil Engineering Co. Ltd.

COSCO: China Ocean Shipping Company.

COSO: Committee of Sponsoring Organizations of the Treadway Commission.

CPT: compliant piled tower.

CSC: Portuguese Commercial Companies Code.

CTA: Cumulative Translation Adjustment.

CVM: Portuguese Securities Code.

DeMac: DeGolyer and MacNaughton.

DGEG: Directorate General of Geology and Energy.

DJSI: Dow Jones Sustainability Index.

DoC: Declaration of Commercial Viability.

DP: Development Plan.

DST: drill stem test.

E&P: Exploration & Production.

Ebit: earnings before interest and taxes; operational result.

Ebitda: earnings before interest, taxes, depreciation and amortisation.

ECAS: Emission Control Areas.

EETS: European Emissions Trading Scheme.

EGREP: Entidade Gestora de Reservas Estratégicas de Produtos Petrolíferos, EPE (public business entity).

EIB: European Investment Bank.

EL: emissions licenses.

EMPL: Europe Maghreb Pipeline.

EMTN: Euro Medium Term Note.

EMV: extended monetary value.

EngIQ: Refining, Petrochemical and Chemical Engineering Doctorate Programme.

ENH: Empresa Nacional de Hidrocarbonetos.

Eni: Eni, S.p.A.

EPCIC: Engineering, Procurement, Construction, Installation and Commissioning.

EPIS: Empresários pela Inclusão Social (Association of Businessmen for Social Inclusion).

ERSE: Entidade Reguladora dos Serviços Energéticos (Portuguese energy market regulator).

ERU: emission reduction units.

EU: European Union.

EUPAC: EuroPacific Growth Fund.

EUR (or €): Euro.

EWT: extended well test.

FASB: Financial Accounting Standards Board.

FCC: fluid catalytic cracking.

FEED: front end engineering design.

FID: final investment decision.

FLNG: floating, liquefied natural gas.

FormAG: Advanced Course in Management Training.

FPSO #1: FPSO City of Angra dos Reis.

FPSO #2: FPSO City of Paraty.

FPSO #3: FPSO City of Mangaratiba.

FPSO #4: FPSO City of Itaguaí.

FPSO #5: FPSO City of Maricá.

FPSO #6: FPSO City of Saquarema.

FPSO: floating, production, storage and offloading.

G&P: Gas & Power.

Galp: Galp Energia, SGPS, S.A., Company, Group or Corporation.

GDL: Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A.

GDP: GDP – Gás de Portugal, SGPS, S.A.

GeoER: Advanced Study Programme in Geo engineering of Reservoirs.

GGE: greenhouse gas emissions.

GIIP: gas initially in place.

GITE: Galp International Trading Establishment.

GTL: gas-to-liquids.

GW: gigawatt.

GWC: gas-water contact.

GWh: gigawatt-hour.

GWT: Global Water Tool for Oil & Gas.

HC: hydrocracking.

HH: Henry Hub.

HRT: HRT Participações em Petróleo, S.A.

HSE: Health, Safety and the Environment.

HVO: hydrotreated vegetable oil.

IAS: International Accounting Standards.

IASB: International Accounting Standards Board.

IASC: International Accounting Standards Committee.

IBAMA: Brazilian Institute of the Environment and Renewable Natural Resources.

IBAT: Integrated Biodiversity Assessment Tool.

ICE: Intercontinental Exchange.

IEA: International Energy Agency.

IESA: IESA Óleo e Gás S.A.

IFACB: lost time injury frequency index.

IFRIC: International Financial Reporting Interpretation Committee.

IFRS: International Financial Reporting Standards.

IMO: International Maritime Organisation.

Integra: Integra Offshore.

IPA: Individualization of Production Agreements.

IPSS: private social security institutions.

ISIN: international securities identification number.

ISO: International Organization for Standardization.

ISP: Portuguese tax on oil products.

ISPG: Instituto do Petróleo e Gás (Brazilian Institute of Oil and Gas).

JKM: Japan Korean Marker.

k: thousand/thousands.

kbbl: thousand barrels.

kboe: thousand barrels of oil equivalent.

kboepd: thousand barrels of oil equivalent per day.

kbopd: thousand barrels of oil.

km: kilometre.

km²: square kilometre.

KRI: key resources indicators.

kton: thousand tonnes.

LNG: liquefied natural gas.

LPG: liquefied petroleum gas.

LRO: Local Risk Officer.

m: million.

m³: cubic meter.

MIBEL: Iberian Electricity Market.

mm³: million cubic metres.

mmbbl: million barrels.

mmboe: million barrels of oil equivalent.

mmboepd: million barrels of oil equivalent per day.

mmbopd: million barrels of oil per day.

mmbtu: million British thermal units.

MPD: managed pressured drilling.

MScEP: Masters in Petroleum Engineering

mscf: million standard cubic feet.

mton: million tonnes.

mtpa: million tonnes per year.

MW: megawatt.

NBP: National Balancing Point.

NE: northeast.

NG: natural gas.

NGO: non-governmental organisation.

NWE: northwest Europe.

NYSE: New York Stock Exchange.

OECD: Organisation for Economic Cooperation and Development.

OHSAS: Occupational Health and Safety Assessment Services; i.e., British regulations for systems of management of Occupational Health and Safety Assessment Services.

OIT: oil income tax.

OJEU: Official Journal of the European Union.

OPEC: Organisation of Petroleum Exporting Countries.

OTC: over-the-counter.

OWC: oil-water-contact

p.p.: percentage points.

Parpública: Parpública – Participações Públicas, SGPS, S.A.

PEL: petroleum exploration licences.

Petrobras: Petróleo Brasileiro, S.A.

Petrogal: Petróleos de Portugal – Petrogal, S.A.

POC: Plano Oficial de Contabilidade (Portuguese Official Plan of Accounting).

PPEC: Plan for Promoting Efficiency in Electricity Consumption.

PPSA: Pré-sal Petróleo S.A.

PR: Proved Resources.

PRMS: Petroleum Resources Management System.

PSA: production sharing agreement.

PSI-20: Portuguese share market reference index.

PSL: past service liability.

PUCM: projected unit credit method.

PwC: PricewaterhouseCoopers.

R&D: Research & Development.

R&M: Refining & Marketing.

R&T: Research & Technology.

RC: replacement cost.

RCA: replacement cost adjusted.

RCM: Reliability Centered Maintenance.

RDA: reservoir data acquisition.

RED: European Renewable Energy Directive.

Repsol: Repsol YPF, S.A.

ROACE: return on average capital employed.

ROC: Statutory Auditor.

RRR: reserves replacement ratio.

Schroders: Schroders Plc.

SCR: Steel Catenary Riser.

SCT: Scientific and Technological System.

SGPS: Sociedade Gestora de Participações Sociais (Holding company).

Shell: Royal Dutch Shell, p.l.c.

SIC: Standing Interpretations Committee.

SPE: Society of Petroleum Engineers.

SROC: Firm of statutory auditors.

Standard Life: Standard Life Investments (Holding) Limited.

SW: south west.

SXEP: STOXX Europe 600 Oil & Gas Index.

t: ton.

tCO_2e: tonnes of carbon dioxide equivalent.

tcf: trillion cubic feet.

TL: Tômbula - Lândana.

Total: Total, S.A.

UN: United Nations.

UNESCO: United Nations Educational, Scientific and Cultural Organisation.

UOP: unit of production.

USA: United States of America.

USD (or $): United States Dollar.

USSR: Union of Soviet Socialist Republics.

VAT: value added tax.

Ventinveste: Ventinveste, S.A.

VGO: vacuum gas oil.

WAC: weighted average cost.

WACC: weighted average cost of capital.

WAG: water alternating gas.

WIP: Winland International Petroleum, SARL.

WPC: World Petroleum Council.

YPF: Yacimientos Petrolíferos Fiscales, S.A.

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