galp energia

Developing energy

Annual Report and Accounts 2013

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www.galpenergia.com

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Galp Energia: developing energy

Who we are

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

Our vision and purpose

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

Our strategic drivers

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

Our strategy

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

Our competitive advantages

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

- **16** countries where Galp Energia operates
- **6,968** employees
- **€9,881 m** market capitalisation
- **€310 m** net profit RCA
- **7.1 bcm** sales of natural gas

- **707 mboe** 3P reserves
- **3,923 mboe** 3C contingent resources
- **2,495 mboe** mean unrisked exploration resources
- **330 kbopd** refining capacity
- **1,435** service stations

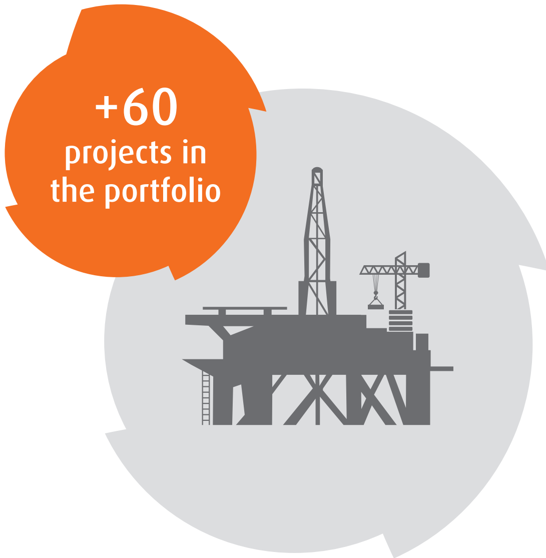
Figures for 2013 or at the end of 2013, as the case may be.
To learn more, visit http://www.galpenergia.com.

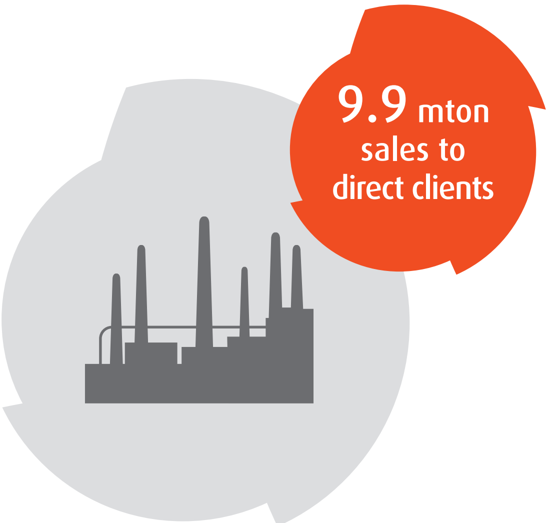
01

Galp Energia

Exploration & Production

Galp Energia is focused on exploration and production activities, particularly following its world-class discoveries in the pre-salt region of the Santos basin in Brazil, and in the Rovuma basin in Mozambique.
The Exploration & Production (E&P) business, the main driver behind the Company's growth, centres its activities on these countries and on Angola, although its diversified portfolio extends across 10 countries with over 60 projects. Based on discoveries already made, Galp Energia is expected to deliver an increase in production which is unparalleled in the industry. Its goal is to reach a production of 300 thousand barrels of oil equivalent per day (kboepd) over the next decade, representing more than 10 times its current production.



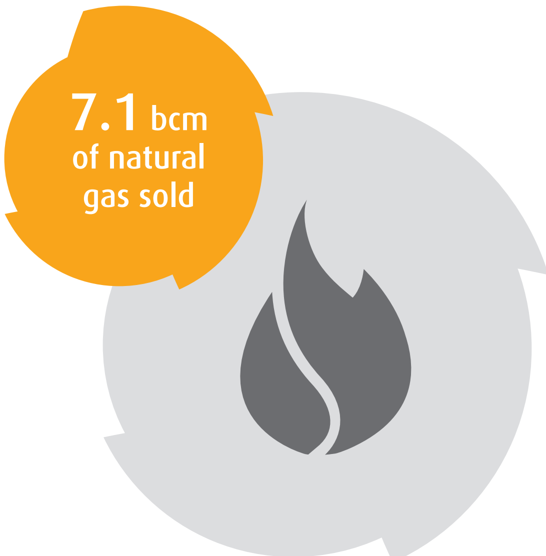


Refining & Marketing

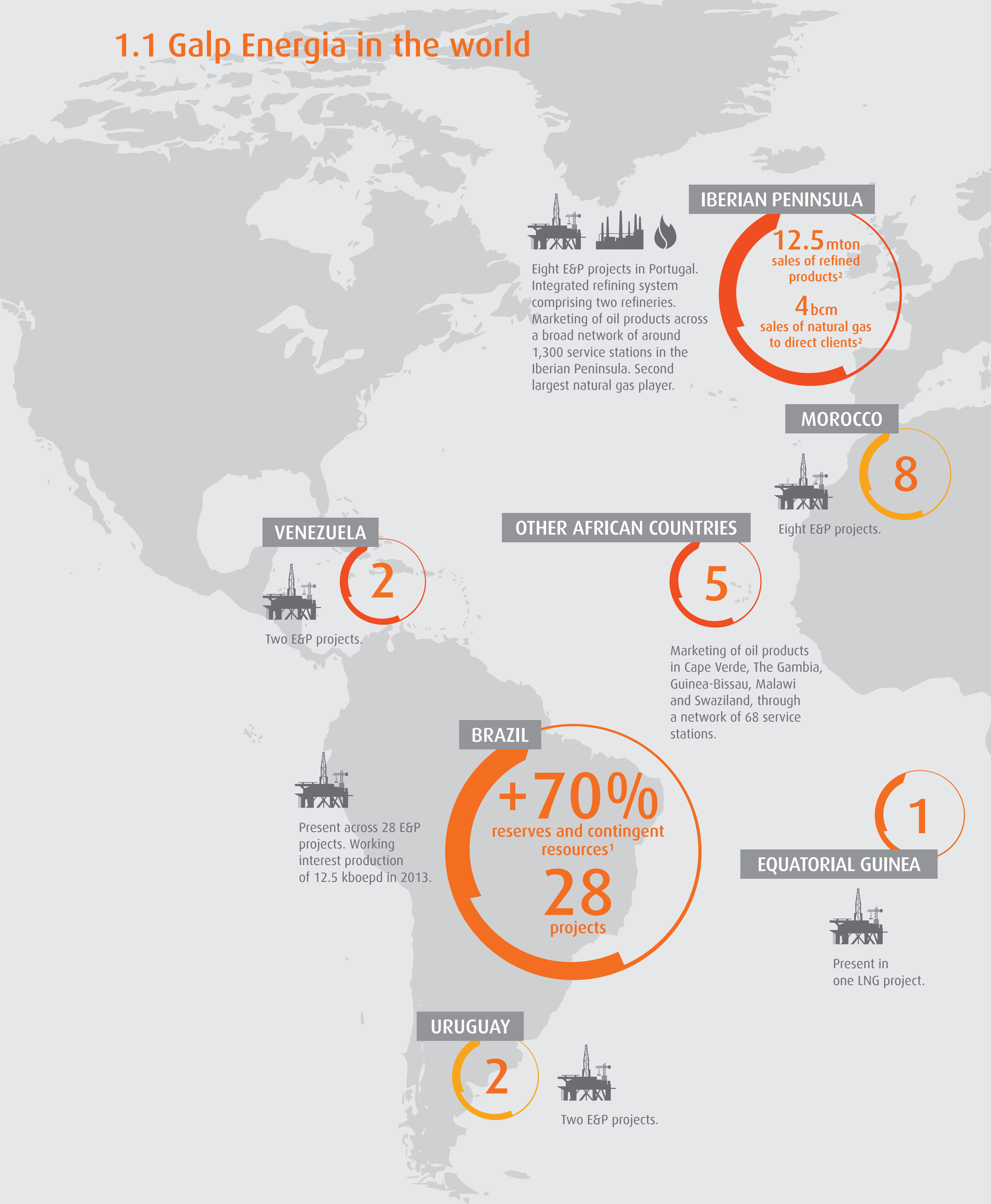
The Refining & Marketing (R&M) business is centred on the Iberian Peninsula, although the Company continues to expand its marketing of oil products in selected markets on the African continent. Galp Energia has two refineries in Portugal with a processing capacity totalling 330 thousand barrels of oil per day (kbopd). Galp Energia's refining operations are integrated with the marketing of oil products activity in the Iberian Peninsula, where the Company is one of the most important players.

Gas & Power

Galp Energia distributes and supplies natural gas in the Iberian Peninsula, while it has been focusing on the supply & trading of liquefied natural gas (LNG), taking advantage of current global market dynamics.
In the Iberian Peninsula, where it is the second largest supplier of natural gas, Galp Energia has also been consolidating its power business as an integrated energy operator.



1.1 Galp Energia in the world



Developing energy

Galp Energia has been expanding its exploration and production portfolio, which currently includes over 60 projects. The Company is focused on the execution of its Exploration & Production development projects, with the goal of reaching a production of 300 kboepd over the next decade.

This unrivalled growth in the industry will be supported by the resilient cash flow contribution of the Refining & Marketing and Gas & Power businesses. These activities are centred on the Iberian Peninsula, where Galp Energia is a leading player.

NIGERIA AND ALGERIA

6 bcm

Long-term supply contracts for 6 bcm of natural gas and LNG per year.

FAR EAST

13 LNG cargoes

One of the main destinations of 3 bcm annual sales of LNG[3].

MOZAMBIQUE

+80 tcf natural gas discoveries

One E&P project, mainly for production and liquefaction of natural gas. Marketing of oil products through a network of 33 service stations.

ANGOLA

12.0 kbopd working interest production[2]

Five E&P projects. Annual oil product sales of 271 kton.

EAST TIMOR

1

One E&P project.

NAMIBIA

7

Present in seven E&P blocks.

Exploration & Production

Refining & Marketing

Gas & Power

[1] Considers 3P net entitlement reserves and 3C working interest contingent resources as of the end of 2013.
[2] Figures for 2013.
[3] Natural gas/LNG sales through the trading segment in 2013.

1.2 Statement of the Board of Directors

Statement by the Chairman

Dear shareholders,

2013 was characterised by a difficult economic climate, particularly in the Iberian Peninsula, where austerity measures continued to impact economic growth. Galp Energia's activities that are exposed to this region were once again affected, despite growing evidence of economic stabilisation in Portugal during the year.

On the other hand, the Company's exposure to the oil and natural gas markets means that it has benefited from the growth of emerging economies and has proven its ability to seize opportunities in the international market, namely of LNG.

In fact, the Company's strategy is geared towards taking advantage of the expected growth in demand for those commodities, namely by focusing on the Exploration & Production business. Excellence in executing development projects and the maximisation of value of the E&P portfolio, will contribute to the delivery of sustainable value to its stakeholders, and shareholders in particular.

Activities conducted during the year have strengthened the foundations on which Galp Energia's strategy is based. I am referring in particular to the outstanding development project in the Lula/Iracema oil field in Brazil, which is still in its early stage of development. I would also like to highlight the LNG project in Area 4 of the Rovuma basin in Mozambique, which is one of the largest natural gas discoveries of recent decades. These projects, along with others that have already been identified, will be fundamental to the growth of the Company's oil and natural gas production throughout the current decade.

I would also like to note the importance of our downstream and gas businesses. These are an important source of cash flow that supports the development of E&P projects. In the refining business, I must mention the successful start-up of the hydrocracking complex in 2013, which has contributed to the increased profitability of the Refining & Marketing business. This enabled the Company to face an extremely difficult year for the refining industry in Europe. In regard to the Gas & Power business, the Company achieved a new high for sales of natural gas in 2013, driven mostly by a robust supply & trading activity on the international LNG market. The strategy for these businesses involves improving the efficiency of operations by optimising costs and capturing internal synergies, with a positive impact on the return on invested capital.

Seen as critical for its future sustainability, Galp Energia is committed to maintaining its financial strength. It should be noted that the Company issued debt in the capital markets for the first time in 2013, further diversifying its sources of funding and enabling increased scrutiny of its financial policy.

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

While formulating and executing the Company's strategy, we took on the commitment to comply with demanding corporate governance practices as well as with the promotion of those responsible policies that ensure the long-term creation of value.

Considering the industry in which the Company operates, the implementation of adequate safety practices and the development of skills of its human capital is of particular importance to the success of its strategy.

The Board of Directors will propose at the general shareholders meeting a dividend of €0.288 per share to be paid related with the 2013 financial year. This represents a 20% annual increase, in line with the dividend policy announced in 2012, which aims to align shareholder remuneration with the growth of the Company's results.

I would like to thank all who contribute to the success of the Company in this transformational period. Finally, I would like to thank our stakeholders, especially our shareholders, employees, partners and creditors, clients and suppliers, for their efforts and commitment to Galp Energia throughout 2013.

Américo Amorim
Chairman of Galp Energia's Board of Directors

Statement by the Chief Executive Officer

Dear shareholders,

I am pleased to say that in 2013 we reached several important milestones in our history, which have reinforced the foundations of our strategy, thus contributing to the creation of value in the future.

Galp Energia's strategy is designed to ensure that the Company benefits from the expected growth in the world market for oil and natural gas in the long term. Our goals are clear: to deliver extraordinary growth in oil and natural gas production, supported by an efficient Iberian business, a solid financial capacity and sustainable practices.

The assets held by the Company, especially in the E&P business, provide it with a level of potential growth that is unique in the industry. However, for it to materialise in value, we must ensure the execution of our development and production projects, that will enable us to reach a production level of 300 kboepd in the next decade.

As such, in 2013, we intensified our exploration and production activities, while making significant efforts to maximise the profitability of our downstream and gas activities. The strategic path we followed has already been reflected in the Company's operational performance. In fact, in 2013, we have seen an increase in production from Brazil, which supported an improvement in the results of the E&P business. At the same time, the start of operations of the hydrocracking complex within the Refining & Marketing business, and the intensification of LNG supply & trading activity on the international market in our Gas & Power business, have positively contributed to the performance of those businesses.

Our operating results confirm this evolution, with Ebitda replacement cost adjusted increasing to €1,141 million (m) in 2013, 11% above 2012. Net profit was €310 m, 14% less than in the previous year, but reflecting the impact of non-cash costs, mainly related to the start-up of the hydrocracking complex, as was expected.

Our reserves and resources portfolio also evolved positively over the course of the year. In terms of the reserve base, in spite of the proven, probable and possible (3P) reserves decreasing to 707 mboe, the proven (1P) reserves increased by 15%, reflecting a greater confidence level. This increase was the result of development activities performed in the Lula/Iracema field in Brazil, one of the largest oil development projects in the world.

The 3C contingent resource base increased by 20% in 2013 to 3,923 mboe. This resulted from the de-risk of the Company's exploration portfolio, namely with the success of our activities during the year in Mozambique and Brazil. On the other hand, the drilling campaign led to a natural decrease in exploration resources (mean unrisked), which stood at 2,495 mboe at the end of 2013. This was despite the strengthened exploration portfolio pursuant to our entry into new areas in Brazil.

In regard to the development and production activities during the year, firstly I must highlight the start of operations at the second definitive production unit installed in the Lula Northeast area, FPSO Cidade de Paraty, which began production on the planned date. More importantly, we saw an excellent performance from the reservoirs in that area of the Lula field, with an average productivity of 30 kbopd per well, exceeding expectations. At the same time, FPSO Cidade de Angra dos Reis operated steadily at a utilisation rate of around 90%.

Manuel Ferreira De Oliveira,
Galp Energia's Chief Executive Officer

This is a grand project which, in spite of its extreme complexity, has consistently exceeded expectations both in terms of the natural characteristics of the reservoirs, as well as in regard to the quality of operations, where this latter is only possible thanks to the efforts of all the teams involved.

From the actions taken in 2013, I would highlight the conclusion of the contracting of all infrastructure and equipment needed to guarantee that the project is implemented on time and on budget. In fact, the consortium for the development of the Lula/Iracema field has already contracted a total of eight FPSO units in addition to the two in operation, and which are expected to start production until the end of 2017. This shows the dimension of this project. In fact, this is the first large project in the pre-salt of the Santos basin, and all the activities performed there are extremely important for the development of what is one of the most prolific regions in the world today.

Still regarding the Lula/Iracema field, I should mention that we continued to implement a range of innovative techniques in 2013, particularly with a view to increase the oil recovery factor, which is currently estimated at 28% of the total volume in place. I wish to highlight the tests *in situ* for water-alternating-gas injection, a technique with proven results in other regions of the world, which we decided to implement from the beginning of the production stage to maximise value extraction.

At the same time, in 2013 we pursued an intensive appraisal campaign, specifically in other assets under development in our E&P portfolio, and which will also contribute significantly to the foreseen growth in production. I am referring to the high-quality assets that we hold in the Santos basin in Brazil, particularly the Iara, Júpiter and Carcará fields, as well as in the Rovuma basin in Mozambique.

In the Santos basin, the appraisal wells and production tests we performed in the Iara area revealed better reservoir characteristics than those previously found, and which have strengthened the potential of this field, where first production is expected in 2017. In the same basin, we continued to outline appraisal work in the Carcará and Júpiter areas. These are two significant discoveries that should begin oil production in 2018 and 2019, respectively. In the Júpiter field in particular, I should point out the success of the Bracuhy well drilled in 2013, which reinforced the volume of oil to be developed in block BM-S-24, where those discoveries are located, contributing to more intensive activities planned for the block.

In the Rovuma basin, we continued development activities for the start-up of the LNG project, which is expected to start production in 2019. It is a complex project, due both to its size and the current development stage of Mozambique, but we and our partners have been following up on the local authorities during this process. Furthermore, we continued our activities in the block as well as with commercial efforts, while also maturing development scenarios and relevant engineering studies. These were mainly for the onshore liquefaction trains and for the potential use of FLNG units. Additionally, we studied other solutions such as implementing a gas-to-liquids (GTL) project, broadening our options for monetising gas. In 2013, we also discovered a new exploration play in Mozambique, and found more natural gas resources in our block, thereby diversifying our development options.

2013 was also a year that stood out for intensive exploration activity in the Potiguar basin, a frontier area in the Brazilian offshore, where the Pitú well resulted in the first oil and gas discovery in that region of high potential. On the other hand, the campaign carried out in Namibia did not result in any commercial discovery although it proved the potential for oil in the area. Ultimately, the drilling campaign carried out in 2013 led to an addition of more than 300 mboe to contingent resources, in line with the objective we had defined, and it reinforced the production potential of different areas of our portfolio.

It is our goal to continue with an exploration campaign that ensures the addition of resources to our portfolio, in order to support a level of material production in the future. Nonetheless, I want to make it clear that we will proceed with the utmost discipline, particularly considering that we are in a phase of growing production, and that the need for new projects to start production will only emerge in the middle of the coming decade. We should also bear in mind the current size of the Company and its profile of cash flow generation.

Our legacy businesses will continue to make a resilient contribution to cash flow generation. At this level, I must mention the positive contribution of our more complex refining system. 2013 marked the start of operations of the refining upgrade project, in an integrated manner, with the extraordinary launch of the hydrocracking complex, which operated close to full capacity. This was a determining factor for the operational performance of the refining activity in 2013, which was nonetheless affected by the extremely difficult situation impacting European refining, with refining margins reaching historical lows. A more complex and flexible refining system, better able to satisfy the demand of its natural market, the Iberian Peninsula, allows us better to face this period of structural imbalance with an excess of installed capacity in Europe. As regards the marketing of oil products, despite the negative impact of the Iberian Peninsula's economic context, this activity began to show positive indications with demand stabilising at the end of the year. At the same time, Galp Energia focused its efforts on achieving greater operational efficiency with a view to increasing profitability. This is one of the Company's priority goals for this business.

In the Gas & Power business, I would like to highlight the exceptional performance of our LNG supply & trading activity, which helped us reach a new historic high of 7.1 bcm in sales in 2013. The consumption of natural gas in the Iberian Peninsula has been affected by a marked reduction in demand from the electrical sector, due to the greater competitiveness of alternative resources such as coal. However, we have been proving our ability to seize opportunities in high-value markets, such as Asia and Latin America. Redirecting LNG cargoes to those markets is only possible, thanks to the efficient management of our sourcing mix, enabled by the stable demand for natural gas that we have in the Iberian Peninsula. It is therefore our goal to continue to maximise the profitability of the business, particularly through the sustainability of our trading activity.

I would also like to reiterate our commitment to a solid capital structure, which we believe is essential to the successful execution of our strategic plan and which ensures the Company's sustainability in the long term. This is why we implement a strict financial discipline. In 2013, we proceeded with the execution of our funding strategy, managing to extend the average life of our debt and to reduce the average cost of funding. I would also like to emphasise that we have continued to diversify our funding sources, namely by accessing the debt capital market for the first time. This first issuance of debt in the market reflects and strengthens the Company's commitment to the transparency, rigour and scrutiny demanded by our investors, now also on the debt side.

I believe that our human capital is one of Galp Energia's key variables. For that reason, we continue to reinforce the skills of our people and encourage their development, particularly by promoting advanced training courses. This is reflected in the Galp Energia Academy as well as in the allocation of resources to Research & Development, which is essential to our Company's competitiveness. I must refer to our partnership with Heriot-Watt University in Scotland, an internationally renowned centre for advanced training and for the development of solutions within the exploration and production area.

I would like to thank our teams and our partners for the commitment to a culture of constant innovation, and for the work that has been carried out with the ultimate goal of maximising value creation. In the E&P business in particular, the demand for new and better solutions is constant, namely assessing the viability of new technologies in highly complex settings, such as pre-salt areas. Examples of these include the possibility of subsea separation, rather than the current separation in FPSO units, or using more durable risers in future production units. I would also like to highlight the importance of the solid relationships that we have established with our partners. Our Company is well known for having integrated and diversified knowledge that we share and which we use to influence the execution of the different stages of each project.

Bearing in mind the sector in which Galp Energia operates, social, environmental and safety aspects are fundamental, as we can only continue to meet our strategic goals by achieving success in these areas. I reiterate our commitment to the safety of our operations, as well as the need for mutual involvement with the local communities where we operate.

In 2013, the Company's corporate responsibility policies were acknowledged once again, with our inclusion in the Dow Jones Sustainability Index (DJSI) World and the DJSI Europe for the second consecutive year.

I would like to express my appreciation to the members of Galp Energia's governing bodies for their commitment and important contribution to the success of the Company's strategy.

Lastly, I thank all our employees, suppliers, business partners and clients for their support at this transformational stage of Galp Energia. To our investors, and particularly our shareholders, I am grateful for all the support and for the trust that they have placed in us.

Manuel Ferreira De Oliveira
Galp Energia's Chief Executive Officer

1.3 Strategy

Galp Energia's strategy was defined in order to benefit from the favourable long-term outlook expected for the oil and natural gas industry. Based on this assumption, Galp Energia's strategic vision involves becoming an integrated operator of reference, focused on exploration and production.

Although Galp Energia considers that it is the E&P business that best will allow the Company to take advantage of the greater anticipated demand for oil and natural gas, it also believes that it is essential to ensure its presence in the downstream and gas businesses, which are centred on the Iberian Peninsula, where it is a leading operator. Besides generating positive cash flow, these businesses provide the Company with relevant knowledge and experience in activities such as supply, trading and logistics, which are valued by the players in the sector and which are essential to the success of the E&P business.

Taking advantage of its integrated position, this strategy should lead to the delivery of growth in the E&P business, while supported by the cash flow of the downstream and gas businesses and by the oil and natural gas production activity, which should see rapid growth in the coming years. Similarly, active portfolio management, through the potential monetisation of assets, may also serve as a source of cash flow. A robust capital structure, to which contributes a strict financial discipline, is considered to be essential to the strategic plan execution.

Protecting value by focusing on the execution of E&P development projects
Galp Energia holds an E&P asset portfolio which will allow for profitable growth of production over the next decade, being the Company's goal to maintain a material level of production in the long term.

To ensure production growth and the subsequent delivery of value to shareholders, it is crucial that the Company guarantees the excellent execution of its development and production projects, ensuring strict compliance with the development plans defined. These should consider the use of optimal technological solutions, among others, and should be executed both on time and on budget.

Galp Energia is involved in the development of two of the largest and most promising oil and natural gas discoveries of recent decades – the Lula/Iracema field, in Brazil, and Area 4 of the Rovuma basin, in Mozambique. These discoveries are the main drivers for production growth in the long term, which will, in turn, lead to cash flow generation. Therefore, these assets have the most potential for value generation, so it is essential that the Company ensures that this is materialised and delivered to shareholders.

In addition to these important projects, Galp Energia has already identified other areas, notably Iara, Carcará and Júpiter, in the Santos basin in Brazil, which will also contribute to the increase in production in the coming years. In fact, Galp Energia holds a high-quality asset portfolio, at different stages of development, which will allow the Company to reach a production level of 300 kboepd over the next decade, compared to 25 kboepd in 2013.

Considering the non-operator role of the Company in those projects, its control and monitoring are of the utmost importance. The influence that Galp Energia has over its partners in the different consortia is vital to reducing the execution risk. In turn, its ability to exert influence depends on its technical and management capabilities, on the soft skills of the teams allocated to each project, and on the expertise and experience acquired from the world-class projects in which the Company is involved.

Extracting more value from the current portfolio of E&P development projects
Galp Energia is focused on de-risking its portfolio of projects that are at the development stage, namely those in the Santos basin. It is in these projects that the Company can benefit most from the experience curve acquired from the development of the Lula/Iracema project as well as from the installed or planned infrastructure. This can lead to a faster start of production of additional resources, with reduced risk and lower associated costs, thereby having a positive impact on the return and value of those projects.

Galp Energia is therefore continuing to focus on an intensive appraisal activity in those projects, namely Iara, Júpiter and Carcará. This could lead to the increase in recoverable resources from these projects and, as a result, contribute to accelerate and substantiate the approval of its development plans.

At the same time, Galp Energia focuses on projects at the development and production stages with a view to maximise value extracted throughout their lifecycle. To this end, the activities performed to increase production are noteworthy. The implementation of different types of technology, both to maximise the extraction of resources from the reservoir and to maximise production, namely by reducing its restrictions and extending the period of *plateau* production are examples of these. Galp Energia has been analysing the viability of several solutions, such as the water-alternating-gas (WAG) injection, subsea separation or the use of more durable risers in future production units.

The Company believes it is crucial to invest in research and technology (R&T) for the development of new competences and solutions to extract more value from its projects. Galp Energia is committed to creating a centre of excellence in R&T, to be developed in Brazil, which will provide innovative solutions for its technological needs, and relevant within the E&P industry. In fact, the connection with the scientific system is privileged by Galp Energia, through the establishment of partnerships with internationally-renowned universities such as Heriot-Watt University, which has a strong engineering component and specialises in the E&P activity.

A disciplined exploration activity
Considering the lifecycle of the E&P business, the greatest potential for creating value lies in the exploration and appraisal stages which are, in turn, coupled with higher associated risk. Galp Energia therefore intends to continue focusing on exploration activities while ensuring a balanced exposure to project lifecycles, which is reflected in the different stages of maturity of its E&P projects.

Considering that the Company's current portfolio of development projects is expected to enable strong production growth in the coming years, the need for additional resources arises only by the middle of next decade. Therefore, Galp Energia focuses on the execution of those projects, while maintaining an exploration activity less intensive than, for instance, in 2013. Additionally, the current size of the Company, in terms of results and cash flow generation, limit its ability to accommodate possible exploratory failures. As such, it is expected that the yearly drilling campaign will become more intensive only once it starts to generate positive cash flow, that is, after 2017.

During the coming years, the Company's exploration activity should therefore ensure the improvement of its knowledge and extraction of value from its exploration portfolio by identifying new drilling targets. Nevertheless, the Company will continue to evaluate new opportunities to enter exploration assets, taking into account the established criteria, and which enable a balanced exploration portfolio and a disciplined activity – for example, by joining projects whose drilling commitments extend over the next decade. Other criteria include joining projects with more relevant stakes, taking on operatorship in onshore and shallow-water projects, and generating synergies through concentrating on its current regional hubs. Becoming an operator will be fundamental to Galp Energia's ability to develop skills, to retain talent and, above all, to gain greater control over projects' execution.

A resilient and profitable Iberian business

The downstream and gas activities, centred on the Iberian Peninsula, generate resilient cash flow that will be allocated to the E&P business, namely in the development of production projects, considering the strategic focus on this business segment.

In light of the Iberian Peninsula's economic environment and that of the downstream sector in Europe as a whole, preserving value of these businesses, by maximising their efficiency and profitability, is a strategic objective that the Company has been working towards.

In terms of the R&M business, particularly regarding the structural imbalance in the European refining sector, the Company is committed to maximising the profitability of its assets. In addition to its refineries upgrade project, which has allowed Galp Energia to reach a higher barrel conversion rate for lighter products and greater added value, with a direct impact on the profitability of the refining activity, the Company intends to increase the use of its refining system through greater reliability and availability of equipment. Projects to increase energy and process efficiency will also be fundamental, since consumption and losses at the refineries weighs on the operating cost structure.

Similarly, Galp Energia is seeking to stimulate greater profitability from its assets in the marketing of oil products business through efforts to increase sales in high-value markets, mainly in the Iberian Peninsula and in Africa, in detriment to export markets, so as to positively impact cash flow generation.

In the G&P business, which is a stable source of positive cash flow, the Company's strategy involves maintaining its reference position in the Iberian supply market, while guaranteeing the sustainability of LNG supply in high-value international markets, such as Latin America and Asia, thus taking advantage of the expected growth in demand in these regions. For this strategy to be successful, it will be crucial to maintain a stable natural gas demand in the Iberian Peninsula, particularly through the integration and leverage in consumption from the power activity. In turn, that makes it easier to take on sourcing risk, supporting the creation of a competitive and flexible portfolio.

A solid capital structure

In the execution of its strategy, Galp Energia considers strict financial discipline to be crucial. This means maintaining an adequate level of liquidity and investment and also aligning the Company's debt maturity with its expected cash flow profile. Maintaining a solid capital structure allows for access to diverse financing options at a competitive cost, which facilitate strategy execution. Galp Energia's debut on the debt capital market in 2013 was an example of this.

At the same time, active portfolio management should be seen as an additional source of cash flow as well as a potential way of materialising value.

Responsible practices to protect shareholder value

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

Galp Energia is focused on developing its human capital, particularly in E&P, in terms of attracting and retaining the best talents on a national and international level. It is also focused on the development of technical, management and soft skills, which it considers essential to exert influence on the consortia in which it participates in the E&P business.

To ensure safety and minimised environmental impact of its operations, the Company is committed to adhere to the best practices. In particular, it is aware of the impact and challenges that climate changes pose to its business. As a result, the Company is committed to encouraging the best solutions to minimise the intensity of greenhouse gas emissions (GGE), and consequently, seeking greater energy efficiency, particularly in the context of more intensive E&P activities.

Lastly, Galp Energia's strategy involves applying the concept of 'shared value', that is, simultaneously creating value for local communities as well as for the Company. This is considered to be essential for the safeguarding of its operations in the countries where it is present, while at the same time increasing its influence in those regions.

1.4 Main indicators

OPERATIONAL INDICATORS

	2010	2011	2012	2013
Exploration & Production				
3P reserves[1] (mboe)	574	709	783	**707**
3C contingent resources[1] (mboe)	2,356	2,672	3,262	**3,923**
Mean unrisked exploration resources[1] (mboe)	2,550	2,821	3,203	**2,495**
Average working interest production (kboepd)	19.5	20.8	24.4	**24.5**
Average net entitlement production (kboepd)	11.8	12.1	18.1	**20.8**
Average realised sale price ($/boe)	75.3	107.2	101.3	**100.8**
Refining & Marketing				
Crude processed (kbbl)	84,720	76,186	81,792	**87,528**
Refining margin ($/bbl)	2.6	0.6	2.2	**2.2**
Sales to direct clients (mton)	11.0	10.5	9.8	**9.9**
Number of service stations	1,539	1,502	1,486	**1,435**
Gas & Power				
Sales of natural gas to direct clients (mm³)	4,432	4,628	4,011	**4,056**
NG/LNG sales in trading (mm³)	494	738	2,242	**3,034**
Natural gas distribution network (km)	11,342	11,655	11,948	**12,159**
Sales of electricity to the grid (GWh)	1,202	1,201	1,298	**1,904**

3P reserves[1] (mboe)
2013: **707**

Average working interest production (kboepd)
2013: **24.5**

Crude processed (kbbl)
2013: **87,528**

Sales to direct clients (mton)
2013: **9.9**

Natural gas sales to direct clients (mm³)
2013: **4,056**

NG/LNG sales in trading (mm³)
2013: **3,034**

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

FINANCIAL INDICATORS

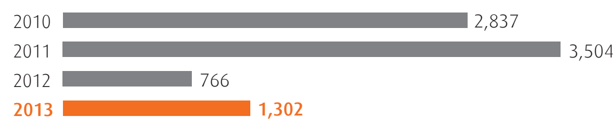
Million euros (except otherwise noted)	2010	2011	2012	2013
Turnover RCA	14,028	16,804	18,507	**19,620**
Ebitda RCA	864	797	1,032	**1,141**
Ebitda IFRS	1,064	1,090	1,054	**1,041**
Ebit RCA	464	395	602	**590**
Ebit IFRS	649	642	559	**401**
Net profit RCA	316	251	360	**310**
Net profit IFRS	452	433	343	**189**
Capital expenditure[1]	1,233	1,000	862	**963**
Free cash flow	(912)	(667)	1,807	**(476)**
Net debt	2,837	3,504	1,697	**2,173**
Net debt incl. loan to Sinopec[2]	2,837	3,504	766	**1,302**
Net debt to Ebitda RCA	3.3x	4.4x	1.7x	**1.9x**
Net debt, incl. loan to Sinopec[2], to Ebitda RCA	3.3x	4.4x	0.7x	**1.1x**
Net profit RCA per share (€/share)	0.381	0.303	0.434	**0.374**
Dividend per share (€/share)	0.200	0.200	0.240	**0.288**
Payout ratio	52%	66%	55%	**77%**
ROACE RCA	8%	6%	5%	**5%**
Market capitalisation at 31 December	11,891	9,437	9,752	**9,881**

Ebit RCA (€m)
2013: **590**

Net profit RCA (€m)
2013: **310**

Capital expenditure[1] (€m)
2013: **963**

Net debt including loan to Sinopec[2] (€m)
2013: **1,302**



Dividend per share (€/share)
2013: **0.288**

Market capitalisation on 31 December (€m)
2013: **9,881**

[1] Figures in 2010 and 2011 include capitalised interest and are therefore not comparable to figures from 2012 onwards.
[2] Part of the proceeds from $4.8 bn capital increase in Petrogal Brasil were lent back to Sinopec at Libor+1.5%.

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

02

Activities

2.1 Market environment

Oil market stimulated by growth in emerging countries

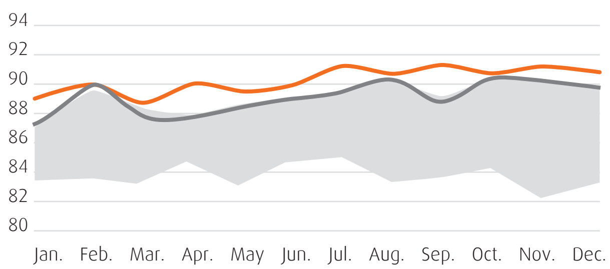
In 2013, world demand for oil continued the upward trend of the last four years, recording an average daily consumption of 91.2 million barrels per day (mbbl/d). This represents a yearly increase of 1.2 mbbl/d, 1% above that of 2012.

The key driver of this increase was the 3% increase in global gross domestic product (GDP), essentially supported by the development of emerging countries such as China and India, whose economies grew by 8% and 4% respectively. In fact, the countries outside the Organisation for Economic Cooperation and Development (non-OECD countries) contributed the most to the increase in demand for oil in 2013, with an increase of 3% over 2012. This group of countries already represents around 50% of the global oil demand.

Turning to OECD-member countries, there was a slight increase of 0.2% in oil consumption in 2013. There was a 2% increase in the United States of America (USA), as a result of the new wave of industrialisation, due to the development of shale gas and tight oil. However, this growth was absorbed by a decrease in demand in Japan and Europe, of 4% and 1%, respectively, caused by adverse economic conditions and increased energy efficiency in these regions.

It is expected that in 2014, world oil demand will continue to increase, sustained by the development of emerging countries. It is also possible that demand in non-OECD countries will surpass OECD group consumption.

Monthly evolution of world oil demand (mbbl/d)



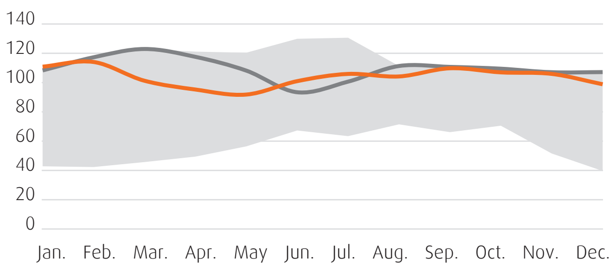
Source: IEA

Regarding supply, the average daily production level in 2013 was 91.6 mbbl/d, which represented an increase of 0.6 mbbl/d over 2012. This increase was the result of a production increase in countries outside the Organisation of the Petroleum Exporting Countries (OPEC), of around 1.4 mmbl/d. OPEC countries, meanwhile, saw a decrease in oil production of 0.9 mmbl/d to 30.4 mbbl/d, with little variation registered in the excess of effective installed capacity, which remained at around 3.3 mbbl/d at the end of the year.

Influenced by supply and demand dynamics, as well as by the stability in OPEC effective installed capacity level, the average annual price of dated Brent was close to $110/bbl for the third consecutive year. However, it showed some volatility over the year, with the monthly average ranging between $102/bbl and $116/bbl.

The price of dated Brent reached its highest point in the first months of the year, as a result of geopolitical tensions in the Middle East, specifically the *coup d'état* in Egypt and restrictions on supply in Libya. On the other hand, uncertainty in relation to the European economy, fear of a slowdown in the USA's quantitative easing programme, and a possible deceleration in the growth of the Chinese economy meant the price returned to values of around $100/bbl.

Monthly evolution of dated Brent prices ($/bbl)



Source: Platts

For 2014, it is estimated that average OPEC production will stay at around 30 mbbl/d, and that the expected growth in oil demand will be offset by an increase in tight oil production in the USA and oil sands in Canada. It is therefore expected that the excess in effective installed capacity will remain stable and support the price of dated Brent.

Different regional dynamics support natural gas prices

In 2013, the overall demand for natural gas increased by around 0.4% compared to 2012. This increase was essentially driven by the emerging BRIC countries – Brazil, Russia, India and China – where consumption was up 3% compared to 2012. At the same time, there was a 1% decrease in natural gas consumption in the OECD countries.

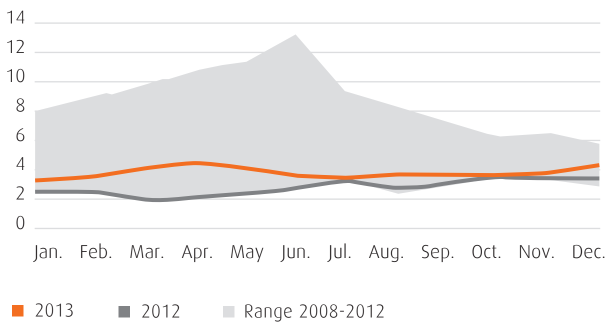
The evolution of natural gas demand in China and Brazil is noteworthy, with consumption increasing by 9% and 8%, respectively. In Brazil, this increase was due to higher thermoelectricity production, to the detriment of hydroelectricity, considering the region's low pluviosity. In China, the increase was due to greater urbanisation, and to the increase in the use of natural gas instead of coal, following policies established to balance energy sources and reduce carbon dioxide (CO_2) emissions in the region.

Although the evolution of global demand is an important factor in determining trends in natural gas consumption, it is important to point out that the natural gas market is characterised by three distinct areas of consumption – North America, Europe and Asia. Each one of these has different reference prices and dynamics: the Henry Hub (HH), the National Balancing Point (NBP) and the Japan LNG, respectively.

Regarding the HH, the average price returned to levels of $3.7/mmbtu in 2013, up 34% from 2012. This was due to the increase in demand for natural gas, particularly in the industrial sector, which is starting to explore new opportunities created by the greater competitiveness in natural gas prices in the USA. There was also an increase in demand at the end of the year, as a result of the cold weather in North America.

It is also important to note that the HH price had reached historic lows in 2012 on the back of the increase in production of shale gas in the region. The demand for natural gas in the USA should now continue to increase, giving rise to a better balance between supply and demand, providing a supportive environment and an expected increase in the HH price.

Monthly evolution of Henry Hub prices ($/mmbtu)

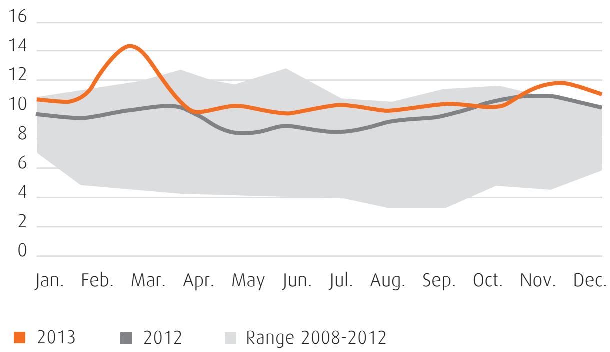


Source: Bloomberg

With regard to the NBP, the average price in 2013 was $10.7/mmbtu, 12% up on 2012, reflecting the greater volatility that resulted from a growing dependency on imports. The cold weather in the United Kingdom (UK) in February and March resulted in an increase in demand and almost exhausted the country's gas storage supply, sending the average monthly NBP price to $14.1/mmbtu in March, the highest value recorded in the last five years.

In 2014, the natural decline in natural gas production in the UK should lead to an increase in imports, which could put further pressure on NBP prices.

Monthly evolution of NBP prices ($/mmbtu)



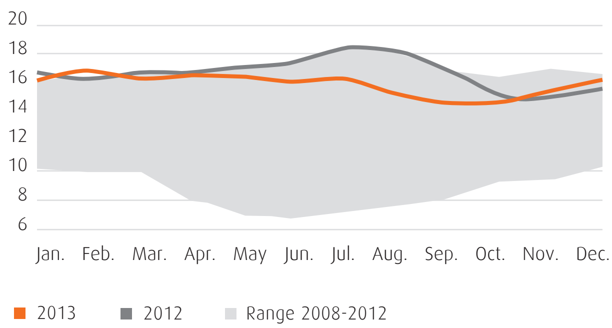
Source: Bloomberg

World LNG consumption increased 2% compared to 2012, again showing a greater increase than that of natural gas.

Demand for LNG was primarily focused on the Asia Pacific region, particularly Japan and South Korea which are the largest LNG consumers in the world. These two countries were responsible for more than 50% of global demand in 2013. South Korea registered an increase above 10% on LNG demand, due to the closure of around 25% of the country's nuclear capacity. At the same time, Japan is still suffering the consequences of the Fukushima disaster, as most of the country's nuclear reactors are still closed and no reactivation date is planned. It is important to point out that other countries should also be reviewing their long-term energy strategies, with the aim of reducing their exposure to nuclear energy.

In 2013, the average Japan LNG price was $16.1/mmbtu. This was 4% less than the previous year, but again represented some of the highest figures of the last five years due to shortage of LNG to meet demand in Asia. This situation will tend to continue in the medium term, with the anticipated increase in global demand for LNG, namely driven by China and India.

Monthly evolution of Japan LNG prices ($/mmbtu)



Source: Bloomberg

Change of paradigm in the USA energy sector

Over the past five years, the USA's energy industry has undergone great changes with the increase in shale gas and tight oil production. This phenomenon has led to coal being replaced by natural gas as a more competitive energy source, making the USA a coal exporter, particularly to Europe.

Additionally, it is expected that shale gas production in the USA will have an impact on the world energy market, as medium-term natural gas exports exceed imports in the region. In fact, until the end of 2013, four natural gas liquefaction projects had already been licenced to export, with no restrictions on destinations. These cover a total of almost 50 million tonnes per annum (mtpa), which might have long-term implications for the competitiveness of several LNG development projects planned around the world, even though most of those liquefaction projects are still in the pre-development stage.

Tight oil production exceeded 2.5 mbbl/d for the first time in 2013, and it is estimated that it will continue to increase until 2020, making the USA one of the world's largest oil producers alongside Russia and Saudi Arabia.

In this regard, there has been a change in the energy mix in the USA. This has had a direct impact on the cost structure of the North American industry, including refining, as well as on its competitiveness worldwide. It is important to note that development of the midstream sector, involving the building of logistical infrastructure to transport shale gas and tight oil from the country's interior to refineries across the country, will be key to sustaining the development of oil and natural gas production in the USA.

Challenges for the refining industry in Europe

In 2013, European refineries once again faced difficult times, with benchmark refining margins at five-year lows and, in some cases, negative figures.

Excess refining capacity in Europe, together with the significant increase in exports by the USA and the Middle East, has put pressure on the prices of key oil products like diesel and gasoline, the crack spread of the latter having decreased in the last quarter of 2013 to almost zero.

The slow growth and the implementation of austerity measures in Europe have caused considerable reductions in the consumption of oil products in recent years. Furthermore, continued efficiency gains have increased excess refining capacity, which is currently estimated to be around 3 mbbl/d, that is 20% of the current installed capacity.

At the same time, the significant decrease in crude oil production in the North Sea has increased European refineries' exposure to oil imports, with a subsequent increase in transport costs and sourcing risk.

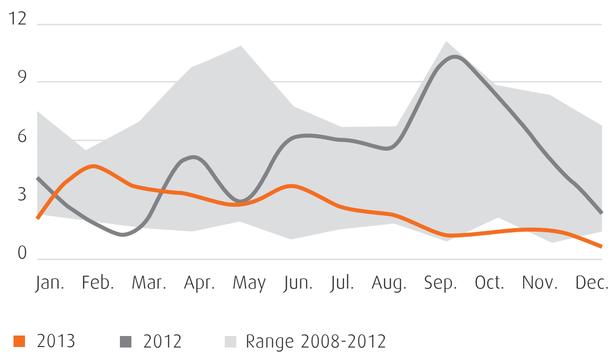
In contrast with Europe, North American refineries are currently benefiting from domestic crude oil supply at a lower cost, at a discount of between $5/bbl and $10/bbl, than the average for imported oil. Additionally, access to lower natural gas prices, used as a fuel and for hydrogen production, as well as to the increased conversion capacity in the Gulf of Mexico region, has allowed North American refineries to increase their utilisation rates of refining capacity to more than 90%, thus maximising production of middle distillates. This has given rise to a large increase in diesel exports to Latin America and Europe.

It is important to note that the first reports have appeared announcing a possible lifting of the limits on crude oil exports from the USA. The main effect of this would be an increase in the price of domestic crude oil and a subsequent loss of competitiveness for the North American refiners due to the increased cost of their main raw material.

In the Middle East, there was an increase in installed refining capacity during the year, similarly benefiting from local supply of cheaper crude oil and from the construction of total barrel conversion facilities.

Since 70% of the benchmark hydrocracking margin consists of road fuels, weakened crack spreads for gasoline and diesel were directly reflected in this margin, which went from highs in September 2012 to five-year lows in 2013, decreasing by around $10/bbl. The benchmark cracking margin saw a similar pattern, recording five-year lows since August 2013.

Monthly evolution of the hydrocracking margin ($/bbl)



Source: Platts

It is important to note that from 2015, European refining will also have to face new environmental requirements, established by the International Maritime Organisation (IMO) and the Emission Control Areas (ECA). A further reduction in the fuel oil market is therefore expected worldwide.

Contracting energy demand in the Iberian Peninsula

In 2013, the eurozone economy showed moderate signs of recovery. Nonetheless, for the countries most affected by the adverse macroeconomic environment, which include Portugal and Spain, 2013 was another year of recession.

In fact, the economies of the Iberian Peninsula were penalised in terms of domestic demand by the austerity measures applied across the region, which led Portuguese and Spanish GDP alike to decline by around 2% and 1% in the period, respectively.

This situation once again had an impact on the consumption of oil products in the Iberian Peninsula, which had decreased in 2013 by 25% from its peak in 2005. Last year specifically, there was a 5% annual decrease in demand. This was mainly driven by a 5% decrease in demand in Spain, where consumption in the diesel and gasoline markets fell by 3% and 5%, respectively.

2013 also saw a 3% annual contraction in the consumption of oil products in Portugal. Demand for gasoline and diesel decreased by 3% and 1% respectively, while jet fuel saw a 1% increase in demand due to the larger number of low-cost airlines operating in Portugal. This was also benefited by an increase in tourism, which gained from the turbulence seen in typical tourist destinations such as Egypt and Turkey.

Notably, despite this decrease in the consumption of oil products compared to 2012, there were signs of recovery throughout 2013, particularly in the last quarter of the year. As one of the main indicators for how the consumption of oil products will evolve, perspectives for GDP growth in the Iberian Peninsula during 2014 suggest there is some potential for demand recovery this year.

The Iberian natural gas market contracted by 8% compared to 2012, mainly due to lower consumption by thermoelectric power stations. This was a result, on the one hand, of higher hydroelectric and wind electricity generation. On the other, it reflected greater use of coal due to its current competitiveness on the back of increased shale gas production in the USA, which is making substitute raw materials cheaper and more readily available, and also due to a reduction in costs related to CO_2 emission licences.

It is expected that this situation will remain the same in the electrical segment, whereas in other segments, namely residential and industrial, where consumption recovered in Portugal during the year, a continuation of that positive trend is foreseen for next year.

2.2 Exploration & Production

FPSO Cidade de Paraty, in the Lula Northeast area, in Brazil.

Strategic objectives

- Protecting the value of the Company's development projects, ensuring their excellent execution, on time and on budget.
- Delivering profitable production growth by executing identified projects in order to reach 300 kboepd over the next decade.
- Pursuing opportunities to create value in the project development and production stages.
- Focusing on appraisal and development activities to de-risk additional resources in projects under development and in the start-up of production phase.
- Maintaining disciplined exploration activities in line with the need to add resources and the Company's cash flow profile.
- Taking greater control over the execution of E&P projects.

Highlights of 2013

- At the end of the year, 3P reserves stood at 707 mboe, following appraisal and development activities over the year; 3C contingent resources increased by 20%, while mean unrisked exploration resources decreased by 22% compared to the end of 2012, as a result of the exploration and appraisal works performed.
- Commitment to the development of the Lula/Iracema field, through implementing measures to mitigate execution risk.
- Appraisal activities in the Santos basin, namely the Iara West-2, Iara HA and Bracuhy wells, supported the development plans of Iara and Júpiter, respectively.
- Exploration and appraisal activities in Mozambique, including the Agulha well, reinforced the volumes discovered in Area 4 and contributed to opening a new exploration play.
- The objective of adding 300 mboe with the 2013 drilling campaign was achieved, namely with the Agulha and Bracuhy wells, and with the first oil and natural gas discovery, Pitú, in the Potiguar basin in Brazil; in Namibia, although no commercial discovery was made, the potential of oil was proven.
- Participation in the 11th bidding round in Brazil resulted in the addition of nine exploration areas to the portfolio.

MAIN INDICATORS

	2010	2011	2012	2013
Average working interest production (kboepd)	19.5	20.8	24.4	**24.5**
Average net entitlement production (kboepd)	11.8	12.1	18.1	**20.8**
Average sale price ($/boe)	75.3	107.2	101.3	**100.8**
Production cost ($/boe)	10.4	15.9	13.3	**13.7**
Amortisation ($/boe)	29.5	34.0	20.6	**22.5**
Ebitda RCA	186	251	373	**396**
Ebit RCA	61	130	245	**231**
Capital expenditure[1] (€m)	341	299	633	**723**

[1] Figures for 2010 and 2011 include capitalised interest and are therefore not comparable to figures from 2012 onwards.

Galp Energia holds an E&P portfolio of over 60 projects, spread across 10 countries, which are at different stages of exploration, development and production.

The most relevant projects are located in the pre-salt Santos basin in Brazil, the Rovuma basin in Mozambique, and in offshore Angola. It is important to highlight that Galp Energia is present in two of the largest oil and natural gas discoveries of recent decades. These are in the Lula/Iracema field in the Santos basin, and in Area 4 in the Rovuma basin. Additionally, the Company has stakes in other relevant development projects, featuring the Iara, Júpiter and Carcará areas in the pre-salt Santos basin.

Based on sanctioned and pre-sanctioned projects, Galp Energia estimates that it will reach a production of 300 kboepd in the next decade, a level 10 times greater than the 2013 production.

In addition, Galp Energia holds a geographically diversified portfolio of exploration projects, in Brazil, Angola, Namibia, Morocco, Portugal, Uruguay, Equatorial Guinea, Venezuela and East Timor. These are also diverse in terms of geology, exploration risk, including projects in emerging and frontier basins, and complexity and, consequently, in terms of their associated risk, particularly in shallow-water, ultra-deep water and onshore projects.

It should be noted that Galp Energia is involved in several projects with international companies which have recognised technical and project management skills, as is the case of Petrobras, Petróleo Brasileiro, S.A. (Petrobras) in Brazil. Such competencies are considered fundamental to executing the production growth strategy in the coming years.

Exploration and production portfolio

Evolution of reserves and resources

The Company's reserves and resources were reinforced in 2013, due to the maturation of development projects which followed the exploration successes of recent years.

In 2013, the base of reserves associated to Galp Energia's E&P portfolio continued to evolve, mainly on the back of the appraisal and development activities carried out in the Lula/Iracema field. The base of resources on the other hand, reflected the success of the Company's exploration and appraisal activities, which have led to an increase in contingent resources at the expense of the exploration resource base. Estimated reserves and resources were certified by an independent entity, DeGolyer and MacNaughton (DeMac).

The net entitlement proven, probable and possible (3P) reserve base reached 707 mboe at the end of 2013. Of this total, 693 mboe refer to projects in the development and production stage in Brazil, specifically in the Lula/Iracema field. This 3P reserve base reflects a decrease of 10% on 2012, essentially influenced by the downward revision of reserves in the Lula West area, where an appraisal well was drilled in 2013. In Angola, the volume of 3P reserves, on a net entitlement basis, decreased to 14 mbbl.

In 2013, natural gas reserves represented around 14% of total 3P reserves, in line with figures from the last three years.

The proven and probable (2P) reserves followed the same trend as 3P reserves in 2013, decreasing by 10% from the end of 2012 to 579 mboe. On the other hand, activities performed over the year in the Lula/Iracema field led to higher confidence levels about the area's reserves, leading to an increase in proven (1P) reserves of 15%, to 178 mboe. It is expected that this trend of increasing 1P reserves will continue in years to come.

The 3C contingent resource base increased by 20% over the previous year to 3,923 mboe. This increase was supported by the success of the exploration and appraisal work in Brazil and Mozambique. In Brazil, particularly in the Santos basin, it should be noted the drilling of the Bracuhy prospect in block BM-S-24, and activity in the Iara area, in block BM-S-11, where two appraisal wells were drilled. In Mozambique, the Company continued its exploration and appraisal work in the Rovuma basin, where the results boosted the volumes of natural gas resources in Area 4.

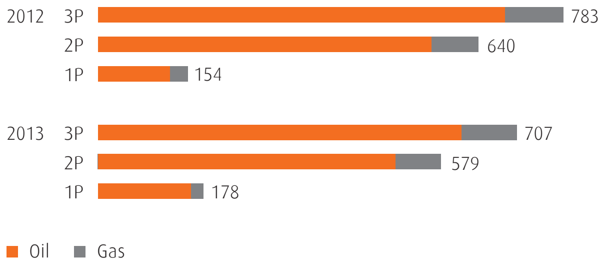
In fact, at the end of 2013, natural gas resources stood at 39% of total contingent resources, compared to 37% recorded at the end of 2012.

In terms of the geographical distribution of contingent resources, Mozambique represented, at the end of the year, 26% of total 3C resources, while assets in Brazil contributed with 68% of the total.

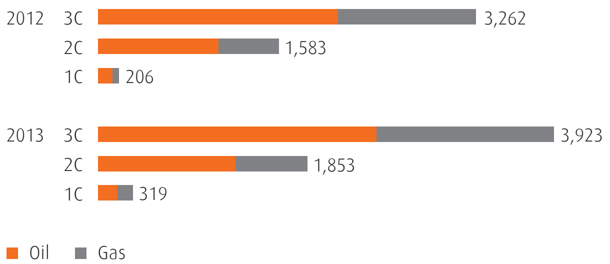
2C contingent resources also increased by 17% in the year to 1,853 mboe, as a result of the successful appraisal activities in 2013.

As a consequence of the 2013 exploration drilling campaign, and despite the strengthened exploration portfolio achieved through joining new projects, exploration resources decreased from 3,203 mboe to 2,495 mboe.

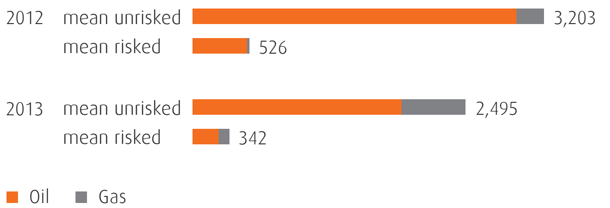
Reserves (mboe)



Contingent resources (mboe)



Exploration resources (mboe)



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

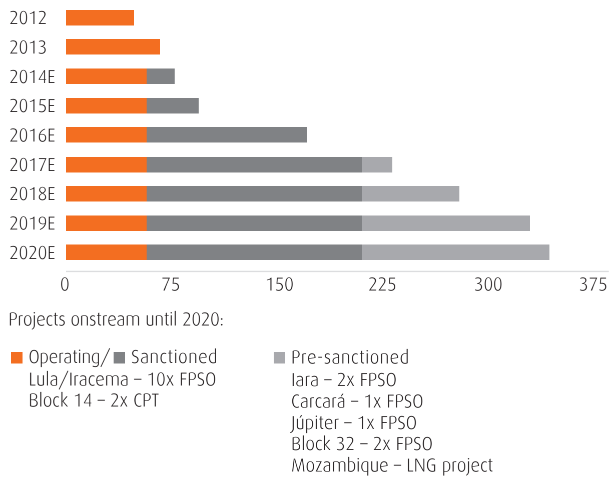
Assets under development and in production

Galp Energia holds assets in the development and production stages in Brazil, Mozambique and Angola, which will contribute to the Company reaching a production level of 300 kboepd over the next decade.

In 2013, Galp Energia recorded an average working interest production of 24.5 kboepd, in line with 2012 levels, as increased production in Brazil offset the decrease in Angola.

In fact, the main driver behind growth in production will be the development of the Lula/Iracema field, while the Iara, Carcará and Júpiter projects, in the Santos basin, and the LNG project, in the Rovuma basin, are also worth emphasising. Assets in Angola will also contribute towards that production goal but to a lesser extent than the others.

Evolution of Galp Energia's net installed capacity (kboepd)



To deliver that growth, Galp Energia and its partners have performed activities to guarantee the excellent execution of these projects, on time and on budget, and in order to ensure maximised return.

At the same time, the Company is committed to performing appraisal activities, which may result in increased resources and an accelerated start to production in areas under development, with a positive impact on the value of the E&P portfolio.

In the pre-salt Santos basin, the appraisal and pre-development works in 2013 in the Iara, Carcará and Júpiter areas are worth highlighting. Production in these areas is due to begin in 2017, 2018 and 2019, respectively.

Regarding the LNG project in Mozambique, the consortium concluded its appraisal activities at the Mamba/Coral complex in 2013, where it is expected that LNG production will start in 2019.

Brazil

Galp Energia holds several projects at the development and production stages in the pre-salt Santos basin. The Company anticipates that by 2019 it will have a total of 14 floating, production, storage and offloading (FPSO) units operating in the region, compared with two permanent units which are currently in production at the Lula/Iracema field.

In 2013, oil and natural gas production was 12.5 kboepd, representing a 21% increase on 2012. The Company benefited from steady operations at FPSO Cidade de Angra dos Reis (FPSO #1) and the start of production, in June, at FPSO Cidade de Paraty (FPSO #2).

Lula/Iracema

The development plan for the Lula/Iracema project, in block BM-S-11 of the pre-salt Santos basin, includes the installation of 10 FPSO units by 2017, with a total estimated capacity of 1.4 mbopd, with two of these units already in production.

The Company's main priority is to guarantee that the Lula/Iracema project is executed on time and on budget. In order to do so, all the critical equipment has already been contracted to a range of Brazilian and international companies. Moreover, the consortium is working to maximise project value and to de-risk additional resources.

During 2013, the consortium for block BM-S-11 made significant progress in implementing the Lula/Iracema project. Highlights included:

i) start of production at the second FPSO unit in the Lula Northeast (NE) area;

ii) steady production at FPSO #1 in the Lula-1 area;

iii) drilling of producer and injector wells, and connection of four development wells;

iv) start of WAG test in the Lula-1 area;

v) drilling of nine reservoir data acquisition (RDA) wells;

vi) leasing of two additional FPSO units on the international market;

vii) start of two extended well tests (EWT).

Infrastructure contracted for the development of Lula/Iracema

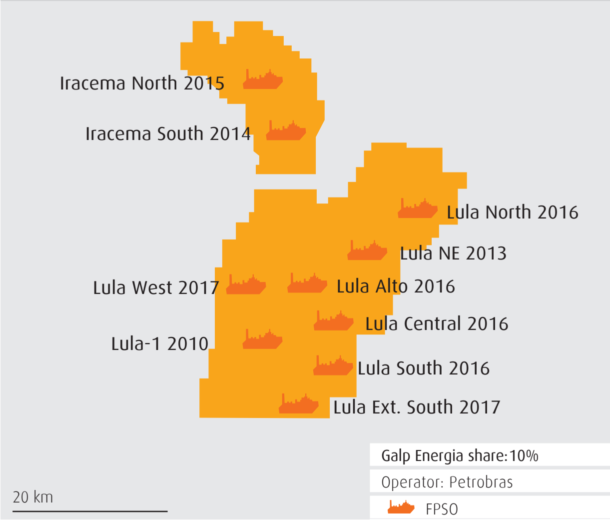
In the first half of 2013, the consortium for block BM-S-11 awarded two new contracts for leasing two additional FPSO units, with delivery scheduled for 31 and 33 months after signature of the letter of intent. This demonstrates the consortium's ability to contract production units on the international market both at competitive costs and adequate delivery deadlines.

From the project that precludes the delivery of 10 FPSO units for the Lula/Iracema field, two are already in operation and the further eight are contracted and under construction. Of these latter, four are leased and being built internationally, and the remaining four are acquired and being manufactured in Brazil.

In the last quarter of 2014 and 2015, production is due to begin in the Iracema South and Iracema North areas, at FPSO Cidade de Mangaratiba (FPSO #3) and FPSO Cidade de Itaguaí (FPSO #4) respectively. Manufacturing work for these units is running according to plan. It should be noted that FPSO #3 has been in Brazil since the second quarter of 2013 for topsides integration works.

The remaining units are scheduled to be delivered between 2016 and 2017, and are due to be assigned to the Central, Alto, South, Extreme South, North and West areas of the Lula field.

FPSO units allocation in the Lula/Iracema field



Advanced drilling of development wells positively impacts production ramp-up

Development wells are drilled prior to the FPSO arrival so that production can be brought onstream as efficiently as possible. In 2013, Galp Energia continued to implement its well development plan in the Lula and Iracema areas.

Development wells drilled

Project	Type of wells	Execution rate: Total planned	Drilled	In progress
Lula-1	Producers	6	6	-
FPSO Cidade de Angra dos Reis	Injectors	3	3	-
Lula NE	Producers	8	5	-
FPSO Cidade de Paraty	Injectors	6	5	-
Iracema South	Producers	8	4	1
FPSO Cidade de Mangaratiba	Injectors	8	3	1

In the Lula NE area, six wells were drilled during 2013, and three were connected to the FPSO by the beginning of 2014, making a total of 10 wells already drilled in the area. At the end of 2013, the Iracema South area had a total of nine development wells already drilled or being drilled, with FPSO #3 expected to arrive on location in the fourth quarter of 2014.

Natural gas export

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

The natural gas production from the Lula/Iracema project is partially exported onshore to supply the Brazilian domestic market; the remaining is reinjected to maintain pressure in the reservoir, with a positive impact expected on the reservoir's productivity. The projects currently in production, Lula-1 and Lula NE, are connected to the Lula-Mexilhão gas pipeline, which has operated since 2011.

Important progress was made in 2013 on the project in which Galp Energia participates for the construction of the second gas pipeline in the pre-salt Santos basin, with a connection to Cabiúnas.

Most of the construction work for the pipes was completed during the year. The equipment is already in Brazil, and installation works are expected to begin once all the necessary licences are obtained by the consortium. The gas pipeline, which will have an export capacity of around 15 million cubic metres (mm³) of natural gas per day, is expected to begin operations in 2015.

Natural gas export routes

Furthermore, the construction of future natural gas export routes is still being assessed. Petrobras is planning to construct a third route with a connection to Maricá, which will also contribute to natural gas export from the pre-salt Santos basin and contribute to the creation of a future network of gas pipelines. This project aims to allow better flow management of natural gas produced in the region.

It is important to highlight that the consortium will have the flexibility and capacity to manage natural gas production, optimising gas exports and gas reinjection into the reservoir, which will allow better management of the infrastructure. This is enabled by the equipment installed at the FPSO units to compress natural gas and later reinject it into the reservoir, and by the injection wells included in the development plans of the different projects.

Value creation opportunities

Galp Energia is committed to pursuing opportunities to create value during the development stage of its projects, encouraging a strong Research & Development (R&D) culture that supports the analysis and implementation of the best techniques and technological solutions.

In fact, in the Lula/Iracema project, the consortium for block BM-S-11 meets regularly to discuss the different techniques and technology to be implemented. In this regard, the consortium has been carrying out development work focused on maximising returns from this project, most notably to increase the oil recovery factor. In fact, all the equipment assigned to the current projects in the pre-salt Santos basin is designed to guarantee the execution of enhanced oil recovery techniques, like WAG injection, including CO_2, and it is prepared for the possibility of connecting more wells than originally planned, if economically viable, namely horizontal wells.

Furthermore, studies to ensure production flow and optimise development throughout the project's lifecycle have also been conducted. These include solutions to anticipate production, to debottleneck FPSO capacity, for example, through subsea separation, and implement techniques to extend the *plateau* production period.

In 2013, the most noteworthy activities within this remit were the *in situ* test of WAG injection and the drilling of RDA wells in the Lula/Iracema field.

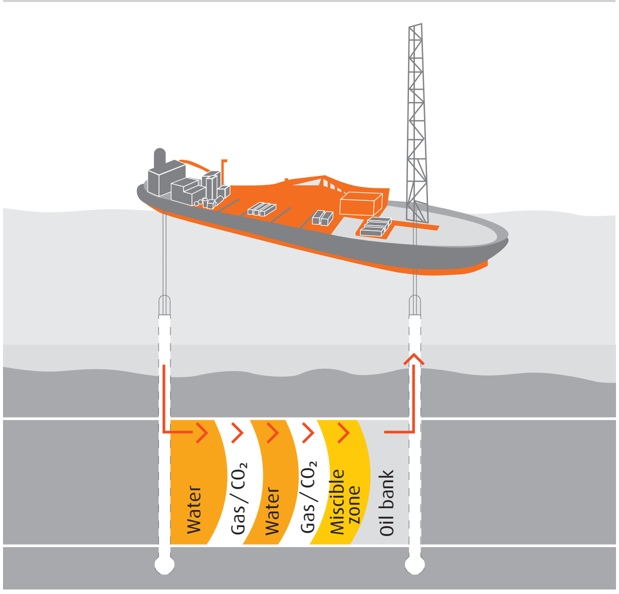
WAG injection

The WAG injection process at the Lula-1 project began in 2013. By the end of the year, two WAG wells were connected to FPSO Cidade de Angra dos Reis, where the first of these began gas injection in June of 2013 after completing the water cycle, and the second began the first stage of water injection.

This process showed an excellent response from the reservoir in the Lula-1 project. Gas is injected into the reservoir to reduce the oil viscosity and thereby improve flow. The water cycle, meanwhile, helps oil to move towards the production well. The process, when stabilised, consists of successive cycles of water and gas injection, of three months each.

WAG injection impact should be incorporated into the oil recovery factor expectation over the years.

Water-alternating-gas injection test



Appraisal and RDA well campaign

The consortium for block BM-S-11 is proceeding with its drilling campaign for appraisal and RDA wells in the Lula/Iracema areas, aiming to increase reservoir knowledge, reduce development risk and adapt the production equipment to the specific conditions of the different areas of the field.

Over the year, nine RDA wells were drilled in different areas of the Lula/Iracema field, with special emphasis on the flank of the reservoir, namely Lula West, Lula Extreme South and Lula South, among others.

The second appraisal well in the Lula West area, completed in 2013, showed connectivity with the first well drilled in the area. The results obtained reduced the uncertainty about volumes in this area of the reservoir showing, however, lower volumes of oil in place than previously estimated.

Extended well tests

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

In the fourth quarter of 2013, two EWTs started, in the Lula Central and Lula South areas. These steadily produced an average of 15 kbopd each, constrained by gas flaring restrictions in Brazil. FPSO Dynamic Producer was allocated to the Lula Central EWT, while FPSO Cidade de São Vicente was allocated to the Lula South EWT. The tests were still in production at the beginning of 2014.

Furthermore, studies are being carried out regarding the use of the larger FPSO units in the Lula/Iracema field to perform the EWT in other areas. This may result in a faster execution of the tests.

Lula-1 project

The FPSO Cidade de Angra dos Reis, with a production capacity of 100 kbopd, has been in operation since 2010. In 2013 it operated steadily at maximum capacity, although there were occasional maintenance interventions.

The production of the FPSO unit comes from four production wells, which demonstrates the reservoir's excellent productivity. Three injector wells are also connected, two of which are WAG injection wells and one is a gas injection well. Connection of the future production wells in the development plan, including a horizontal well, will be carried out as a way to maintain production, with nine wells currently drilled in the Lula-1 area.

FPSO Cidade de Angra dos Reis

Lula NE project

FPSO Cidade de Paraty, with a production capacity of 120 kbopd, began production in June 2013. In August, after the first gas injector well was connected, production reached 30 kbopd with a producer well. This shows the well's excellent productivity, that had been restricted up to that point by limits on natural gas flaring.

In December, the consortium began to connect the second producer well to the FPSO unit, where production began in January 2014. Therefore, at the start of the year, there were two producer wells and an injector well connected to the FPSO unit. The wells were connected to the FPSO Cidade de Paraty using a flexible risers system. The second producer well was connected using this system as a contingency measure, in light of the delay in installing the first Buoyancy Supported Risers (BSR) system, due to adverse weather conditions.

The remaining wells will be connected to the FPSO through a system of decoupled risers, by installing two BSR systems. The development plan provides for a total of 14 development wells, of which eight will be producer wells.

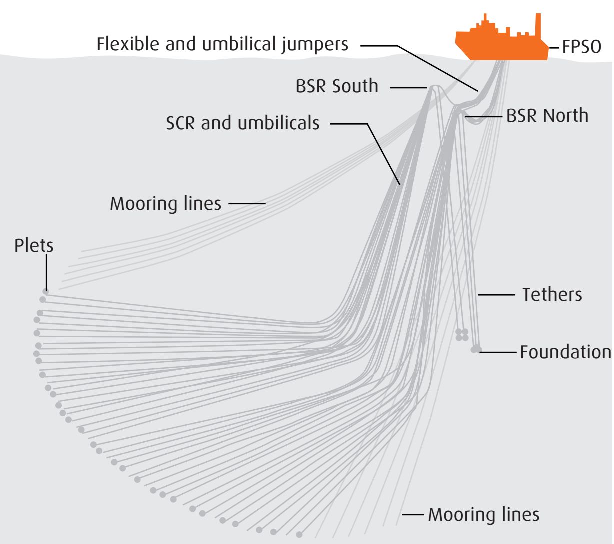
The process of installing the first BSR (BSR South) was completed in 2014, and the connection of producer wells to that system is scheduled for the second quarter of 2014.

Submersion of BSR South in Lula NE

In the first quarter of 2014, the Lula NE area was connected to the Lula-Mexilhão gas pipeline, and it is expected that gas export to onshore will start in the second quarter of 2014.

The second BSR (BSR North) should be installed in the second quarter of 2014, and it is anticipated that FPSO Cidade de Paraty will reach total production capacity in the fourth quarter of 2014, 18 months after the start of production, and in accordance with the initial plan.

Subsea equipment in the Lula NE area



Iara, block BM-S-11

The Iara area forms part of block BM-S-11, in the pre-salt Santos basin. The consortium carried out a total of five exploration and appraisal wells in the area until the end of 2013, and production is expected to start in 2017. Currently, there are two FPSO units contracted, with a capacity of 150 kbopd each, and there is potential for the inclusion of more FPSO units with the 2014 appraisal campaign.

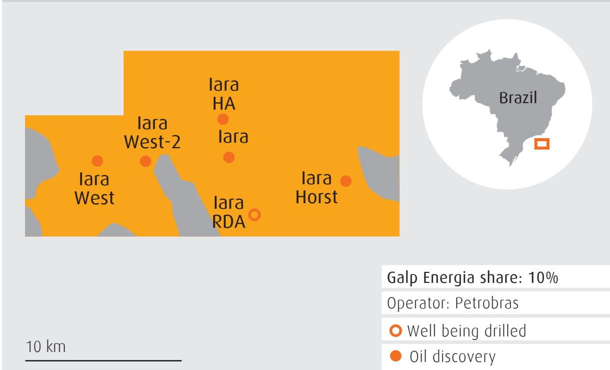
Galp Energia proceeded with the established appraisal plan in 2013, having drilled two appraisal wells, Iara West-2 and Iara High-Angle (HA). Three formation tests also provided significant help in defining and optimising the area's development plan.

The Iara West-2 well penetrated reservoirs with better characteristics than those found in the discovery well, namely with regards to porosity and permeability. The consortium carried out a formation test, which revealed excellent productivity in that area of the reservoir. Furthermore, a formation test was carried out in the Iara West-1 well in the fourth quarter of 2013.

With regard to the Iara HA, this well was designed and implemented with a subhorizontal geometry. It penetrated the salt layer at an angle of 72°, reaching a final depth of 6,672 metres after drilling through almost 900 metres of carbonate rock below the salt layer. In this way, the consortium successfully drilled the first horizontal well in Iara, with the aim of testing the implementation of this solution in the central area of the field. After drilling was completed, the Company carried out a formation test with the aim of assessing productivity by using this technique.

Also in the fourth quarter of 2013, the consortium began the first RDA well in the Iara area. An EWT is scheduled for 2014, ahead of the Declaration of Commerciality (DoC) which is expected at the end of the year.

Iara area in block BM-S-11

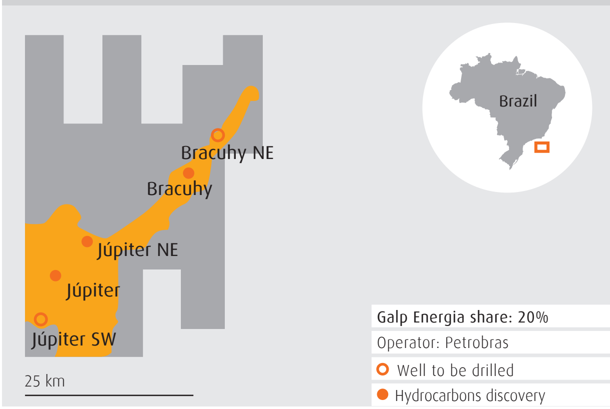


Júpiter, block BM-S-24

Júpiter, in block BM-S-24, is an important discovery of oil, condensates and natural gas mixed with CO_2. The consortium, comprising Galp Energia and Petrobras, has carried out relevant appraisal activities with a view to establishing the development project. It is expected that an FPSO will be allocated to the area in 2019 to develop the oil. The consortium is maturing several scenarios for the development, namely of oil and condensates, with potential to include more FPSO units for the development of the block.

In 2013, the consortium completed drilling of the Bracuhy prospect, which showed the same mix of hydrocarbons found in the Júpiter area, namely oil, condensates and natural gas mixed with CO_2, and reinforced the volumes of oil to be developed in block BM-S-24. Also in 2013, the consortium carried out a new 3D seismic data acquisition of the Júpiter area, to increase knowledge about the reservoir and better plan future activities in the block.

Block BM-S-24



In 2014, the consortium will pursue an intensive appraisal campaign in the block, where two appraisal wells and two formation tests are planned. This will be important to define the development plan for the block, where oil production is due to begin in 2019. It should be highlighted that there is no technological barrier to the development of the significant discoveries in the Júpiter/Bracuhy areas.

At the same time, Galp Energia is maturing development scenarios, where there is potential for additional FPSO units to be assigned to the development of the area, namely of oil and condensates. This is under the premise of reinjecting natural gas with CO_2 into the reservoir.

Carcará, block BM-S-8

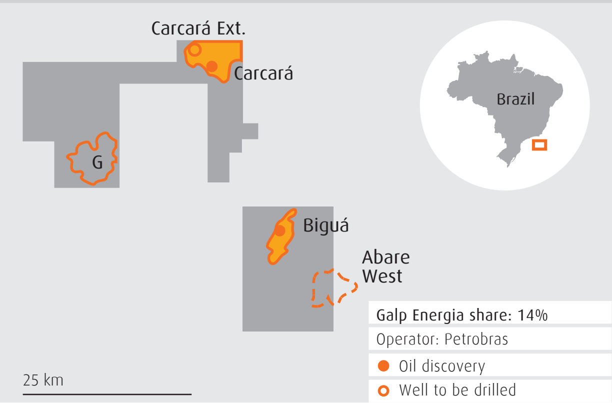
In block BM-S-8, also located in ultra-deep waters in the Santos basin, the consortium has made several discoveries to date, the most significant being the Carcará discovery. In fact, following this discovery in 2012, the consortium already anticipates the installation of an FPSO unit in 2018 to develop the area.

The Carcará well, completed in 2012, showed an oil column of more than 471 metres, mostly characterised by continuous and connected reservoirs. It also showed pressures higher than those recorded at other wells in the Santos basin, which may lead to greater productivity of the wells.

The consortium began drilling the Carcará Extension well in the fourth quarter of 2013, with the aim of determining the potential of the resources on the flank of the discovery. Drilling was suspended in January 2014, due to issues regarding rig performance. The drilling of the well is expected to resume in the fourth quarter of 2014, which will be followed by a Drill Stem Test (DST) to assess the productivity of the reservoir.

The deadline for submitting the DoC was extended until 2015, which will allow the consortium to define and optimise the development plan.

Block BM-S-8



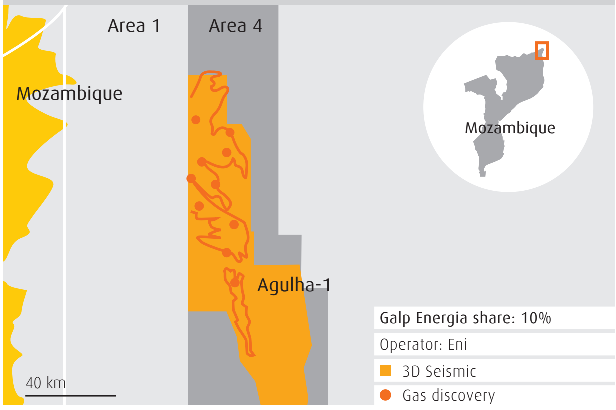
Mozambique

The success of Galp Energia's exploration and appraisal activities in Area 4 in recent years, together with the discoveries in the adjacent Area 1, has positioned Mozambique as one of the key areas of interest for natural gas production worldwide. In fact, the consortium for Area 4 has identified, until now, around 80 tcf of gas initially in place (GIIP) at the Mamba/Coral complex, where the first production of LNG is expected in 2019.

The Mozambique project benefits from a range of natural characteristics that make it one of the most competitive in the world. The quality of the gas and of the reservoirs, the flow rate per well, which is estimated at up to 150 million standard cubic feet (mscf), and its location close to the Mozambican shore, are some of those characteristics. Furthermore, the location on the Indian Ocean gives it a competitive advantage for the supply of natural gas, given its position in relation to high-value markets such as India, China, Japan, Latin America and Europe.

Further to the resources already identified at the Mamba/Coral complex, the consortium has discovered around 7 trillion cubic feet (tcf) in the South of Area 4 through the Agulha-1 well, drilled in 2013. The consortium for Area 4 is evaluating several development models to produce and supply natural gas from the block. This is both for the resources that are found in reservoirs exclusively in Area 4, as well as for reservoirs extending between areas 4 and 1 of the Rovuma basin. In fact, more than 30 tcf GIIP can be found in reservoirs exclusively located in Area 4, which broadens the flexibility and development options for Galp Energia and its partners in the area.

Area 4 of the Rovuma basin



The development of the LNG project made important progress in 2013, including the conclusion of the appraisal campaign at the Mamba/Coral complex, the progress in negotiations for the unitisation agreement with Area 1, and the advances made in clarifying the legislation necessary to support this medium to long-term project.

In fact, the necessary legislation is currently being discussed, and completion of the process is expected in 2014.

At the same time, the consortium continued to define the development work for the final investment decision (FID). This could be complex in terms of project management due to the scope of the project and the lack of infrastructure in the North of Mozambique.

To make the FID, the consortium intends to complete negotiations on the unitisation agreement with Area 1, develop and select front end engineering design (FEED) contracts, both for the natural gas liquefaction project onshore as well as for the offshore activities, and establish contracts to sell LNG. At the same time, it is intended that the financing plan for the project will be established before the FID.

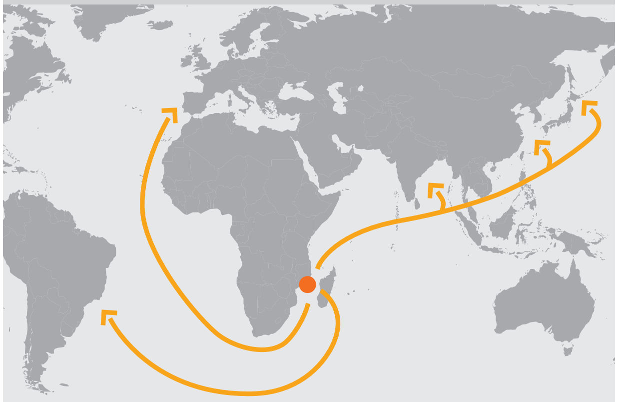
Negotiations on the unitisation agreement between the operators of areas 1 and 4 of the Rovuma basin, Anadarko Petroleum Corporation (Anadarko) and Eni, S.p.A. (Eni), should be completed in 2014. This will be fundamental to defining the development plan for the resources in those reservoirs that extend across the boundaries of both concessions.

The development project should include building onshore LNG facilities, in coordination with the Area 1 project, and floating liquefied natural gas (FLNG) units, and LNG production is expected to begin in 2019. FEED work for the construction of the units for the liquefaction of natural gas for the first stage of the project has already begun. It is important to highlight that the development of the FLNG units will allow for the diversification of development options and of onshore project risk.

Additionally, the consortium is assessing the potential and viability of implementing other solutions to monetise the resources found in reservoirs exclusively in Area 4. Several solutions are being analysed, such as a gas-to-liquids (GTL) solution.

In relation to establishing contracts to sell LNG, in 2013 the consortium advanced the first round of conversations with potential buyers, mainly from target markets, to present them with information on the project.

Possible LNG export routes from Mozambique



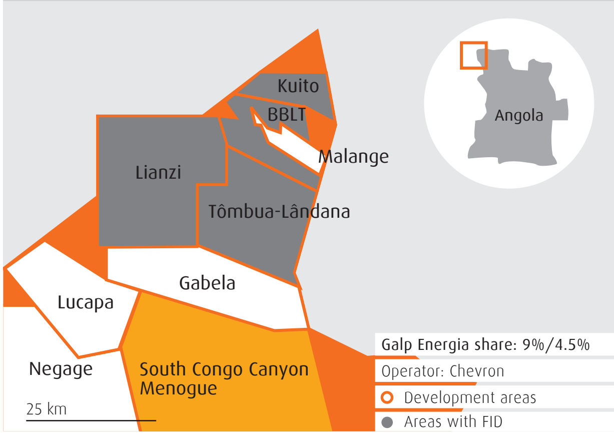
Angola

In Angola, the Company has assets under development in blocks 14, 14k and 32, and currently has two fixed production platforms in block 14. The development plans for the areas in that block and block 14k should preferably take advantage of the installed capacity. In block 32, the Kaombo area should begin production in 2017, being two FPSO planned for the field.

Working interest production in Angola decreased by 15% year-on-year (yoy) in 2013 to 12.0 kbopd. The decline in production in Angola during the fourth quarter of 2013 was a result of the advanced maturity stage of the Kuito and Benguela-Belize-Lobito-Tomboco (BBLT) fields of block 14. Production was also impacted by maintenance activities during the first quarter of 2013 and stoppages at the Kuito FPSO unit in the fourth quarter of the year.

At the end of 2013, the FPSO unit for the Kuito field was demobilised, having been in production since 1999. This was due to the maturity of the field and the high costs of maintenance that did not justify further operations. Therefore, Galp Energia now has two production units in block 14, the compliant piled tower (CPT) in the Tômbua-Lândana field and the CPT in the BBLT field.

Blocks 14/14k



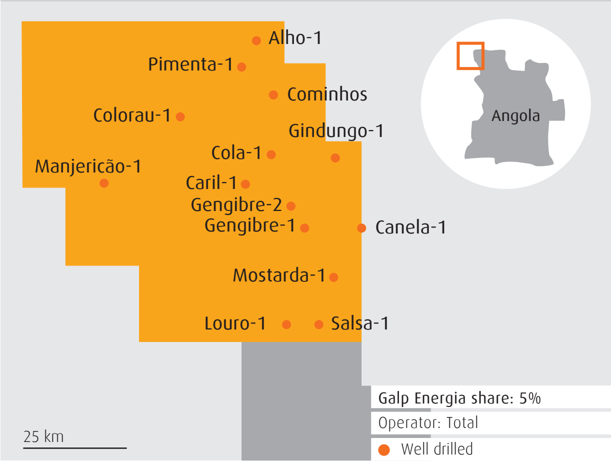
In 2013, work on the areas under development in block 14 was focused on the execution of appraisal and pre-development activities. The Company also undertook engineering studies to select the optimal alternatives for developing the different fields, with particular emphasis on the areas of Lucapa, Malange and Gabela.

The FEED for the Malange field was received at the end of the year and included a subsea tie-back to the CPT in Tômbua-Lândana, with the FID scheduled for 2015. As regards the Negage field and the Menongue discovery, the consortium is currently awaiting the outcome of negotiations with the concession holder who represents the interests of the governments of the Democratic Republic of Congo and Angola in the Common Interest Zone.

In block 14k, whose FID was made in 2012, work was carried out in 2013 for the development of the project. This involved engineering work, procurement, construction and the installation of topsides and subsea equipment. Production is scheduled to start in 2015.

Work in block 32, where the development plan consists of the split hub concept for the Kaombo area due to the geographical dispersion of the discoveries, focused in 2013 on preparing and optimising the development project. The consortium anticipates the installation of two FPSO units in the area, one in 2017 and one in 2018, with a production capacity of 100 kbopd each; the FID is due to be made in 2014.

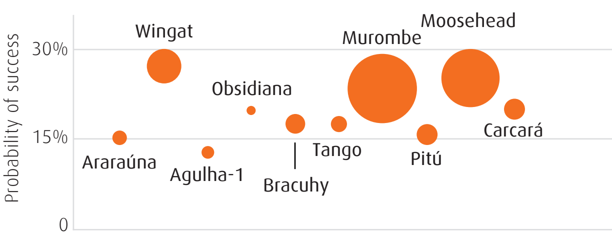
Block 32



Assets under exploration

Galp Energia continues to make efforts to contribute to value creation through its exploration activities. These include the identification and maturation of prospects and the drilling of wells with relevant exploration potential.

Prospects in the exploration campaign carried out in 2013



Note: prospects planned to be drilled as part of the 2013 exploration campaign.
The probability of success refers to pre-drill estimates.

In 2013, Galp Energia conducted its established exploration and appraisal campaign, which contributed to establish four new exploration plays, namely through the exploration activity in Mozambique, Namibia and Potiguar, in Brazil.

The objective of adding 300 mboe of resources through the 2013 exploration campaign was achieved, due to the success of campaigns in the Santos and Potiguar basins in Brazil and the Rovuma basin in Mozambique. In Namibia, although the existence of an active hydrocarbon system in the basin, namely oil, was proved, the discoveries were considered non-commercial.

The Company also continued to analyse new exploratory opportunities. This led to entry into nine blocks, under the 11th bidding round for exploration areas in Brazil: four blocks in the onshore Parnaíba basin, four in the offshore Barreirinhas basin and one in the offshore Potiguar basin.

Any opportunity to join a new project is analysed in the context of the exploration strategy outlined by the Company, considering materiality and the potential for value creation.

In 2014, Galp Energia will continue its exploration activities, with highlights including the start of the drilling campaign in offshore Morocco, and the campaign planned for the South of Area 4, in Mozambique. At the same time, Galp Energia will proceed with the appraisal campaign in the pre-salt region of the Santos basin, in Brazil.

Brazil

Galp Energia continued its exploration activities in Brazil in 2013, particularly in the Santos and Potiguar basins.

Basins where Galp Energia is present in Brazil

In block BM-S-24 in the Santos basin, the consortium drilled the Bracuhy prospect, where results revealed the presence of hydrocarbons. This well identified a gross column of 160 metres, of which 100 metres represent an oil column. The results also revealed connectivity between the Júpiter and Bracuhy areas.

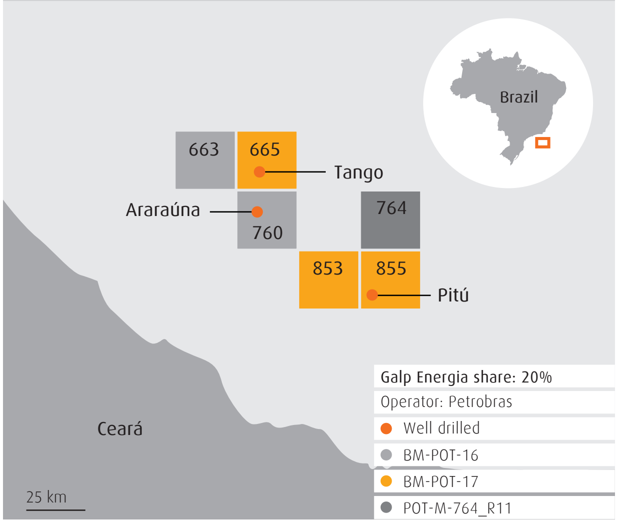
In relation to block BM-S-8, the consortium proceeded with the relinquishment of the Bem-te-Vi area, due to its reduced prospectivity. It decided to keep the Carcará and Guanxuma areas, which will respectively be subject to appraisal and exploration activities. If successful, the Guanxuma prospect, which will be drilled after the completion of appraisal activities in Carcará, could be a satellite for the development project in that area.

In the Potiguar basin, a frontier area in the Brazilian equatorial margin, Galp Energia drilled three exploration wells: Araraúna, Tango and Pitú. The goal of this campaign involved evaluating the potential of the Cretaceous interval, and it proved the presence of an active hydrocarbon system. The Pitú well revealed the first discovery of oil and natural gas in deep waters in this high-potential basin.

At the end of the year, the consortium was able to extend the exploration period for the blocks acquired before 2013, in order to conclude the Pitú exploration well, analyse the results obtained in the exploration campaign, and study additional prospectivity in the blocks.

The 2013 farm-in of the international company BP into blocks in the region should be noted, taking on a 30% stake in the blocks included in licence BM-POT-16, and a 40% stake in the blocks in the BM-POT-17 licence.

Offshore Potiguar basin



Mozambique

In 2013, the drilling of the Agulha-1 well in the Rovuma basin should be highlighted, which proved the existence of a new exploration play in the South of Area 4. The well found a substantial area of net gas pay in good-quality reservoirs in the Palaeocene and Cretaceous intervals, with estimated resources of natural gas in place of around 7 tcf. At the same time, indications of wet gas were found for the first time in the basin, in the Cretaceous interval.

In 2014, the consortium expects to drill two additional wells in the South of Area 4, with potential for an additional well to be drilled. This will assess the new play and explore the new prospects identified in the 3D seismic data acquired in that area of the block in 2013, namely the Querimbas prospect.

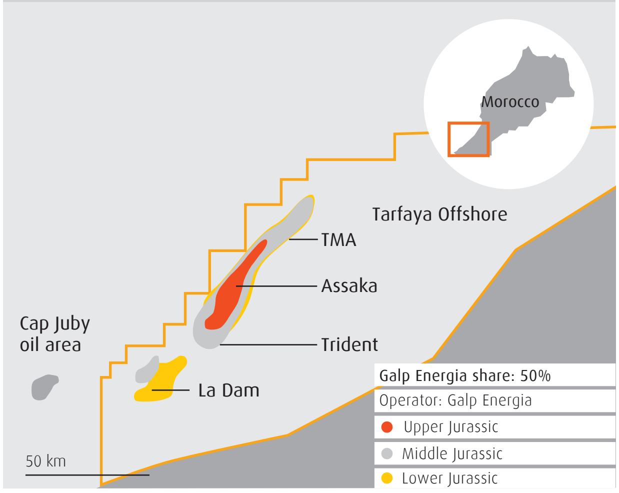
Morocco

In Morocco, the farm-in process and subsequent transfer of operatorship to Galp Energia, from the Australian company Tangiers, was completed. This process had established a 50% stake for the Company in the Tarfaya Offshore area, which includes eight exploration licences in shallow waters, known as Tarfaya Offshore I to VIII.

This is an unexplored region, although the presence of an oil system has already been proved and several prospects identified, namely the Trident, Assaka, TMA and La Dam prospects.

The exploration programme in 2014 provides for the drilling of an exploration well at the Trident prospect, the area's primary target. This is estimated to have 450 mbbl of exploration resources (mean unrisked estimate). The well's main objective involves appraising the potential of the reservoir, which dates from the Middle Jurassic geological period. In this formation, the potential for light oil was proved through drilling activities previously carried out in the Cap Juby area, located close to Galp Energia's concessions. No commercial discovery in the region has been declared, however. This first exploration well has the potential to also de-risk the Assaka and TMA prospects.

Tarfaya Offshore area



In 2013, Galp Energia made efforts to contract an adequate rig, and carried out preparatory work for the drilling of the first exploration well, including seabed data acquisition and an environmental impact assessment. This will be the first offshore well Galp Energia will drill as an operator.

Galp Energia guaranteed at the end of 2013 a six-month extension to the first exploration stage until February 2015, which will allow it to analyse the results of the first exploration well.

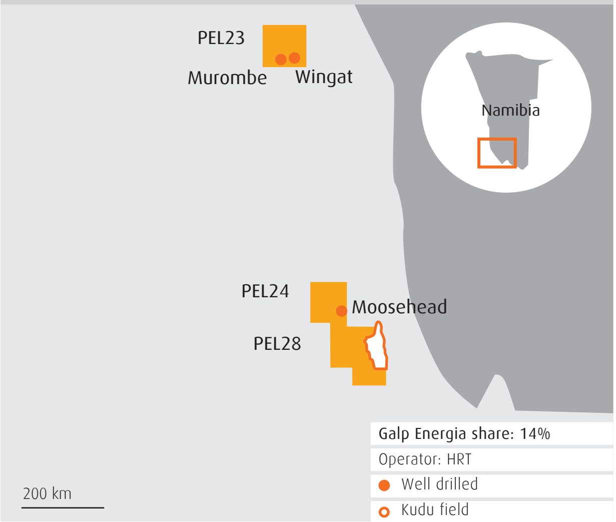
Namibia

The exploratory campaign planned for 2013 was completed in Namibia, in an emerging exploration area where Galp Energia acquired a 14% stake in three offshore licenses in the Orange and Walvis basins in 2012. This involved drilling the Wingat and Murombe wells in the Walvis basin and the Moosehead well in the Orange basin.

Although the campaign did not yield any commercial discoveries, the potential for oil in the offshore of Namibia was proved, specifically through the Wingat well in the Walvis basin. The well was the first evidence of oil in offshore Namibia, and has opened a new exploratory play in the region.

As regards the Murombe well, also in the Walvis basin and the Moosehead well, although source rocks have been found, the reservoirs did not present the conditions for oil accumulation. Therefore, these wells did not result in any commercial discovery.

PEL in offshore Namibia



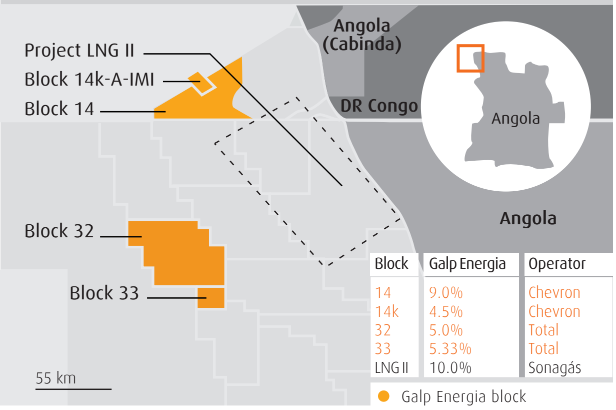
The consortium will continue to analyse the data obtained during this exploration campaign. It will also proceed with reprocessing the seismic data, which will be essential to determining future exploration activities in the area. The exploration licences, which still hold prospectivity, expire in 2015.

Angola

In Angola, Galp Energia holds offshore assets under exploration in blocks 14, 32 and 33. The Company is also taking part in the first integrated natural gas project in the country, Angola LNG II.

Exploration activities in block 32 continued in 2013, where the Caril-2 well was concluded. Exploration and appraisal work will continue in 2014 with the drilling of at least one well.

Main assets in Angola



Block	Galp Energia	Operator
14	9.0%	Chevron
14k	4.5%	Chevron
32	5.0%	Total
33	5.33%	Total
LNG II	10.0%	Sonagás

Portugal

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

In 2013, the farm-in by Repsol to four blocks in the Peniche basin is noteworthy, the Spanish company thus becoming the operator of the block after Petrobras' farm-out. Within that process, the consortium gained an extension to the exploration period of two consecutive periods of one year each.

In the Alentejo basin, the consortium also obtained a one-year extension to the exploration period, until the end of 2014. This will enable the completion of studies allowing the selection of prospects for drilling. It will also enable a decision on whether to abandon the area, or advance to the next stage of exploration, which includes a commitment to drilling an exploration well.

Regarding the onshore Aljubarrota-3 project, Galp Energia took on the operatorship in 2013. After an exploration well was drilled in 2012, which did not lead to any commercial discovery, the consortium proceeded with several studies, including environmental, to assess the potential for shale gas in the basin. The decision on future exploration activities in the block is currently under consideration.

Uruguay

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

In 2013, the consortium for Area 3 acquired 3D seismic over an area of approximately 2,000 square kilometres (km²), in order to identify potential prospects for drilling.

During the year, it is also noteworthy the farm-in of the international company Royal Dutch Shell, p.l.c. (Shell), which acquired a 40% stake in both areas following the farm-out process of Petrobras. As a result, Shell took on the position of operator of Area 4, while YPF, S.A. remains the operator of Area 3. Galp Energia has a 20% stake in both of these consortia.

2.3 Refining & Marketing


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

Strategic objectives

- Increasing the utilisation of the refining system through ensuring greater reliability and availability of the equipment; enabling higher barrel conversion rates in lighter products, with a positive impact on the profitability of the refining activity.
- Increasing energy efficiency and process, aiming to reduce the impact of consumption and losses, will have a positive impact on operating costs.
- Increasing the profitability of assets in the marketing of oil products business in high-value markets, namely the Iberian Peninsula and selected African countries.

Highlights in 2013

- Benchmark refining margins reached historic lows in Europe, a reflection of structural imbalance in the refining activity and respective excess refining capacity in the region.
- First year of integrated operations of the refining upgrade, after the start-up of the hydrocracking complex at the Sines refinery in January, which led to an increase in diesel production of 6 p.p. to 39% of total production.
- The market for oil products in the Iberian Peninsula continued to be affected by the adverse economic environment in the region, although there were some signs of improvement at the end of the year.
- Continued implementation of measures to protect market share and improve operating efficiency in the marketing of oil products in the Iberian Peninsula.

MAIN INDICATORS

	2010	2011	2012	**2013**
Crude processed (kbbl)	84,720	76,186	81,792	**87,528**
Galp Energia refining margin ($/bbl)	2.6	0.6	2.2	**2.2**
Refineries net operating costs ($/bbl)	2.1	2.3	2.2	**2.6**
Refined products sales (mton)	17.3	16.3	16.4	**17.2**
Sales to direct clients (mton)	11.0	10.5	9.8	**9.9**
Number of service stations	1,539	1,502	1,486	**1,435**
Number of convenience stores	589	595	588	**592**
Ebitda RCA (€m)	403	244	308	**315**
Ebit RCA (€m)	210	23	75	**3**
Capital expenditure[1] (€m)	800	641	162	**153**

[1] Figures for 2010 and 2011 include capitalised interest and are therefore not comparable to figures from 2012 onwards.

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

Additionally, the Company has a vast network for marketing the oil products in its portfolio across the Iberian Peninsula, including around 1,300 service stations. Galp Energia is a leading operator in the region, where it supplies most of the oil products produced in its refineries. The Company also supplies oil products on a smaller scale in selected African markets, through a network of around 130 service stations.

The R&M business generates resilient cash flow, with stable contribution from marketing of oil products. The future activities of the R&M business will focus on increasing the profitability of refining and marketing operations. The cash flow they generate will be allocated to fund the investment plan established for the E&P business.

Refining

In 2013, the refining business was negatively affected by the refining margin environment in Europe.

2013 was a significant milestone in Galp Energia's refining activity, as the Company's refining system became more complex and competitive among its European peers.

The hydrocracking complex at the Sines refinery, built as part of the refineries upgrade project, started operations in January 2013, and operated steadily from the second quarter of the year onwards. Galp Energia has now a refining system whose production profile, through increased diesel production, meets the needs of its core market, the Iberian Peninsula.

In this way, the upgraded refining system benefited Galp Energia's performance within a volatile and uncertain environment that is not structurally balanced between supply and demand. The more complex and reliable refineries, which form the Company's refining system, will be better able to adapt to market dynamics, so ensuring better profitability than its competitors.

Throughout the remainder of 2013, and since operations stabilised, the hydrocracking complex has produced with a utilisation rate of around 100%. The overall utilisation rate of the distillation capacity of Galp Energia's refining system was 73% in 2013. While this followed some planned and non-planned outages, it was also due to the policy of optimising capacity, considering the level of refining margins during the year.

In this area, it is important to emphasise that Galp Energia implements advanced engineering techniques that aim both to increase the reliability and availability of the units and to extend the assets' lifecycle. It is important to mention that Galp Energia will proceed with the general outage scheduled for the Sines refinery in 2014. This will last for around 45 days, and will include the hydrocracking complex and the FCC unit. From that date onwards, the refineries will only be subjected to partial stoppages.

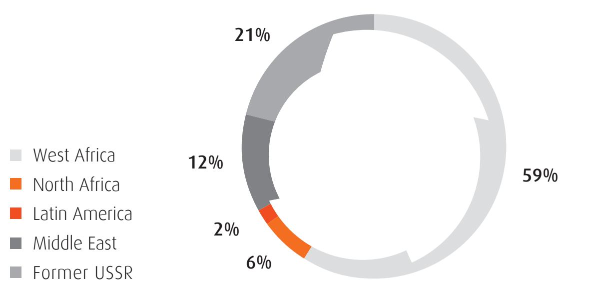
Diesel and gasoline continued to be the products that contributed most to the Company's production profile in 2013, representing 39% and 20% of total production respectively. The share held by diesel production increased by 6 p.p. in 2013. This was mainly at the expense of fuel oil, the product with the lowest market value, whose yield of production fell by 5 p.p. compared to 2012 as a result of the new refining system.

Considering the targeted production profile, and with a view to maximising the refining margin, Galp Energia will proceed to source adequate quantities of crude oil. This takes into account the strategy of diversifying sourcing and the specifications of the refining system, which currently has a greater capacity for processing heavier crude oils.

In 2013, 14 million tonnes (mton) of raw materials were processed, of which crude oil represented 83%. During 2013, Galp Energia imported crude oil from 13 countries. Medium and heavy crude oils, which historically tend to be lower cost than light crude oils, represented 84% of the total, 13 p.p. higher than in 2012.

It is important to mention that the diversification policy in the sourcing of crude oil allowed the Company to overcome the effects of certain events in 2013, such as geopolitical conflicts, that disrupted supply from countries like Libya, for example.

Crude origin in 2013



Greater focus was placed on stock management in 2013, particularly operational stock of oil and oil products. In doing so, the Company aimed to reduce the capital invested in this area. In fact, in 2013 the Company reduced investment in stocks by more than €200 m, mainly by optimising quantities. This management always takes into account the risk and cost of running out of stock, as well as the level of client satisfaction.

In terms of logistical assets, Galp Energia has access to maritime terminals in southern and northern Portugal and to storage facilities in Portugal and Spain, with a combined capacity of almost 7 mm^3. Furthermore, at the end of 2013, the Company had stakes in logistics companies in Portugal and benefited from the access to several pipelines in the Iberian Peninsula, spanning a total of almost 4,000 km.

It should be highlighted that in 2013, Galp Energia announced the sale of its 5% stake in the Spanish company Compañía Logística de Hidrocarburos CLH, S.A.(CLH), whilst continuing to benefit from access to the respective infrastructure. This is part of the Company's active portfolio management.

In Mozambique, Galp Energia boosted its logistics base with a 45% stake in the consortium that is building the country's fuel storage infrastructure. This project consists of creating a logistics centre in Africa, which will allow the Company to ensure access to competitive sourcing of those products, and allow them to be exported to neighbouring countries.

Marketing of oil products

Galp Energia focuses its marketing for oil products on high-value markets. This is primarily the Iberian Peninsula, but also includes some African countries where the anticipated market growth is attractive.

In 2013, 17 mton of oil products were sold, an increase of 5% yoy. This increase was supported by sales to direct clients in the Iberian Peninsula and in Africa, which corresponded to c.60% of the total volume sold. Growth was mainly due to increased exports. Sales to other operators, on the other hand, accounted for 20% of the year's volumes.

In fact, the Company's core activity in this context is the marketing of oil products under the Galp Energia brand, but it also sells non-fuel products via its network of service stations, to maximise their profitability.

During 2013, Galp Energia continued to adapt the structure of its marketing activities to the current characteristics of the business and market dynamics. This adaptation was particularly focused on simplifying the organisational structure, in order to increase competitiveness and efficiency in resource management, and to maximise returns on capital invested. Simplifying the structure allows greater focus on the policy of gaining customers and increasing client loyalty. It also enables segmentation and promotes the use of several targeted promotional campaigns and the establishment of partnerships.

Galp Energia also updated its information systems in order to make the Company's ability to respond to market needs faster and more flexible. This also aimed to boost the integration of several customer services management, in order to improve service quality and so to capture synergies and reduce costs.

In addition, given the adverse economic environment that has characterised the Iberian Peninsula, Galp Energia concentrated efforts on controlling credit risk, particularly in recovering outstanding debt.

Sales to direct clients

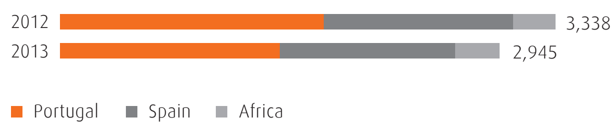
Sales to direct clients in the Iberian Peninsula and some African markets are Galp Energia's main focus for marketing oil products. In fact, in light of the quality and location of the assets held by the Company, namely its refining and logistics assets, it considers that these are the markets where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

In 2013, sales to direct clients totalled 9.9 mton, in line with 2012, with the positive contribution from the sales related to chemical products and greater volumes sold in Africa. This offset the impact of the decreasing trend of the road fuel market, namely diesel and gasoline, in the Iberian Peninsula.

In fact, Galp Energia continued to develop its African marketing activities, driving continued growth in the region, mostly due to a good performance in Angola and Mozambique.

In the retail segment, volumes decreased by 12% in 2013 following reduced consumption in the Iberian Peninsula, although this decline slowed down throughout the year.

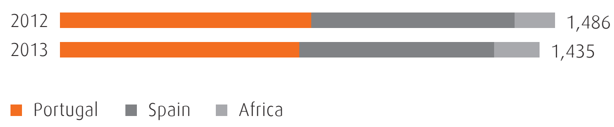
Sales in the retail segment (kton)



At the end of 2013, Galp Energia confirmed again that it had maintained its leadership of the retail market for white fuel in Portugal, with a 31% market share, in line with 2012. In Spain, market share also remained stable at 6%.

Throughout 2013, Galp Energia strengthened its customer relationships to protect its market share. The partnership between Galp Energia and Portugal's largest retail group, Sonae, therefore continued to develop positively. At the same time, temporary promotional campaigns were launched and a partnership was established to launch a new card aimed at younger people.

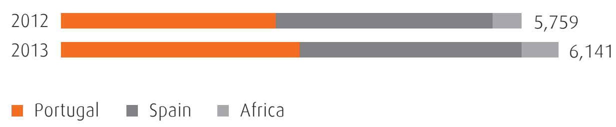
Number of service stations



As a result of the active management of its service stations network, by the end of the year Galp Energia had 1,435 service stations, of which 1,305 were in the Iberian Peninsula. The number of service stations operated by the Company fell by 26, which had a direct impact on costs.

In the wholesale segment, sales showed a 7% annual increase in 2013, as a result of larger volumes sold in Portugal. It should be noted that in Portugal, the marine segment was the sub-segment that contributed most to the increase in volumes sold.

Sales in the wholesale segment (kton)



Sales to other operators

Despite Galp Energia's focus on sales to direct clients, the Company guarantees supplies to other providers in the Iberian Peninsula through production from its refineries.

In fact, sales to other operators are also a vehicle for selling production in Portugal, benefiting from the advantages of the location of the refineries, at the expense of the export market.

In 2013, sales to other operators totalled 3 mton, in line with 2012, representing around 20% of the total volumes supplied by Galp Energia.

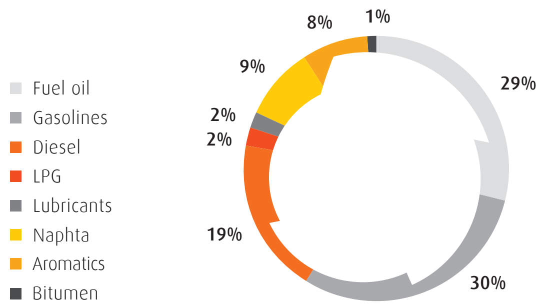
Exports

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

In 2013, exports outside the Iberian Peninsula totalled 4 mton, 21% above 2012. This increase was mainly on the back of the decrease in consumption in the Iberian market, where there was therefore greater production available for export.

Fuel oil and gasoline, which were the most exported products, were destined mainly for Morocco and the USA respectively. It is important to highlight that diesel represented 19% of total exports, destined mostly for France, Morocco and Gibraltar.

Exports in 2013 by product



2.4 Gas & Power

LNG transport vessel at the Sines port, in Portugal.

Strategic objectives

- Guaranteeing the sustainability of the LNG trading activity in the international market, focusing on high-value markets, therefore benefiting from their favourable situation.
- Maintaining stable demand in the Iberian Peninsula that in turn allows the Company to take sourcing risks, and that sustains efficient and flexible management of the portfolio.
- Consolidating power activities in an integrated manner, namely with the natural gas business.

Highlights of 2013

- Historical high in the volumes of natural gas supplied of 7,090 mm³, supported by the LNG supply & trading activity in the international market.
- Consolidation of supply activity in the Iberian Peninsula, focusing on capturing synergies on an operational level.
- Continued focus on the combined supply of natural gas and electricity, a pioneering approach in the Portuguese market.
- Start of operations in the cogeneration of the Matosinhos refinery in March.

MAIN INDICATORS

	2010	2011	2012	**2013**
Natural gas sales to direct clients (mm³)	4,432	4,628	4,011	**4,056**
Sales of NG/LNG in trading (mm³)	494	738	2,242	**3,034**
Natural gas net fixed assets (€m)	1,045	1,063	1,233	**1,239**
Cogenerations installed capacity (MW)	163	175	257	**254**
Electricity sold to the grid (GWh)	1,202	1,201	1,298	**1,904**
Ebitda RCA (€m)	263	287	350	**412**
Ebit RCA (€m)	184	230	285	**340**
Capital expenditure[1] (€m)	87	55	67	**85**

[1] Figures for 2010 and 2011 include capitalised interest and are therefore not comparable to figures from 2012 onwards.

Through its G&P business, Galp Energia sources natural gas and LNG, which it distributes and supplies mainly to the Iberian Peninsula, but also to the international market, where it has intensified its LNG trading activity. It is the stable 4 billion cubic metres (bcm) per year demand that the Company has in the Iberian Peninsula, that allows it to take sourcing risks. This means it can sustainably continue to take advantage of opportunities in high-value markets.

At the same time, the Company has consolidated its electricity generation and supply activities, mainly by integrating them with its supply of natural gas activity.

The G&P business generates positive cash flow and it is expected that the results of the supply & trading of natural gas will continue to benefit from capturing opportunities in the international LNG market. The management of the regulated natural gas infrastructures and the power operations contribute steadily to results.

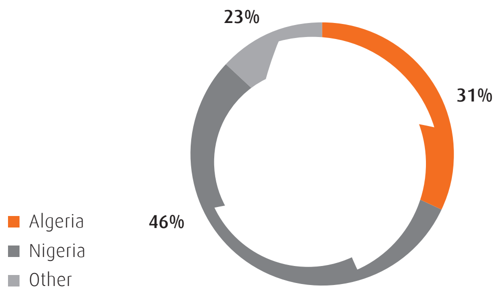
Natural gas

The Galp Energia natural gas business encompasses a series of regulated and liberalised activities, including supply under a liberalised regime, the operation of infrastructures under a regulated regime, supply in the Iberian Peninsula and in the international market, the latter through the trading segment.

Procurement

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

Main natural gas supply sources in 2013



In 2013, Galp Energia pursued an active management policy for its different sources of supply, including the spot market. It acquired a total of 7.1 bcm of natural gas, 12% more than in the previous year. Of this total, 3.3 bcm came from Nigeria, through direct contracts established with Nigeria LNG, while 2.2 bcm came from Algeria, through the Europe Maghreb Pipeline (EMPL), and the Al-Andalus and Extremadura pipelines.

Equity holdings in international gas pipelines

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

Supply & trading

Galp Energia supplies natural gas to the Iberian market, where it has steady demand for natural gas, and focuses efforts on increasing the activity's profitability. At the same time, the Company has intensified its trading operations in the international LNG market, and has been successful in capturing opportunities in markets such as Latin America and Asia.

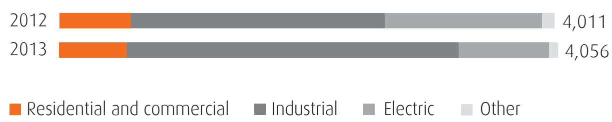
In 2013, Galp Energia supplied a total of 7,090 mm³, a historic high that is driven by increased sales in the trading segment, which represented 43% of the total amount.

Sales to direct clients

Galp Energia is the second largest supplier of natural gas in the Iberian Peninsula, with around 1.3 million clients.

In 2013, sales of natural gas to direct clients totalled 4,056 mm³. This was in line with 2012, as the decrease in demand from the electrical segment was more than offset by the increased consumption in the industrial segment.

Sales of natural gas to direct clients (mm³)



The power stations supplied by Galp Energia in 2013 continued to reduce their consumption of natural gas, which fell to 736 mm³, a decrease of 41% from the previous year. This was on the back of an increase in electricity generation using alternative sources, such as hydroelectric, wind generation and coal, as well as an increase in imports of electricity produced in Spain.

In the industrial segment, the volumes of natural gas sold increased by 605 mm³ to 2,718 mm³. This was supported by an increase in consumption at Galp Energia's own industrial units, namely the hydrocracking complex at the Sines refinery and the cogeneration facility at the Matosinhos refinery, which has been in full operation since March 2013.

In terms of the residential and commercial segment, the volumes of natural gas sold totalled 521 mm³, in line with the previous year. This was achieved despite expanded liberalisation of the Portuguese natural gas market. In fact, the efforts made to retain clients following this liberalisation, and actions carried out in Spain to strengthen its position in the market, have supported Galp Energia's reference position in the Iberian Peninsula.

It should be noted that in 2013 the range of initiatives to increase efficiency and profitability of the supply of natural gas activity including, among other initiatives, a greater focus on credit management.

Trading
Galp Energia has been intensifying its LNG trading activity in high-value markets, specifically the Asian and Latin American markets.

In 2013, the Company recorded a new high in volumes sold in this segment at 3,034 mm³, a 35% increase from 2012. Thirty-six cargoes of LNG were sold over the year, of which 16 were to countries in Latin America and 13 to countries in the Far East. The contracts signed in 2012 contributed to the volumes sold over the year. These contracts guarantee sales of 1.4 bcm of LNG per year for the period from 2013 to 2015.

In order to sustain its supply & trading activity in the long term, in view of the growth expectations for the LNG market worldwide, the Company has been strengthening the technical skills of its traders.

Regulated infrastructures
Galp Energia operates regulated infrastructures for the supply and storage of natural gas in Portugal, where ERSE, the Portuguese energy market regulator, is responsible for establishing the regulations for the returns from those activities.

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

2013 marked the start of a new regulatory period, which will end in 2016. A new method for calculating the return rate has been established, based on the average yield of 10-year bonds issued by the Portuguese State.

Distribution
Galp Energia has stakes in nine natural gas distributors in Portugal, five of which operate under concession contracts lasting 40 years. The others operate under licences with an exploration period of 20 years. The return rate for the supply of natural gas is fixed at 9% for the present year. At the end of 2013, the regulated asset base assigned to that activity was €1.1 billion (bn).

At the end of the year, the distribution network operated by Galp Energia had reached 12,159 km, and in 2013 the milestone of one million connected consumption points was reached. The companies in which Galp Energia has stakes distributed 1.5 bcm of natural gas during the year.

Storage
Galp Energia operates the regulated underground storage of natural gas in Portugal for a 40-year period up to 2046. The regulated asset base underlying this activity is valued at €66 m, with returns established at a rate of 8%.

A new cavern came into operation in 2013, after completion in 2012. With a geometric volume of approximately 748 thousand m³, this is the largest storage cavern in the Iberian Peninsula and one of the largest in Europe. Galp Energia now operates a commercial storage capacity of 131 mm³.

Power
The power business includes energy generation, using a portfolio of cogeneration plants located in Portugal, and the supply of electricity. This business complements the natural gas business through the consumption of natural gas in the cogeneration plants, as well as through the provision of combined electricity and gas packages to end customers.

Cogeneration
Galp Energia currently has an installed capacity of 254 MW, including cogeneration units at the Sines and Matosinhos refineries, which are an important source of natural gas consumption for the Company and also an important source of energy generation for the refineries.

The start of operations of the cogeneration at the Matosinhos refinery was of particular importance in 2013. The unit has run at an availability rate of 88% since then, contributing to the 47% increase in the amount of electricity sold to the grid.

Galp Energia cogeneration portfolio in 2013

	Installed capacity (MW)	Electricity production (GWh)	Natural gas consumption (mm³)
Sines	82	674	245
Matosinhos	82	585	195
Other	90	648	87
Total	254	1,906	527

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

In 2013, Galp Energia strengthened its position in the supply market, and intensified its efforts in terms of business-to-business clients, with a particular focus on those who are already natural gas clients.

The Company supplied 1,619 GWh of electricity in 2013, around three times more than in 2012. It also achieved the milestone of 100,000 contracts signed, most of which were for the combined natural gas and electricity offer.

03

Financial performance

3.1 Executive summary

In 2013, Galp Energia's RCA net profit was €310 m, down €50 m yoy.

In fact, notwithstanding the increase of production of oil and natural gas and volumes of LNG sold in the international market, the increase of depreciation, namely in the E&P and R&M business segments, negatively impacted net profit in the period.

The most noteworthy facts regarding Galp Energia's operational and financial performance in 2013 were:

- net entitlement production of oil and natural gas was 20.8 kboepd, of which 60% was from Brazil;
- Galp Energia's refining margin remained stable at $2.2/bbl, in a scenario of decreasing benchmark refining margins, having benefited from the start of operations at the hydrocracking complex;
- the marketing of oil products continued to be affected by the adverse economic environment in the Iberian Peninsula, despite the visible stabilisation of volumes at the end of the year;
- volumes sold of natural gas amounted to 7,090 mm³, an increase of 13% yoy, following the more robust LNG supply & trading activity in the international market;
- RCA Ebit was €590 m in 2013, down €12 m yoy, mainly due to the increased depreciation in the E&P and R&M business segments;
- capital expenditure amounted to €963 m, of which 75% was allocated to the E&P business segment, namely to development and production activities in Brazil;
- at the end of 2013, the net debt to Ebitda ratio was 1.1x, considering the loan to Sinopec as cash and cash equivalents.

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

3.2 Results analysis

Operational performance

Exploration & Production

Ebitda in 2013 increased €22 m yoy to €396 m, primarily on the back of higher production of oil and natural gas.

Production costs increased €10 m yoy to €78 m following the start of operations of the second FPSO in Brazil, and the increase in production costs in Angola that were mainly related to maintenance activities.

Other operating costs increased €16 m yoy to €65 m due to the reinforcement of the E&P team and the upward revision of insurance premiums regarding Brazilian operations following the increase of activities and investment made in the country.

Depreciation charges increased from €106 m in 2012 to €129 m, primarily as a result of increased investment and production in Brazil, influenced by the start of production of FPSO Cidade de Paraty. Provisions amounted to €35 m, compared with €22 m in 2012, which was influenced by the increase of abandonment provisions for the Kuito field in anticipation of the respective FPSO decommissioning at the end of 2013.

Ebit for 2013 decreased €14 m yoy to €231 m as a result of increased production costs and depreciation charges.

Refining & Marketing

Ebitda for 2013 amounted to €315 m, in line with that of 2012.

Despite the negative evolution of the benchmark refining margins, Galp Energia's margin remained stable at $2.2/bbl, influenced by the positive contribution from the hydrocracking complex.

The refineries' operating cash costs amounted to €172 m, up €29 m from a year earlier. This was influenced by the purchase of CO_2 emission licences and the increase of operating costs related to the hydrocracking complex.

In 2013, notwithstanding the adverse economic backdrop in the Iberian Peninsula, the marketing of oil products activity was positively influenced by optimisation measures which in turn had an impact on operating costs.

Depreciation charges for 2013 increased €63 m yoy to €267 m. This reflected the impact of €62 m from the start of depreciations of the hydrocracking complex assets in the second quarter of 2013.

Provisions of €45 m were primarily a result of impairments on receivables for marketing of oil products.

In 2013, the R&M business segment registered an Ebit at €3 m, down from the €75 m achieved in 2012.

Gas & Power

Ebitda for the G&P business in 2013 showed an annual increase of €61 m to €412 m following better results from the supply & trading activity.

Ebitda for the supply & trading activity reached an all-time high of €209 m in 2013, up €42 m from a year earlier, as LNG supply & trading activity intensified in the international markets.

Ebitda for the infrastructure business amounted to €160 m, having benefited from the full consolidation of the natural gas distribution company Setgás from the third quarter of 2012.

The power business also showed an operational improvement, with Ebitda increasing €11 m to €43 m, as a result of the start of operations of the Matosinhos cogeneration.

Depreciation and amortisation in 2013 amounted to €61 m, up €11 m from a year earlier as a result of the start of depreciations of the Matosinhos cogeneration in 2013.

Provisions of €10 m were primarily due to impairments on receivables.

Ebit for the G&P business increased 19% yoy to €340 m with the contribution of all business sub-segments.

Ebitda by business segment (€m)

	2012	2013	Change	% ch.
Ebitda	**1,032**	**1,141**	**108**	**11%**
Exploration & Production	373	396	22	6%
Refining & Marketing	308	315	7	2%
Gas & Power	350	412	61	17%

Financial performance

Turnover in 2013 increased 6% yoy mostly on higher volumes of oil products sold, increasing production of oil and natural gas, and higher natural gas and LNG volumes sold.

Operating costs increased 6% yoy, primarily as a result of the increase in variable costs regarding supply and service costs. These were, in turn, a result of higher costs incurred in the production of oil and natural gas activity, as well as in the transportation of oil products. Personnel costs increased €28 m yoy, due to a one-off effect related to the renegotiation and actuarial recalculations of health insurance contracts, accounted for in the fourth quarter of 2012.

Ebitda amounted to €1,141 m, up 11% yoy mainly as a result of the improved performance of the E&P and G&P business segments.

Ebit amounted to €590 m, down 2% yoy as depreciation and amortisation increased, primarily in the E&P and R&M business segments.

Income statement (€m)

	2012	2013	Change	% ch.
Turnover	18,507	19,620	1,113	6%
Operating expenses	(17,514)	(18,515)	1,001	6%
Costs of goods sold	(16,228)	(17,117)	889	5%
Supply and services	(984)	(1,069)	85	9%
Personnel costs	(301)	(329)	28	9%
Other operating revenues (expenses)	39	35	(3)	(9%)
Ebitda	**1,032**	**1,141**	**108**	**11%**
D&A and provisions	(431)	(551)	120	28%
Ebit	**602**	**590**	**(12)**	**(2%)**
Net profit from associated companies	72	64	(9)	(12%)
Net profit from investments	(0)	0	1	n.m.
Net interest expenses	(79)	(121)	(42)	(53%)
Profit before tax and non-controlling interest	595	533	(62)	(10%)
Income tax	(182)	(168)	(14)	(8%)
Effective tax rate	*31%*	*31%*	*1 p.p.*	*n.m.*
Non-controlling interest	(53)	(55)	3	5%
Net profit	**360**	**310**	**(50)**	**(14%)**
Non-recurrent items	(43)	(59)	(16)	38%
Net profit RC	**317**	**251**	**(66)**	**(21%)**
Inventory effect	26	(62)	(89)	n.m.
Net profit IFRS	**343**	**189**	**(155)**	**(45%)**

Contribution from associates amounted to €64 m, down €9 m yoy as a result of the full consolidation of Setgás from the third quarter of 2012 and the disposal of a 4.6% stake in EMPL in the third quarter of 2012. International gas pipelines contributed €50 m to results from associates.

Financial losses of €121 m were €42 m higher than in 2012 as a result of lower interests capitalised and unfavourable exchange differences close to €9 m in 2013 compared with favourable exchange differences of €2 m in 2012. The lower interests capitalised were due to the fact that interest charges related to capital expenditure on the Sines refinery upgrade project ceased to be capitalised from the second quarter of 2013, on the back of the start of operations of the hydrocracking complex.

Income tax in 2013 increased €14 m yoy to €168 m, following intensified E&P activities. In fact, out of the total tax in the period, €95 m corresponded to oil exploration and production concession contracts in Angola and Brazil. The effective tax rate was of 31%, in line with 2012.

Following the capital increase in Petrogal Brasil and related companies, subscribed by Sinopec in March 2012, non-controlling interest amounted to €55 m in 2013, up €3 m from a year earlier.

In 2013, net profit was €310 m, down €50 m yoy.

RC net profit of €251 m reflected negative non-recurrent items of €59 m, primarily related to impairments on dry and non-commercial wells and the return of the Bem-te-vi area in the Brazilian block BM-S-8. The combined effect of these items was not offset by non-recurrent income, including the gain of €52 m from the sale of the stake in CLH during the third quarter of 2013.

International Financial Reporting Standards (IFRS) net profit was €189 m, including a negative stock effect of €62 m that followed a negative evolution of oil and oil product prices in the international markets during 2013.

3.3 Capital expenditure

Capital expenditure (€m)

	2012	2013	Change	% ch.
Exploration & Production	633	723	90	14%
Refining & Marketing	162	153	(8)	(5%)
Gas & Power	63	85	22	34%
Others	4	1	(2)	(58%)
Total	**862**	**963**	**101**	**12%**

Capital expenditure in 2013 totalled €963 m, of which around 75% was allocated to the E&P business, in line with the Company's strategy.

Investment for the E&P business amounted to €723 m. Development activities, particularly in the Lula/Iracema field in BM-S-11 block, represented 60% of the total invested in the E&P business segment. The remaining 40% was allocated to the intensive exploration and appraisal campaign conducted during the year.

The combined investment in the downstream and gas businesses in 2013 amounted to €238 m. This was primarily channelled into maintenance and safety activities but also into the completion of the Matosinhos cogeneration and into investment in cushion gas for a new natural gas storage cavern.

3.4 Capital structure analysis

Consolidated financial position (€m, except otherwise noted)

	31 Dec. 2012	31 Dec. 2013	Change
Non-current assets	6,599	6,883	284
Other assets (liabilities)	(451)	(460)	(9)
Loan to Sinopec	931	871	(60)
Working capital	1,324	1,294	(30)
Capital employed	**8,403**	**8,589**	**186**
Short term debt	1,106	373	(732)
Long term debt	2,477	3,304	826
Total debt	**3,583**	**3,677**	**94**
Cash	1,886	1,504	(382)
Total net debt	**1,697**	**2,173**	**476**
Total equity	**6,706**	**6,416**	**(290)**
Total equity and net debt	**8,403**	**8,589**	**186**
Total net debt including loan to Sinopec	766	1.302	536
Net debt to Ebitda	*1.7x*	*1.9x*	-
Net debt, including loan to Sinopec, to Ebitda	***0.7x***	***1.1x***	-

Non-current assets on 31 December 2013 amounted to €6,883 m, up €284 m from the end of 2012 due to the investment made during the year, particularly in the E&P business segment.

Working capital was €1,294 m in 2013, down €30 m yoy. This evolution reflects an efficient management of working capital which was focused, among other areas, on reducing stock.

Net debt stood at €2,173 m at the end of December 2013, or €1,302 m if the €871 m loan to Sinopec, following the capital increase in Petrogal Brasil and related companies, was to be considered as cash and cash equivalents.

The net debt to Ebitda ratio was 1.9x at the end of 2013, or 1.1x considering the loan to Sinopec as cash and cash equivalents.

During 2013, Galp Energia continued to implement its funding strategy, which aims among other purposes to align its debt maturity with the expected cash flow generation profile, as well as to guarantee the diversification of its funding sources.

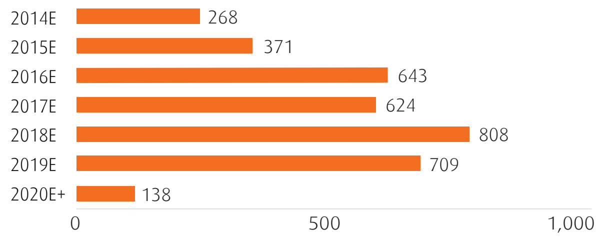
In this regard, during the year, the Company issued a total of €2.2 bn of debt, with maturities of between four to six years.

It should be noted that Galp Energia proceeded with its first issuance of debt in the capital markets in November 2013, under the announced Euro Medium Term Note (EMTN) programme. The issuance of €500 m contributed to further diversify the Company's financing sources, and allowed for the extension of average life of debt and the reduction of the average cost of debt.

At the end of 2013, medium and long-term debt represented 90% of the Company's total debt, against 69% at the end of December 2012. Out of the total medium and long-term debt, 33% was contracted at a fixed rate at the end of 2013.

By the end of 2013, the average debt maturity was 3.6 years, compared to 2.6 years at the end of 2012. This reflects the Company's efforts to increase its debt maturity.

Debt reimbursement profile at the end of 2013 (€m)



The average cost of debt in 2013 was 4.4%, down eight basis points (b.p.) yoy.

At the end of December 2013, Galp Energia had unused credit lines of €1.2 bn, 25% of which were with international banks and 60% of which were contractually guaranteed.

Cash and cash equivalents attributable to non-controlling interest on 31 December 2013 amounted to €64 m, most of which were accounted for by the Company's Brazilian subsidiary, Petrogal Brasil.

04

Principal risks

4.1 Risks faced by Galp Energia

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

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

An intensive reassessment process was carried out in 2013 on the risks to which the Company is exposed. Galp Energia groups its main risks into four main categories: strategic, operational or compliance, external and financial. Risk mitigation actions were established in order to adjust risk exposure to shareholder tolerance levels.

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

Principal risk	Description and impact	Means of mitigation
Strategic risks		
Project execution	The success of the execution of large projects is essential for the future growth of Galp Energia. If these projects are not carried out within the designated budget and time scale and in compliance with the previously defined specifications, this may influence the execution of Galp Energia's strategy, its results, reputation and financial situation. The execution of these projects is subject to health, safety and environmental risks and to economic, technical, commercial, legal and regulatory risks. Also, choosing a less suitable development option can result in additional costs and/or risks during the project's useful life. Many of the Company's main projects are performed through partnerships, and may be operated by third parties. In turn, since Galp Energia's and its partners' activities depend on the performance of various service providers and other contracted parties, the Company is exposed to execution risk through these entities. It should also be noted that partners' interests or goals may be different from those of the Company, and they may exercise certain veto rights to block certain decisions or actions taken by Galp Energia. Different partners may also approve certain matters without the Company's consent. The fact that Galp Energia is involved in different projects where it is not the operator, and where it holds minority stakes, may affect its ability to influence the partnership's decisions and manage risks and costs. Furthermore, Galp Energia's partners and contracted parties are responsible for bringing suitable technical and human expertise to each project. Otherwise, these partners and other parties may not be able to cope with their financial or other obligations vis-à-vis their contracted parties or projects, thereby potentially affecting their feasibility.	At Galp Energia, the final decision on project investment is made after a detailed review of feasibility studies, including sensitivity analyses of the key variables such as prices and costs, the selection and definition of the development concept, correct planning and management of project implementation and the study of marketing options. Another means of mitigating risk of project execution is by constantly monitoring projects, in order to identify potential risks as early as possible, thus ensuring that corrective measures are implemented in a timely manner. It is also important to note that the information gathered for each project and subsequently used for other projects, enables the Company to benefit from the experience and learning curve. Although Galp Energia is not the operator of most of the projects it takes part in, it is actively involved in their execution. The Company monitors the activities of each project on a daily basis and maintains direct contact with the operators, which are international companies with vast experience in the industry. Furthermore, Galp Energia is present in many different projects worldwide, which enables it to benefit from the diversified experience and knowledge, employing different techniques and experience curves from one region to another. An example of this is the knowledge acquired from the ultra-deep waters of Latin America and Africa. Galp Energia believes that its proven and diverse experience, combined with the knowledge it acquires from the various projects it is involved in, are key factors that allow it to influence the consortium. Galp Energia also has the goal of continuing to boost its exploration and production activity competences, which are expected to contribute to the increase of its control and influence in every project. With regard to the risk of hiring suppliers, service providers and other contracted parties, Galp Energia analyses and implements a procurement and selection process combining various operational, health, safety and environment (HSE) criteria. For the projects it does not operate, the Company also conducts monitoring by multi-disciplinary internal teams at the various project phases.
Country risk	The Lula/Iracema field is currently the largest contributor to Galp Energia's base of oil and natural gas reserves. Although Galp Energia has had no material problems to date with its operations in Brazil including, but not limited to, events involving security failures, civil unrest, expropriated assets or changes to the legal, regulatory or tax framework, there are no guarantees that such events may not occur in the future. As such, although the Brazilian authorities and government have cooperated in terms of developing the country's oil and gas reserves, any adverse circumstance that may arise during the development phase of Galp Energia's E&P projects in Brazil may jeopardise its operations in the country. This could ultimately compromise the Company's production goals, thereby negatively affecting Galp Energia's operating results and financial position.	Galp Energia is constantly aware of every event occurring in the countries where it operates and that may have implications on the Company's business, namely in Brazil. In particular, the Company's presence in Brazil and the relationship it has built with the reference oil company Petrobras facilitate an open communication channel and allow it to react in a timely manner, namely in the decision-making process and corresponding ability to influence local interested parties, including its partner. In view of the scope of projects in development in Brazil and their importance to this country's economy, it is expected that regulatory authorities and the Brazilian government are likely to facilitate their execution, thereby reducing the associated risk. In addition, Galp Energia is watchful for opportunities that may arise in other regions, following the criteria laid out, which may result in reduced exposure to Brazil.

Principal risk	Description and impact	Means of mitigation
Financial and liquidity needs	Due to its strategy and investment plan, it is expected that Galp Energia will need major funds. Galp Energia hopes to fund a substantial part of its investment plan through the operational cash flow it expects to generate, cash reserves and other internal liquidity sources. However, if its operations fail to generate sufficient cash flow, the Company may have to turn to other outside financing sources beyond those originally planned, including bank loans, placing debt and equity on the capital market or creating partnerships. There is no guarantee that Galp Energia will be able to meet all of its financing needs to execute its investment plan under acceptable business terms. If the Company is unable to handle its funding and liquidity needs, it may have to downsize its investment plan, which may in turn negatively impact the Company's strategic plan, its business and, consequently, its operating results.	One of Galp Energia's strategic pillars is the maintenance of a solid capital structure, namely through strong financial discipline, which should facilitate access to increasingly diverse funding sources at competitive costs. This solid capital structure, the resilient cash flow generated by the downstream and gas business, and the cash flow generated by increased production in Brazil will be essential for improving credit conditions, prolonging maturities at competitive rates, and for diversifying financing sources. As an example, it must be stressed that the first debt issue on the capital markets was in 2013, which both increased the debt's average life and decreased the average cost of funding. In addition, Galp Energia keeps contracted credit lines at a level deemed adequate, which gives it flexibility in terms of its cash needs.
Efficiency of investments	The Company's organic growth is dependent on creating a portfolio of high-quality assets and investment in the best options. If Galp Energia does not efficiently select and develop its investments, the result may be a loss in value and/or higher investments, jeopardising the implementation of its strategic plans. Thus, if it is unable to successfully implement its strategy, this may negatively impact the Company's operating results and financial position.	Galp Energia has a set of exceptional assets, especially in the E&P area. All of the projects undertaken by the Company are thoroughly analysed and submitted to the management team for approval, which is only given when the return exceeds the estimated cost of capital. In addition, along with the teams who analyse the feasibility of each project in detail, Galp Energia has a team to assess the projects/assets portfolio and how they fit into the Company's strategy. The goal is to ensure that Galp Energia chooses its investments in an effective manner to protect shareholder value and ensure the Company's sustainability.
Discovery and development of oil and natural gas resources and reserves	Galp Energia's future oil and natural gas production is dependent on its success in acquiring, finding and developing new reserves that replace depleted reserves on a consistent and cost-effective basis. However, the Company's ability to acquire and find new resources and reserves is subject to countless risks. For example, there is no guarantee that exploration and development activities will be successful or that, if they are, the size of the discoveries will be sufficient either to replenish current reserves or cover the costs of exploration. In fact, exploration activities may involve negative results in terms of dry wells as well as discoveries considered economically infeasible. Moreover, E&P activities are normally done in extremely challenging environments, with the potential risks of technical failure and natural disasters. This may lead to higher costs or the downsizing, delay or cancellation of drilling activities due to a number of factors such as unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with requirements handed down by government entities, and failures or delays in the availability of drilling rigs and equipment delivery. Furthermore, oil and natural gas production blocks are normally offered by government authorities, and Galp Energia is subject to intense competition in bidding for these blocks, particularly those considered potentially more attractive in terms of resources. Due to this competition, Galp Energia may not obtain desirable exploration and production blocks, or may obtain them under less competitive conditions, which may affect the economic feasibility of subsequent production. If it is not successful in de-risking resources and developing reserves, the Company's total proven reserves will diminish, and Galp Energia may run the risk of not achieving its production goals. This will negatively affect future production growth, the Company's results and its financial position.	Galp Energia has a vast portfolio of oil and natural gas reserves and resources which the Company anticipates should reach relevant production growth during the next decade. In fact, Galp Energia hold an array of E&P projects in different stages of production and development. With regard to development projects, the Company focuses on its excellent execution in terms of pre-defined costs and deadlines to enable the development of resources and reserves and, consequently, ensure future production. Nonetheless, it should be noted that these projects may not be operated by Galp Energia, even when the Company contributes to, and influences their execution. Galp Energia has also made efforts to reinforce its internal knowledge and expertise, minimising risks tied to exploration activity to the greatest extent possible. Given the nature of this activity, this risk cannot be mitigated in its entirety. However, Galp Energia has a system in place for choosing prospect drilling opportunities which compiles multiple criteria, such as probabilities, as well as technical, commercial and economic risks. The technical expertise of teams, proper choice of equipment and a strict policy for procuring goods and services are criteria which contribute to the reduction of operating risks associated to exploration and production activities. This is due to the challenges faced in the extremely complex environments of ultra-deep water production. With regard to potentially expanding its portfolio, the Company has a multidisciplinary team under the responsibility of the Director of the E&P business segment with the aim of actively managing the exploration portfolio, namely by evaluating new opportunities according to risk and return matrices.
Attracting and retaining qualified human capital	The successful delivery of Galp Energia's business strategy depends on the skills and efforts of its employees and management teams. Competition for experienced and qualified managers and employees is particularly intense in the oil and gas industry. If Galp Energia is unable to attract, retain, motivate and organise the right human capital in the future, this may compromise its business success and, as a result, its operating results and financial position.	Galp Energia promotes strategies which it believes are appropriate for recruiting and retaining talent, with a suitable and competitive remuneration policy compared to the competition, and a system for evaluating performance as well as organisational environment. The training which Galp Energia provides to its employees and in which it has been focusing on in recent years are also important, particularly its advanced training programmes in management, refining and hydrocarbon exploration and production. More specifically, in the E&P business, Galp Energia's strategy for retaining and attracting talent focuses on the competitive position that the Company has in this sector at an international level. Galp Energia is present in two of the most promising basins in the world – the pre-salt of the Santos basin in Brazil and the Rovuma basin in Mozambique. In addition, the Company has a very interesting exploration portfolio with a number of different opportunities to be developed in the future.

Principal risk	Description and impact	Means of mitigation
Operational or compliance risks		
Estimated oil and natural gas reserves and resources	Estimates of oil and natural gas reserves and resources are based on available geological, technological and economic data, and are therefore subject to a great number of uncertainties. The accuracy of these estimates depends on a number of factors, assumptions and variables, some of which are beyond the Company's control. These factors include: changes in oil and natural gas prices, which may impact the quantity of proven reserves (since reserves are calculated based on the prevailing economic conditions on the date they are estimated); changes to the applicable tax regime or other regulations and contractual conditions after the date of estimating reserves (which may impact the economic feasibility of developing these reserves); and certain potential actions by third parties, including operators in the fields where Galp Energia is involved. The estimation process carries informed judgments, therefore reserve estimates are subject to revision. The results of drilling, testing and production activities after the date of the estimate may result in substantial downward revisions to information on the Company's reserves and resources. Any downward revision of estimated proven reserve quantities may negatively affect Galp Energia's operating results, leading to higher depreciation and amortisation and/or impairments, which may negatively affect the Company's financial position.	Galp Energia has made major efforts to expand its knowledge base and strengthen the technical expertise of its teams, helping to give it better command and control of the various areas of exploration and production, including the estimation of the reserves and resources in its portfolio. In addition, each year Galp Energia uses an external and independent auditing company to certify the volume of its reserves and resources.
Health, safety and environment	Given the range and complexity of Galp Energia's operations – for example, in ultra-deep water exploration and production, or during the refining process – the potential risks for HSE are considerable. This includes major incidents involving the safety of processes and facilities, failure to meet approved policies, natural disasters and civil unrest, civil war and terrorism. Exposure to generic operational, health and personal safety risks and criminal activities are also included. A major incident of this sort may cause injury, loss of life, environmental damage or the destruction of facilities. Depending on their cause and severity, they may affect Galp Energia's reputation, operational performance or financial position.	Galp Energia understands that protecting the environment and the health and safety of its employees, clients and the community, combined with the protection of assets, are key to ensuring that the Company is sustainable. In this way, a commitment to integrate the fundamental HSE aspects in the Company's strategy and activity is therefore established, as well as the ongoing improvement of its performance, which is considered as an essential tool in the HSE policy. Furthermore, the Company has a system for managing HSE. By implementing the directives of this system in the Company's day-to-day operations, the business units can identify and manage inherent operational risks throughout the whole lifecycle of different projects, equipment and assets. Galp Energia also has an insurance programme that includes civil liability, in order to mitigate the impact of any potential incidents.
Business continuity and effective crisis management	Galp Energia is subject to business continuity risk, from its activities as well as those of its partners. It may be impacted by financial losses from any type of business interruption, such as natural disasters, industrial accidents, power outages and lost information systems. Galp Energia is also subject to risks from labour disputes and adverse employee relationships, which may interrupt the Company's operations and potentially affect its business, operating results and financial situation. Individual and collective working agreements may not be sufficient to prevent strikes or future work stoppages at the Company's facilities. Any interruption to work may have a negative material impact on Galp Energia's business, operating results and financial position. Plans for managing crises and the ability to cope with crisis scenarios are essential in facing emergencies at every level of the Company's operations. If Galp Energia fails to appropriately address an internal or external crisis, or is perceived as having failed to do so, the Company's business may be seriously interrupted, with a potential negative impact on its reputation, operating results and financial position. In addition, if Galp Energia fails to resume or replace critical business capacity within the stipulated time frame, this may prolong the effects of the interruption.	Galp Energia has established a set of identification, prevention and contingency procedures to avoid or limit losses and damages, and immediately resume operations in order to limit the effects of an interruption. In view of the importance of its E&P activities, namely the inherent value of current projects underway (particularly those in ultra-deep waters of the pre-salt layer of the Santos basin), the Company's contingency and emergency response plans are of the utmost importance. The Company primarily focuses on prevention, together with its partners, and regularly monitors activities, focusing on security measures and audits. All of the Company's E&P activities are supported by oil spill response centres with proper equipment for reaction and containment in the event of an incident that leads to a spill. Galp Energia ensures that all new contracted drilling rigs comply with the criteria of standard API 53 IV. The Company has a crisis management plan which covers HSE issues, where every business area regularly tests its emergency response plans. Another key measure is the establishment and ownership of a Business Continuity Plan.
Failures in data reporting	Reports created for outside publication, whether containing financial or non-financial information, are dependent on the integrity of systems and people. Any failure to report information correctly and in compliance with applicable standards may result in legal or regulatory action, and may damage the Company's reputation, with potential negative impacts on Galp Energia's operating results and financial position.	All reports disclosed to the public are thoroughly reviewed to mitigate the risk of any incorrect information. Prior to their disclosure, these documents are sent to the respective management and supervisory bodies. All documents containing financial information are approved by these two bodies prior to their disclosure.

Principal risk	Description and impact	Means of mitigation
Insufficient insurance	Activities in the oil and gas sector involve significant risks. Galp Energia's operations are subject to oil exploration and production risks such as explosions, fires, equipment failure and other factors which may cause bodily injury, loss of life or environmental and property damage, together with uncertainties regarding the physical characteristics of an oil and natural gas field. Exploration in offshore areas is subject to several risks, including those of sinking, collision, adverse weather conditions and environmental pollution. Operations in refining and petrochemical complexes, gas and oil pipeline systems and storage and loading facilities are subject to mechanical difficulties, breakdowns and delays in equipment delivery. In line with industry best practices, Galp Energia contracts insurance to cover business-specific risks. The insured risks include, among other hazards, damage to property and equipment, civil liability, maritime transport liability of crude oil and other goods, pollution and contamination, third-party liability of directors and staff, and work accidents. However, insurance for some risks is not feasible from an economic standpoint. Galp Energia's insurance policies also have exclusions which may result in limited coverage under certain circumstances. In addition, Galp Energia may be unable to keep the appropriate insurance at rates or under terms it considers reasonable or acceptable, or may be unable to obtain insurance for given risks that may materialise in the future. Thus, in extreme cases, Galp Energia may incur heavy losses from events that are not covered, which may negatively affect the Company's business, financial position or operating results.	Galp Energia has an insurance programme in place that provides for mitigation of any significant losses, which is in line with industry practice. This programme is defined by taking into account the type of operations and their stage of development, the risk allocation and the legal context that apply, contractual obligations and the assets under threat. The insurance programme at Galp Energia includes the following: i) asset insurance – covering the risk of material damage, breakdown of machinery, exploration and construction losses; ii) civil liability insurance – covering risks from general activities (onshore), risks related to maritime activities (offshore), aviation risks, environmental risks and risks involved with the management and senior management of companies (Directors & Officers); iii) social insurance – covering the risk of work accidents, personal accidents, life and health insurance; iv) financial insurance – covering credit risks, securities and theft; v) transport insurance – covering risks to all transported loads and barrels.
Losses from trading activities	As it conducts its business, Galp Energia is subject to operating risks revolving around its cash management and trading activities. Galp Energia carries out trading transactions on the derivatives market, and has periodic procedures to limit exposure to the risks involved with these transactions. With regard to the physical market of the commodities involved in Galp Energia's business, there is no guarantee against future Company losses due to downward trends in their prices or other factors that may influence the Company's trading positions. Effectively controlling these activities depends on Galp Energia's ability to process, manage and monitor a large number of complex transactions in different markets and currencies. Any event in this regard resulting in losses may negatively impact Galp Energia's business, operating results and financial position.	Galp Energia has implemented a set of procedures aimed at reducing the risk of its trading activities. The Company has strengthened its expertise in this area, and has developed soft skills to facilitate its trading activities, particularly in establishing relationships in high-value markets. For a successful trading business, a sufficient supply of raw materials, such as oil and natural gas and oil products, is also essential. As such, Galp Energia makes every effort to manage a diversified and flexible mix for the supply of crude oil, natural gas and LNG. With regard to the trading of oil products, although the Company's priority is to place these in high-value markets such as the Iberian Peninsula and Africa, the Company properly plans its production by analysing the best markets for placing products available for trading. As regards LNG trading, in addition to ensuring a sufficient and flexible supply mix, Galp Energia seeks to maintain a stable base for natural gas demand on the Iberian Peninsula. In turn, this will allow the taking of supply risk and effective management of the portfolio. In addition, Galp Energia has periodic procedures to limit its exposure to risks involving trading transactions.
External risks		
Political, legal and regulatory environment	Galp Energia's main exploration and production activities are located in non-European countries, whose developing economies or political and regulatory environments have a history of instability. Galp Energia also sources natural gas from Algeria and Nigeria for its supply & trading business, and sells oil products in other African countries. As a result, a proportion of Galp Energia's revenues is, and increasingly will be, derived from or dependent on countries with inherent economic and political risks. These include the possible expropriation and nationalisation of property, significant increases in taxes or royalties on oil and natural gas production, and other risks, among others. In addition, policy shifts can lead to changes in the backdrop where the Company conducts its business, such as regulatory changes, the awarding of exploration and production licences, and specific obligations for drilling and exploration activities.	With regard to supply safety, Galp Energia ensures access to a diverse mix of options for the supply of oil, oil products, natural gas and LNG. As such, the Company mitigates the risk of any supply disruption from a given origin. With regard to the political, legal and/or regulatory risks to which the Company may be exposed in its E&P activities, Galp Energia acts on two different fronts. First, it has built a balanced portfolio and has entered into new areas, helping to lower its relative risk exposure in any given country. The level of exposure to these risks is meticulously analysed in the process of entering into new areas. Second, Galp Energia establishes solid relationships with its partners, and makes every effort to work with government entities in the countries where it does business from the standpoint of creating 'shared value'. In addition, Galp Energia's corporate responsibility policy obliges the Company to meet legal and regulatory requirements in the countries in which it operates. In this manner, potential changes by these countries' regulators or legislators are systematically monitored.

Principal risk	Description and impact	Means of mitigation
Political, legal and regulatory environment (cont.)	Although Galp Energia has not yet experienced any major disruptions due to economic or political instability, potential disruptions in the future may negatively affect its business, operating results and financial position. Galp Energia believes that it abides by applicable international standards in all the countries in which it operates. However, any irregularities (actual or alleged) may have an adverse material effect on Galp Energia's ability to conduct its activities and/or the price of the shares or other financial instruments issued by the Company. The Company's downstream and gas activities on the Iberian Peninsula are also subject to political, legal and regulatory risk. In fact, any changes to them may impact the business context in which the Company operates, potentially affecting Galp Energia's business and operating results. Significant changes to the applicable tax regimes in the countries where Galp Energia conducts its downstream and gas activities may also materially and adversely impact the Company's operating results and financial status. Since downstream and gas activities are subject to laws and regulations on matters involving competition in Portugal and Spain, the Company may incur significant losses from any legal actions brought against it in this regard, including those demanding compensation for alleged damages. Such events may adversely impact Galp Energia's business, operating results and financial position.	At the same time, Galp Energia has an anti-corruption policy that aims to publicly promote its commitment to permanently endorsing full respect for the code of ethics and the laws that are in force. In this respect, one of its goals is to follow best practices for transparency, as outlined in different international legislation such as the 2004 United Nations Convention Against Corruption. Galp Energia also has a policy for reporting irregularities, whose purpose is to govern the means of notifying the body in charge, the Supervisory Board, of any irregularities occurring at Galp Energia Group companies. Such notifications may be done confidentially via letter or via email (irregularidades@galpenergia.com). This policy is in line with best corporate governance practices and applicable market rules, together with the principles of loyalty, uprightness, honesty, transparency and integrity on which Galp Energia's business is based. This is how the Company seeks to promote an ethical and responsible culture and prevent or prohibit improper or unlawful practices.
Competition in the oil and gas sector	The oil and gas industry is extremely competitive. Competition puts pressure on product prices, affects the marketing of oil products and requires constant focus on behalf of the management team on cutting costs and boosting efficiency, while ensuring the safety of operations. Implementing the Company's strategy requires efforts towards innovation and constant technology advances, including those in exploration, production, refining and energy efficiency. The Company's performance may be impacted if its competitors develop or acquire intellectual property rights or technology needed by the Company, or if the Company is unable to keep pace with the industry in terms of innovation. Some of Galp Energia's competitors are well-established operators on the market, larger in size and with access to more resources. The market strength of these companies is due to a combination of factors, including: diversified and reduced risk; the financial capacity needed for developments requiring high investment levels; the ability to benefit from economies of scale in terms of technology and organisation; and size, allowing them to capitalise on advantages related to knowledge acquired, established infrastructure and reserves. These companies can thus acquire more, or pay more for, exploration prospects, and may be able to invest more than Galp Energia in developing technologies. As such, the intense competition to which the Company is subjected may adversely affect its business, operating results and financial position.	Given the existing competition in the oil and gas sector, and to reduce exposure to risks associated with the high degree of operating complexity in this sector, Galp Energia systematically uses the industry's best practices, coupled with a rigorous monitoring and auditing system. The Company has implemented a solid R&D culture in an attempt to constantly keep pace with the latest advances in the oil and natural gas industry, with a commitment to developing expertise, whether internally or through partnerships allowing it to create, study and deploy new and better technical and technology solutions. Given the fact that some of Galp Energia's competitors are larger-sized operators with potentially more financial capacity and with access to more resources, it should be noted that the Company is involved in two of the most important development projects worldwide. These are the pre-salt region in the Santos basin in Brazil, and the LNG project in the Rovuma basin in Mozambique. These projects leverage Galp Energia's competitiveness versus other companies in the sector. In addition, Galp Energia boasts a number of competitive advantages and maintains a solid capital structure supporting its activities in the E&P business. With regard to the downstream and gas businesses, Galp Energia has also made major efforts to stand out from the industry's competition. An example of this is its refineries upgrade project, which began operating in an integrated manner in 2013, increasing the competitiveness of the Company's refineries on a European scale. In fact, being equipped with more complex and flexible refineries, and notwithstanding its ongoing efforts to streamline processes and the profitability of its refining business, Galp Energia is now able to cope with the structural imbalance between supply and demand for oil products in Europe. In the context of the Company's G&P business, of particular note are initiatives to sustain the trading business on the international market, which involves a number of players, including well-established companies in the LNG market. Along with efforts to maintain a diverse and flexible supply mix, these initiatives also include strengthening the technical expertise and soft skills of the Company's trading team.
Climate change and protection of natural habitat	Galp Energia is subject to the effects of government policies aimed at minimising the impact of climate change. These initiatives can affect the backdrop against which Galp Energia conducts its business, namely with regard to the exploration and production of oil and natural gas and refining, with potential negative impacts on the Company's operating results and financial position. In particular, due to the higher perceived risk of climate change, a number of countries have adopted or are in the process of adopting new regulatory requirements to reduce GGE. These include taxes on carbon, higher efficiency standards, or systems to purchase and sell licences for CO_2 emissions.	Galp Energia is committed to a climate change strategy, defining actions, objectives and goals which can be analysed in detail at http://www.galpenergia.com/EN/sustainability. This strategy comprises four action points: i) responsible exploration and production; ii) efficient refining and marketing; iii) innovation, research and development, and promotion of efficient technology; iv) anticipating tendencies and stakeholder expectations within the energy and climate remit.

Principal risk	Description and impact	Means of mitigation
Climate change and protection of natural habitat (cont.)	Although Galp Energia also participates in the development of renewable energy, the adoption of policies to promote the use of this type of energy may affect the demand for hydrocarbon-based energy, whose production makes up the majority of Galp Energia's business. Furthermore, production costs of this type of energy may be significantly affected by constraining licences for CO_2 emissions. Likewise, access to oil and natural gas reserves, which leverages strategic growth opportunities, may be restricted due to initiatives to protect the integrity of natural habitats. Galp Energia therefore closely monitors the development of government policies for environmental protection and adjusts its strategy in line with relevant developments. Galp Energia has invested – and will continue to invest – in its compliance with laws and regulations on environmental, health and safety issues. If compliance costs increase to the point that Galp Energia is unable to pass them on to the end client, this may negatively impact the Company's operating results and financial position. If Galp Energia fails to abide by laws and regulations on environmental, health and safety issues, this may result in substantial costs to the Company, together with obligations to government authorities or third parties.	Moreover, the Sustainability Committee ensures that sustainability principles are integrated, encouraging best practices to be promoted throughout the entire Company. Of particular note is the integration of the DJSI for the second time running, one of the most widely acknowledged international indexes in issues involving sustainability. Galp Energia monitors a series of environmental indicators, performs regular environmental audits, monitors changes in environmental legislation and proactively manages CO_2 emission licences.
Corporate responsibility	A number of stakeholders, including employees, investors, media, governments, civil society groups, non-governmental organisations (NGOs) and those living in local communities affected by Galp Energia's operations, have legitimate interests in Galp Energia's business. Any possibility, however remote, that Galp Energia will not meet its stakeholders' high expectations in terms of corporate responsibility may harm Galp Energia's reputation and/or its business, financial position and operating results.	Galp Energia's corporate responsibility policy regulates the Company's ethical, environmental, social and economic activities, incorporating them into the organisational culture, and ensuring that it is one of the main lines of action and communication within the Group.
Uncertainty of the economic backdrop	The current economic environment is causing social tensions to rise, with mounting protectionist trends in various parts of the world. The eurozone remains especially vulnerable; any worsening of this region's crisis is still the greatest risk to the global outlook. The main focus lies on the peripheral countries, particularly on their ability to galvanise economic growth and boost competitiveness, without benefiting from the effects of currency devaluation. Persistent pressure on the sustainability of public finance in developed economies has created deep-rooted tensions in credit markets, and may lead to tax reforms or changes to the regulatory scene in the oil and natural gas industry. Finally, current instability and the economic and financial status quo may negatively impact other parties with whom Galp Energia does or may do various types of business within the scope of its activities. In particular, the Iberian Peninsula's economies may continue to be impacted in the coming years, resulting in a deterioration of demand for Galp Energia's products. Any one of the above factors, taken alone or combined with others, may adversely impact Galp Energia's business, operating results and/or financial position.	Galp Energia has closely monitored all developments on the world economic scene, particularly in the eurozone. With regard to potential impacts on results due to the negative economic climate, particularly on the Iberian Peninsula, the Company has already been impacted by lower demand, mainly in its marketing of oil products business. In this context, Galp Energia has made key efforts to uphold the resilient contribution of this business towards the Company's results. Focus areas include enhancing client loyalty to maintain market share, capitalising on synergies and streamlining its Iberian structure, with direct impacts on the profitability of the Company's downstream and gas businesses. In this regard, it should also be noted that the intensification of the Company's production activities in E&P is expected to increase the contribution of this business towards Galp Energia's results. This will help to make the generation of results within the European economic environment relatively less important.
Financial risks		
Fluctuating prices for raw materials and products	The prices of oil, natural gas, LNG and oil products are affected at any given time by the market dynamics of supply and demand. These are, in turn, influenced by different factors such as economic or operational circumstances, natural disasters, weather conditions, political instability, armed conflict or supply constraints in oil-exporting countries. Thus, over the course of trading activities and transactions, Galp Energia's results are exposed to the price volatility of oil, natural gas and by-products. Although the sector's long-term operating costs tend to follow rising and falling prices of raw materials and products, there are no guarantees that this will occur in the short term. Therefore, a fall in the price of oil or natural gas may compromise investment plans, including exploration and development activities. Similarly, rising oil or natural gas prices may also impact the value and profitability of Galp Energia's assets. Although the prices that Galp Energia charges to its clients reflect market prices, these may not be immediately adjusted and may not entirely reflect changes in market prices – particularly those in the regulated natural gas market. In addition, significant price changes between the purchase of raw materials and the sale of refined products can negatively affect Galp Energia's operating results and financial position.	Projects and investments are assessed internally, taking sensitivity analyses of key variables such as commodity prices into account. The price risk of raw materials is managed at the business unit level by monitoring the Company's global net commodity position and by balancing its purchasing and supply obligations. In particular, Galp Energia manages its price-fixing period so as to obtain, at the end of each month, average dated Brent, irrespective of daily fixed prices. To this end, the Company purchases and sells oil futures on a day-to-day basis at the Intercontinental Exchange (ICE), based on the difference between the spot price and the average dated Brent price for each month. Purchases are spread over the month, based on market prices, without affecting the pattern of physical purchases. In the natural gas business, due to price liberalisation, Galp Energia uses the over-the-counter (OTC) market to offer its clients the price structures that they demand, thereby not changing its final risk position.

Principal risk	Description and impact	Means of mitigation
Credit	This risk follows from the possibility that a party working with Galp Energia may default on its contractual payment obligations, meaning that the level of risk depends on its credit risk. This risk includes both the possibility that a party may default on the payment obligations it assumed by signing agreements for financial investments and hedging instruments (related to the exchange rate, interest rate or others), as well as risks involving business relationships between the Company and its clients. Increased risk exposure may materially and adversely affect Galp Energia's operating results and financial position.	Credit risk is managed at business-unit level, following Executive Committee directives regarding credit limits and actions to minimise or eliminate risk. These directives include the following: Proper client credit assessment and review (credit management, limit and rating manual), proper management of hedges through credit guarantees and credit insurance, monitoring of overdue credit, proper debt collection efforts efficient management of litigation. Contracts based on adequate trading conditions, monitoring of client profitability including potential reimbursements, the process of raising and managing optimal sales/supply channels.
Fluctuation in exchange rates and interest rates	Galp Energia is exposed to fluctuations in exchange rates, since the results and cash flow generated by the sale of oil, natural gas and refined products are normally expressed in US dollars or are affected by exchange rates associated with this currency. In the countries where Galp Energia conducts its business, whether directly or indirectly, the operating result is also exposed to fluctuations in key exchange rates. Galp Energia is also exposed to exchange risk in relation to the value of its financial assets and investments, mainly those denominated in US dollars. In addition, since Galp Energia's financial statements are prepared in euros, the assets and liabilities of its subsidiaries and affiliates expressed in different currencies, such as US dollars or Brazilian reais, are converted into euros using the interest rate on the date of the financial position. Revenues and expenses in each item of the income statement are converted into euros using the average exchange rate from the transaction's corresponding period. Exchange rate fluctuations applied in the process of converting the different currencies into euros result in variations (gains or losses), which are recognised in Galp Energia's consolidated financial statements, expressed in euros. Adverse exchange rate fluctuations may negatively impact Galp Energia's operating results and financial position. Despite the ability to access market instruments designed to hedge interest rate risk, Galp Energia's financing costs may be affected by volatile market rates, which may negatively influence its operating results.	Interest rate, exchange rate and other financial risks are managed throughout the entire Company. Galp Energia's total interest rate position, including financial investments and debt, is managed in a centralised manner. The purpose of interest rate risk management is to reduce the volatility of interest charges. Galp Energia's interest rate risk management policy aims to reduce exposure to floating interest rates by fixing the interest rate of part of the debt through the use of conventional derivative instruments such as swaps. With regard to mitigating exchange rate risk in its results, Galp Energia may, when it deems appropriate, hedge its position by using derivatives for which a liquid market exists and where it believes the transaction costs are reasonable.

4.2 Risk management and the internal control system

Risk management

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

Risk management model

With the aim of defining the most effective and efficient risk management model, at the end of 2012 the Board of Directors decided to make the activity of risk management autonomous. The risk and insurance department's corporate risk management area aims to promote and implement the Group risk management policies defined by the Executive Committee.

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

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

Internal control system

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

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

Control environment

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

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

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

Risk assessment

Galp Energia has been promoting the systematisation of the risk assessment and internal control systems within the business units. These initiatives cover the risks identified and managed by the business units.

Since inherent risks and the effectiveness of internal controls are dependent on both internal and external variables, this process is not static. Risk reassessments are therefore regularly conducted for the Group's main businesses, to guarantee the alignment of how business units respond to risks, with the risk profile decided by the Executive Committee.

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

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

Risk assessment methodology of the Galp Energia Group

Monitoring

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

An audit plan is set up each year based on the outcome of the evaluation of residual risk for several processes and business units. This is approved by Galp Energia's management.

Information and communication

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

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

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

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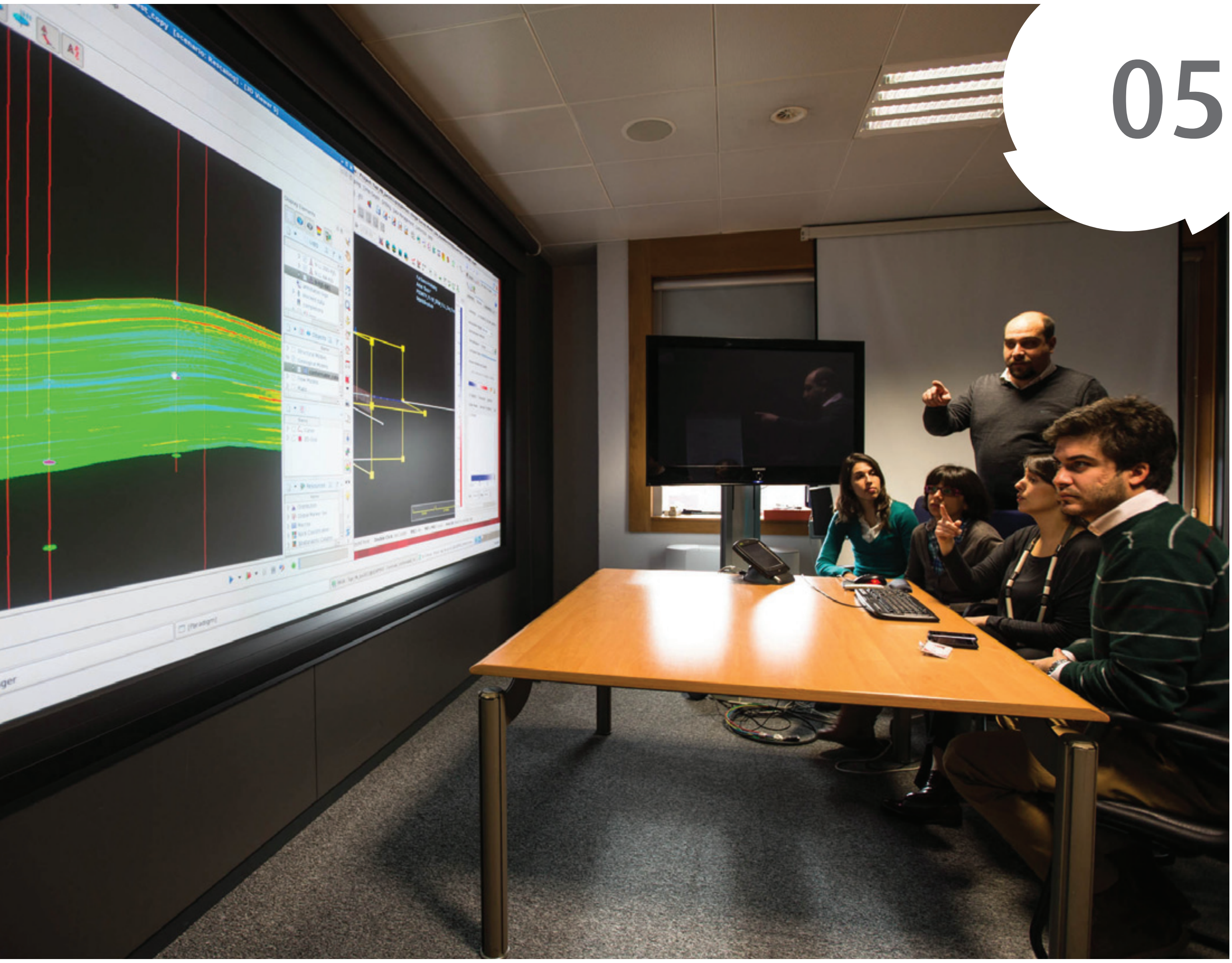


Commitment to society

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

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

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

In 2013, Galp Energia joined the United Nations Global Compact of the United Nations Organisation (UNO), demonstrating that the Company is aligned with the most demanding international standards with regard to respect for human rights, the environment, labour practices and anti-corruption practices.

The Company was once again recognised for its sustainable practices on a European and world scale through its inclusion, for the second year running, in the DJSI World and DJSI Europe indexes.

5.1 Corporate governance

Shareholder structure

Galp Energia's shareholder structure underwent several changes in 2013, with the free float increasing from 30.32% to 38.32% during the year.

Following the shareholder agreement in place since March 2006, formally between Amorim Energia, B.V. (Amorim Energia), Caixa Geral de Depósitos, S.A. (CGD) and Eni, jointly referred to as the "Parties", agreements were signed in 2012 which stipulated the conditions under which Eni could sell its stake in Galp Energia. Eni, who at the end of 2011 held a 33.34% stake, acquired the right to sell up to 20% of the Company's share capital on the market. CGD, in turn, would be able to exercise a right to tag along on its 1% stake in Galp Energia's share capital.

On 27 November 2012, through an accelerated book-building process, Eni placed shares on the market representing approximately 4% of Galp Energia's share capital, while CGD exercised its right to tag along. On this date, Eni also issued exchangeable bonds for Galp Energia shares which corresponded to approximately 8% of the Company's share capital.

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

Since Amorim Energia did not exercise its right of purchase before the end of 2013, in accordance with publicly available information, this company now has a right of first refusal for 8.34% of Galp Energia's share capital, currently owned by Eni.

At the end of May 2013, Eni announced the sale of a 6.7% stake in Galp Energia's share capital. Since this company had previously sold a stake of approximately 1.3% directly on the regulated market, by the end of 2013 Eni's stake in Galp Energia's share capital was 16.34%, of which 8% comprised the underlying asset of the exchangeable bonds it issued at the end of 2012. The remaining 8.34% was subject to certain rights exercisable by Amorim Energia.

Following these changes to Galp Energia's shareholder structure, the free float increased from 30.32% at the end of 2012 to 38.32% at the end of 2013.

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

Thus, at the end of 2013, Eni had qualified holdings of 16.34% in Galp Energia's share capital and corresponding voting rights, while a total of 54.68% of Galp Energia's voting rights were attributable to Amorim Energia.

Shareholder structure as of 31 December 2013

	No. of shares	% share capital	% voting rights
Amorim Energia	317,934,693	38.34%	54.68%
Eni	135,497,095	16.34%	16.34%
Parpública	58,079,514	7.00%	7.00%
Free float	317,739,333	38.32%	38.32%
Total	**829,250,635**	**100.00%**	-

Description of main shareholders

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

Eni is an Italian energy operator listed on the Milan Stock Exchange and on the New York Stock Exchange (NYSE). Eni is present in over 70 countries in exploration and production, refining and marketing, gas and power, petrochemicals and engineering services, and construction and drilling activities. On 31 December 2013, Eni had a market capitalisation of approximately €64 bn.

Parpública – Participações Públicas, SGPS, S.A. (Parpública) is a state-owned entity that manages financial stakes owned by the Portuguese State in several companies. In 2010, Parpública issued bonds exchangeable into Galp Energia shares, representing its 7% stake in the Company's share capital.

Share capital free float

At the end of 2013, 38.32% of Galp Energia's shares were freely traded on the market. Around 90% of the free float, or 34% of the total shareholder base, was held by Company investors, while private investors accounted for the remaining free float, that is, 4% of Galp Energia's share capital.

At the end of 2013, the shareholder base included investors from more than 30 countries across four continents, with investors from outside Europe representing 38% of the total shareholder base, in line with the previous year. Company investors originating from France and the USA increased by 4 p.p. each, since the end of 2012, accounting for 16% and 22% of the total. In fact, by the end of 2013, institutional investors from the USA already had the same prominence as those located in the UK, whose shareholding position also totalled 22% of the free float at the end of the year.

In Europe, Company investors from Portugal and Germany accounted for 6% and 3% respectively of the total shareholder base.

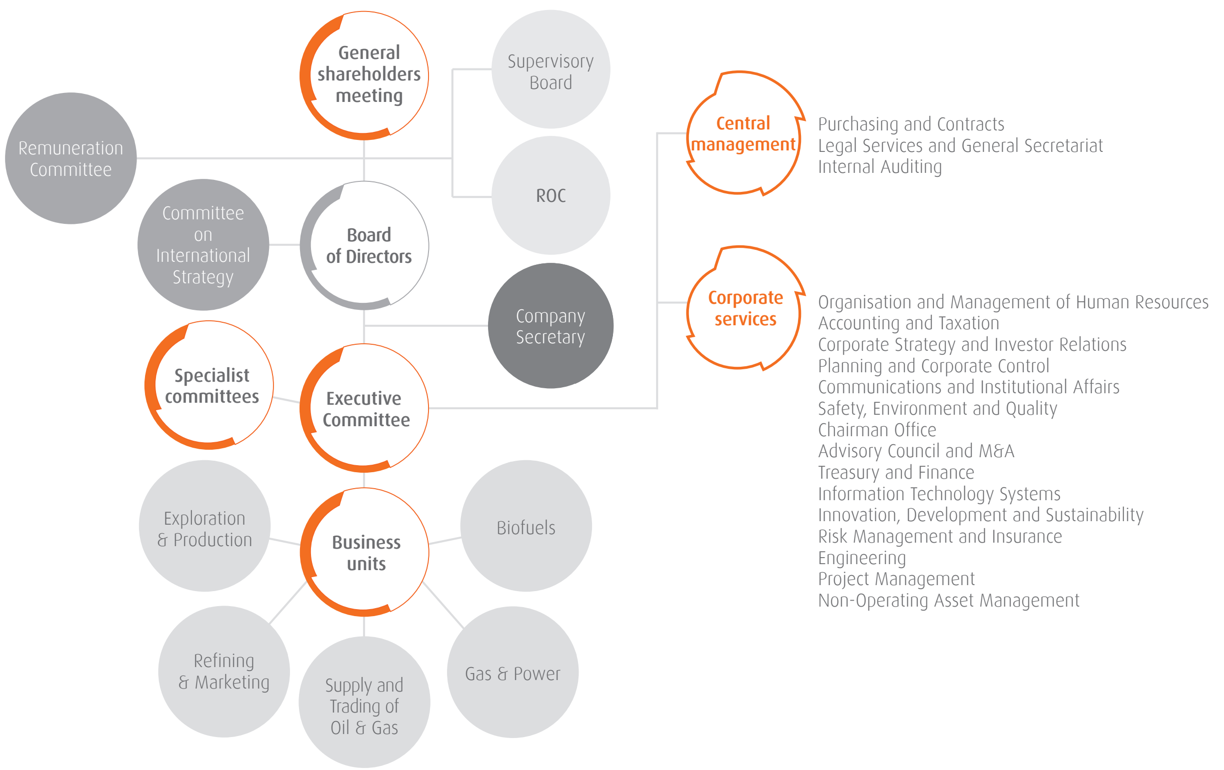
Governance model

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

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

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

Organic and functional structure



Board of Directors

At the end of 2013, Galp Energia's Board of Directors had 20 members, of which seven were Executive and 13 Non-executive. Of the latter, seven were considered independent by the Board of Directors, based on criteria from the Portuguese Securities Market Commission (CMVM), the regulator of the capital market in Portugal. With regard to the Board of Directors' composition, it is worth mentioning the resignation of member Baptista Sumbe, which was submitted in 2013.

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

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

The Board of Directors held 16 in-person and non-presential meetings in the year, where all Directors were either present or duly represented. Electronic voting was used in 10 of these meetings.

The main topics discussed by the Board of Directors in 2013 revolved around monitoring the execution of Galp Energia's primary E&P projects, particularly in Brazil, and evaluating the impact of the current macroeconomic environment on the Company's business. In particular, this means the R&M business segment, due to the negative trend in refining margins in international markets and the adverse environment on the Iberian Peninsula.

The Board of Directors also discussed the Company's financing strategy with a view to maintain a solid capital structure and promote financial discipline.

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

Composition of the Board of Directors

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

The Committee on International Strategy, whose goal is to permanently reflect on Galp Energia's international strategy, met twice in 2013. It should be noted that its composition was changed after the resignation submitted by member Baptista Sumbe.

Executive Committee

The Executive Committee, comprised of seven members, is responsible for the day-to-day management of the Company's business according to the strategic guidelines set out by the Board of Directors.

As established by the powers delegated by the Board of Directors under the Company's articles of association, the Executive Committee manages the performance of the several business units and corporate services, supervises all these units, and establishes policies applicable throughout the entire Company.

In 2013, the Executive Committee held 45 meetings.

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

Composition of the Executive Committee

Manuel Ferreira De Oliveira

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

Experience

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

Luís Palha da Silva

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

Experience

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

Filipe Silva

Galp Energia's CFO since July 2012.

Experience

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

Carlos Gomes da Silva

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

Experience

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

Stephen Whyte

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

Experience

Professional experience in the Oil & Gas industry, including management positions at companies like BG Group and Shell EP in the European, Central Asian and Brazilian markets.

Carlos Costa Pina

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

Experience

Former Portuguese Secretary of State of Treasury and Finance (2005-2011), having performed functions at a number of international financial institutions. Member of CMVM's Board of Directors and member of the Advisory Board of the Portuguese Insurance Authority.

José Carlos da Silva Costa

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

Experience

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

Supervisory bodies

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

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

Composition of the Supervisory Board

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

The term of office of the current representatives of the Supervisory Board, elected in 2011, was extended to four years following the general shareholders meeting held in April 2012. The Supervisory Board's current term of office now ends on 31 December 2014.

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

The Supervisory Board held 12 meetings in 2013, and the conclusions of its supervisory and inspection work were transmitted to the Board of Directors and the general shareholders meeting. A summary of these conclusions can be found in the opinion of the Supervisory Board attached to this report.

The general shareholders meeting held in April 2012 extended the term of office of the statutory auditor Pedro João Reis de Matos Silva until 2014. It also extended that, as deputy, of António Campos Pires Caiado, representing P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC, the firm of statutory auditors elected in 2011.

Galp Energia's current external auditor is PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. After a tender process, it was appointed in 2011 for the three-year period of 2011-2013.

Remuneration policy

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

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

When calculating the Executive Directors' remuneration, the Remuneration Committee considers the duties and responsibilities assigned and the practices observed in the market for equivalent positions in large Portuguese and international companies in the same sectors.

In order to align Executive Directors' performance with the Company's long-term goals, Galp Energia has implemented a policy of setting three-year goals, in line with best market practices.

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

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

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

In 2013, Non-executive Directors earned an exclusively fixed remuneration of €768 m, based on the remuneration policy set by the Remuneration Committee and approved by the general shareholders meeting held on 22 April 2013.

Total remuneration of €5,076 m has been awarded to the members of the Executive Committee of Galp Energia.
Of this, €3,483 m constituted fixed remuneration and €775 m corresponded to variable remuneration related to the year 2012. Out of the total remuneration, €818 m was allocated to the creation of a supplementary retirement plan.

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

Shareholder information

General shareholders meeting participation

In 2013, Galp Energia's general shareholders meeting was held on 22 April. Its main purpose was to approve the 2012 annual report and accounts and decide on the proposal for the allocation of profits.

In 2013, around 450 shareholders participated in the general shareholders meeting, representing 86% of the Company's share capital. All proposals submitted to the general shareholders meeting throughout the year were approved by majority vote.

Dividend policy

The current dividend policy was announced in March 2012, and aimed to remunerate shareholders in line with the increased results the Company expects in the future. The Company replaced the fixed dividend payment of €0.20 per share in 2011 with a growing dividend, which is estimated to increase by an average of 20% per year from 2012 to 2016.

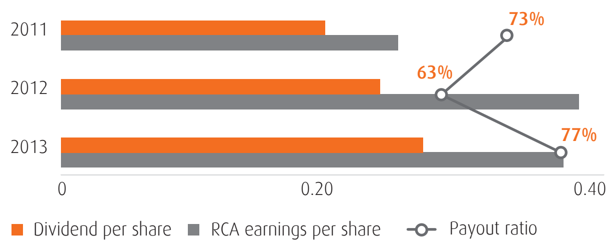
However, it is important to note that Galp Energia continues to retain the necessary capital to carry out the investment programme it has planned, which is essential to successful strategic execution.

In April 2013, Galp Energia's general shareholders meeting approved the dividend for 2012 totalling €0.24 per share, which was 20% higher than the dividend for 2011.

Under the Company's goal of paying an interim dividend, an interim dividend for 2013 of €0.144 per share was paid in September 2013.

In 2014, Galp Energia's Board of Directors will propose to the general shareholders meeting a dividend of €0.288 per share, which is 20% more than the dividend in 2012. Taking into account the total proposed dividend per share, the interim dividend paid in September 2013 represented 50% of the total amount.

Dividend and earnings per share (€/share)



Based on the price of the shares as on 31 December 2013, the dividend yield of Galp Energia's share was 2%.

Trading in Galp Energia share

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

Galp Energia's share capital consists of 829,250,635 shares. Of these, 771,171,121 shares, i.e. 93% of the Company's share capital, are traded on NYSE Euronext Lisbon. The remaining 58,079,514 shares, which account for 7% of the share capital, are indirectly held by the Portuguese state through Parpública, and are not listed for trading.

Galp Energia codes and tickers

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

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

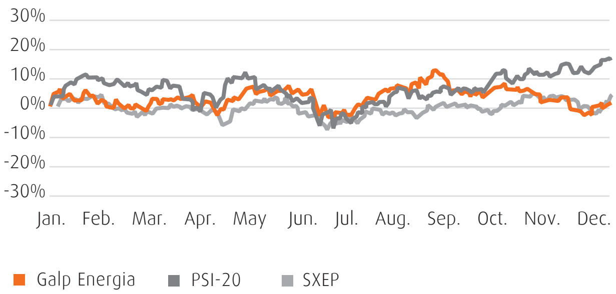
On 31 December 2013, Galp Energia had no treasury shares.

Performance of Galp Energia's share

At the end of 2013, Galp Energia had a market capitalisation of €9.881 m, a 1% increase over the end of 2012.

Galp Energia's stock performance was lower than the SXEP, the European index for the Oil & Gas sector, and the PSI-20, the benchmark index for the Portuguese stock market; these were up by 4% and 16%, respectively, in 2013.

Galp Energia stock performance against the SXEP and PSI-20 indexes in 2013



Source: Bloomberg

In 2013, 502 million shares were traded in regulated markets, equivalent to 1.6x of Galp Energia's free float. The average daily volume traded in regulated markets was 1.9 million shares, 1.3 million of which on the NYSE Euronext Lisbon.

Performance of the Galp Energia share in 2013

Source: Bloomberg

Galp Energia's stock performance in 2013 was influenced by events tied to strategy execution focused on the E&P business, namely with regard to the main development project underway in Brazil and the results obtained from the exploration campaign in that country.

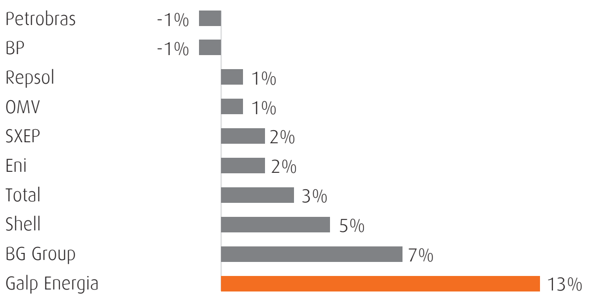
In addition, Galp Energia's 2013 stock performance was affected by investors' general sentiment on the economic situation in Europe and, specifically, in Portugal. Eni's partial placement of its stake in Galp Energia's share capital in the first half of the year also impacted the Company's share performance.

In this context, of particular note in 2013 was the 8 p.p. rise in the free float, which helped to increase the share's liquidity.

The share price peaked at €13.40 for the year on 6 September, and hit its lowest point of €10.76 on 3 July.

At the end of the year, Galp Energia's stock was up by 105% in comparison to the market price in October 2006.

Annualised return of the Galp Energia share compared to comparable companies from October 2006 to the end of 2013



Source: Bloomberg
Note: based on prices expressed in euros and including dividends paid.

Analyst coverage

On 31 December 2013, the average target price of the 29 analysts covering the Galp Energia share was €15.31, with 86% of them recommending to buy, 7% with a neutral recommendation and the remainder recommending to sell.

Price-target of analysts

	Average	Maximum	Minimum	Medium
Price-target (€)	15.31	19.00	9.82	15.00

Of particular note was the start of coverage of the Galp Energia share by Exane BNP Paribas in 2013.

Information to bondholders

EMTN programme

In 2013, Galp Energia launched a programme to issue medium-term debt instruments, the EMTN, on the capital market, thereby ensuring access to an additional source of funding. This programme is part of the Company's financing strategy which aims to diversify its sources of funding and extend the average maturity of its debt.

In this context, the Company set the terms of the first issuance under the EMTN programme on 15 November 2013, thereby marking Galp Energia's début on the debt capital market. This issuance totalled €500 m, with the debt instruments expiring in January 2019 and a coupon of 4.125%, which contributed to extend the average maturity of medium and long-term debt and to the reduction of the Company's average cost of funding.

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

Debt issuance under the EMTN programme

Title	ISIN	Issuance	Maturity	Amount	Coupon
Galp 4.125% 01.2019	PTGALIOE0009	25-11-2013	25-01-2019	€500 m	4.125%

On 31 December 2013, the bonds were traded with a yield of 3.737%, that is, a decline of approximately 51 b.p. since the pricing.

Exchangeable bonds

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

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

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

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

Financial calendar 2014

Following best practices, Galp Energia announces scheduled events in 2014 that are relevant for shareholders. Trading updates and earnings documents are scheduled to be released before the opening of NYSE Euronext Lisbon. These dates may change.

Financial calendar 2014

Event	Date
Trading update on fourth quarter of 2013	27 January
Report on fourth quarter of 2013	10 February
Capital Markets Day 2014	4 March
Annual report and accounts 2013 (audited)	28 March
Trading update on first quarter of 2014	15 April
General shareholders meeting	28 April
Report on first quarter of 2014	29 April
Trading update on second quarter of 2014	14 July
Report on second quarter of 2014	28 July
Trading update on third quarter of 2014	13 October
Report on third quarter of 2014	27 October

Accomplished   Yet to be carried out

5.2 Human resources

At Galp Energia, efforts to attract and value human resources have become increasingly focused on strengthening the technical and behavioural skills of employees, in order to develop and retain human capital, particularly in the E&P business.

For successful strategic execution, the Company must have learning tools for the sustainable development of its employees, together with the appropriate mechanisms to motivate and retain them.

Recruitment and selection

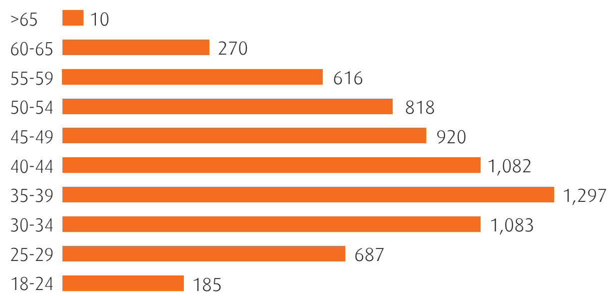
The definition and implementation of recruitment and selection policies is essential. This is especially true in an industry as competitive as Oil & Gas, and when the Company is seeking a broader range of skills to cope with the strategic objectives and challenges at hand.

Generation Galp is Galp Energia's main external recruitment programme, aimed at attracting young people with indisputable potential and training from key universities in Portugal.

For one year, participants are exposed to different experiences in the Company, giving them diversified knowledge of the industry, while simultaneously developing their skills in a professional environment. At the end of the 2012/2013 programme, 46 of the 52 participants were invited to join Galp Energia's staff, strengthening and extending the Company's potential for human capital development. In the 2013/2014 programme, 50 graduates were admitted, of whom 12 were exclusively allocated to the E&P business; this reflects a clear investment by Galp Energia in this segment.

Since the programme started in 1998, 320 employees have been hired, of whom around 80% are still at the Company as a result of its retention efforts.

Employees by age group in 2013



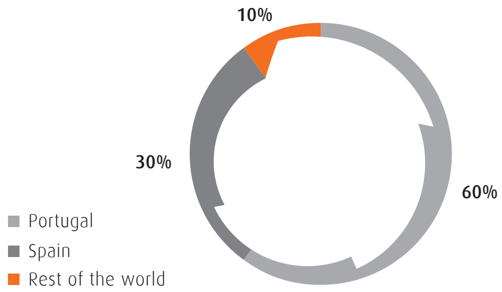
Focus on the E&P business segment

Galp Energia has strengthened the qualifications and expertise of its E&P team due to the strategic importance of this business.

In 2013, the programme of attracting young high-potential engineers and geologists continued, whilst expertise was simultaneously reinforced through outside recruitment of experienced specialists on an international scale, encouraging an environment that favours the transmission of know-how between generations.

In fact, the human resources allocated to this business saw a 38% increase in 2013 to 171 employees. Over the year, around 18 people with proven experience in the Oil & Gas sector were hired for technical areas, namely in Brazil, together with the reinforcement of several support structures with a focus on sales and human resources expertise.

Geographical spread of staff in 2013



At the same time, the focus on advanced training continued as well as the enhancement of skills in Reservoir Engineering, Drilling Engineering and Fluid Flow Engineering, and in the Geoscience area in Exploration Geology, Development Geology, Petrophysics and Geophysics.

Lastly, we should also note the partnership established with Heriot-Watt University in Scotland, a world centre for R&D and training highly qualified human capital in the E&P area.

This partnership was established through the Institute of Oil and Gas, Association for Research and Training (IsPG) and aims to promote advanced training of technical staff, develop projects that add value in the consortia in which Galp Energia is involved, and to create a network of cooperation between consortia, universities and other research bodies in the Oil & Gas sector.

In addition to promoting doctorates at Heriot-Watt University, it is expected that Galp Energia will launch a master's programme in oil engineering there, which will also include partnerships with six Portuguese universities.

Human capital development

In 2013, Galp Energia continued its professional, transversal and advanced training programmes. During the year, a total of 224,209 hours of training was completed.

In addition to continuing independent and transversal training programmes, including a collection of conferences taught in-house, the Company continued its Galp Energia Academy activities. This is a training and assessment centre for advanced training, aimed at customising courses to the Company's needs, with the highest quality standards.

The goal of the Academy is to promote and manage integrated, and innovative training projects for the development of technical and behavioural management skills. These are delivered in partnership with prestigious higher education institutions, helping to capitalise on the potential of human capital by laying the groundwork for success and long-term Company excellence.

By the end of 2013, more than 540 trainees had attended the Galp Energia Academy.

Four courses are currently underway: FormAG, an advanced training course in management, the GeoER advanced studies programme in geo-engineering of reservoirs for E&P; EngIQ, a Ph.D. and advanced training programme in refining Engineering, Petrochemistry and Chemistry, taught in a business environment; and CompeC, an advanced training course in sales skills.

In 2013, 14,984 hours of training were delivered under the advanced training course in management, covering 251 employees. FormAG is taught to all senior executives in the Company, as well as to those high-potential younger employees in the areas of advanced management, energy and behaviour, preparing them for leadership roles.

The advanced studies programme in reservoir geo-engineering, the GeoER, targets employees pursuing a career in E&P. The aim of this course is to promote strong multidisciplinary integration of geophysicists, geologists and engineers from the E&P area. Since it began in 2012, the course has included around 6,720 training hours.

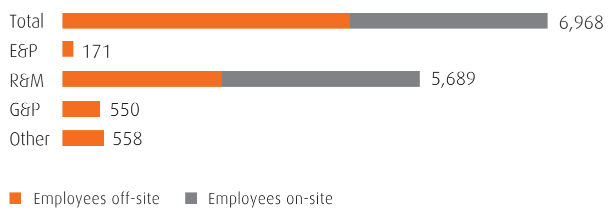
With regard to the EngIQ programme, the course has provided 13,560 training hours to 66 employees since its launch in 2009 to the end of 2013.

The advanced training programme in sales skills, which began in 2013, is aimed at training specialised salespeople throughout the entire sales cycle. Over the year, the programme comprised a total of 6,320 training hours for 79 salespeople.

Staff profile

At the end of 2013, Galp Energia had 6,968 employees, the most notable being the increase of employees in the E&P business.

Staff by business segment in 2013



Out of the 6,968 employees, 2,866 worked on-site, meaning that they were allocated to service stations on the Iberian Peninsula and in Africa, or to biofuel agricultural projects in which the Company participates in the R&M business.

The distribution of Galp Energia employees by gender remained in line with 2012, with female employees representing 39%.

5.3 Local community development

Galp Energia implements a social responsibility policy, based on solid principles of ethics and respect for human rights, that is geared towards developing and supporting local communities. Of particular note in 2013 was the Company's inclusion in the UNO Global Compact, which seeks to align the strategies and operations of participating companies with universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

The Company's social responsibility policy revolves around the cornerstones of human capital, health, safety and the environment. It primarily focuses on promoting innovation and inclusive social action through the energy solutions it provides.

In this way, Galp Energia carries out activities in two complementary domains. The first, and more traditional, is through providing support for the projects of entities representing the community. The second, and more innovative, is by conceiving and implementing its own projects involving entities that represent the community.

2013 saw a number of different social responsibility initiatives, with overall investments totalling €9 m. Of this amount, 18% was allocated to environmental protection initiatives, 25% to education, 20% to health and the remaining to other social initiatives.

In 2013, the Company continued to promote a corporate volunteer culture through the Galp Voluntária initiative. Since the initiative's launch in 2011, Galp Energia has carried out 59 activities involving a total of 8,600 hours of voluntary work. By the end of the year, Galp Voluntária had enrolled around 225 volunteers. Its various initiatives includes a partnership with the Associação de Empresários Pela Inclusão Social (EPIS) in the Vocações de Futuro & Estágio programme, where Galp Voluntária supported 1,548 hours of monitoring of 22 children aged from 10 to 14.

Also in the area of human capital, Galp Energia continued with the Missão UP | Unidos pelo Planeta school project to raise awareness of energy-efficiency issues among Portugal's school community. 1,720 schools and 115,000 students joined the project in 2013.

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

In the sphere of health and safety, Galp Energia has developed and backed countless initiatives, in particular its support for a programme to fight infectious diseases in Guinea-Bissau, where the UNO considers the HIV infection rate one of the most worrisome. This is in partnership with the non-governmental organisation (NGO) Médicos da Comunidade.

Galp Energia has also been involved in initiatives in the area of social rehabilitation and welfare. Of particular note is its support in the offering of two tons of food for victims of the floods in Mozambique, a cyclical problem severely affecting the local community.

Galp Energia Foundation

In 2013, the Galp Energia Foundation received the status of a public utility in acknowledgement of the value and pertinence of its activities.

In 2013, the Foundation carried out projects worth €1,025 k in the areas of energy and the environment, social development and culture.

Fully aware of the importance of its contributions to the local community in Portugal, the Foundation has continued to pursue projects, among others, involving the donation of food and other goods. In order to continue to support cultural projects, the Foundation has maintained its partnerships with entities such as the Fundação Casa da Música, Palácio Nacional da Ajuda and the Museu Nacional de Arte Antiga.

5.4 Health, safety and environment

Galp Energia encourages best practices in HSE at the strategic and operational levels, to include every stakeholder who is directly or indirectly a part of the Company's activities. As such, Galp Energia seeks to ensure the safety of everyone involved and the protection of the environment to sustain the Company's long-term activity.

The Company ensures that HSE goals are met through System G+. This management system analyses the inherent risks of the Company's activities for the purpose of, among other things, preventing accidents, ensuring the safety of employees and service providers, and preserving the environment. In this manner, continuous improvement is encouraged from the standpoints of safety, health and environment, with constant monitoring and specific audits by the Company to identify and promote opportunities for improvement.

A sustainable and constantly monitored exploration and production activity

As regards exploration and production projects, the System G+ has proven to be an effective tool for the continuous improvement of operational performance in the various regions where Galp Energia is present, by ensuring that all procedures are efficiently carried out, including projects where the Company has a minority stake.

In such cases, Galp Energia regularly monitors activities together with partner operators, certifying that seismic surveys, drilling programmes, development plans and other activities comply with the best international standards. In addition, the Company conducts audits and constantly communicates with project operators.

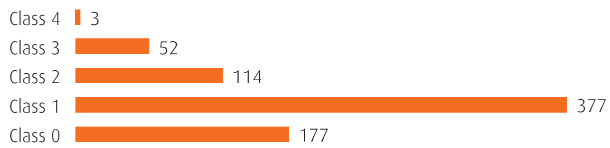
In this context, it should be noted that Galp Energia has an HSE plan to address the demands of its E&P projects, especially in the wake of taking on operations in Morocco, so as to comply with regulations, ensure the most appropriate safety practices and minimise the risk of environmental impact. Galp Energia has implemented a contingency plan for spills which ensures support from specialised teams in the event of an emergency. At the same time, the Company has identified measures to mitigate the impact of drilling in Morocco, following an environmental impact study conducted in 2013.

In terms of gas flaring, particularly in offshore projects in Brazil, Galp Energia and the operator jointly monitor and control flared volumes to minimise environmental impacts originating from this process, reducing the risk of non-compliance with established legal limits.

Health and safety are essential to strategy execution

The Company considers the safety of its employees and other stakeholders as essential for its competitiveness. It is therefore committed to achieving the goal of zero accidents in the course of its activities. For this purpose, Galp Energia aims to continuously improve the standards of safety procedures, namely through training, analysing and implementing measures to reduce risks.

Total number of incidents in order of severity in 2013

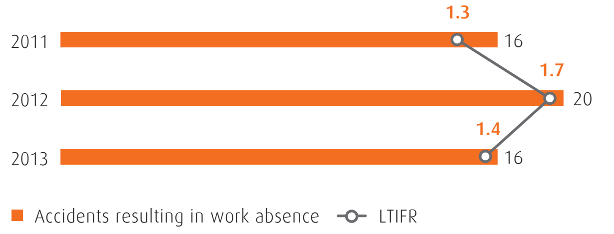


Incidents recorded include those involving clients and service providers, whether or not there was material damage or Galp Energia goods and services involved, even if they did not occur as part of the Company's regular activities.

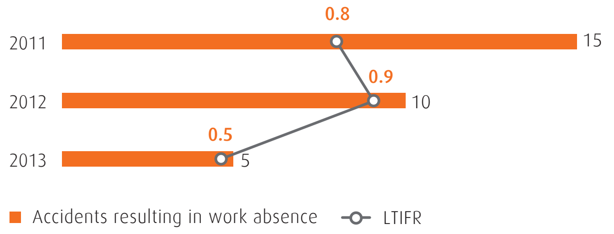
It should be noted that there were no fatalities among Galp Energia employees in 2013. There were, however, three serious accidents, namely one road accident and two CO_2 poisonings. These incidents were investigated by Galp Energia, and occurred from extraneous and non-controllable conditions for the Company.

Regarding workplace accidents, the Company has made efforts to consistently reduce the number of personal accidents that result in absence from work. With regard to the lost time injury frequency rate (LTIFR) per million hours worked, the amount recorded in 2013 was in line with the European average in the sector for 2012, according to data gathered by the Conservation of Clean Air and Water in Europe (CONCAWE).

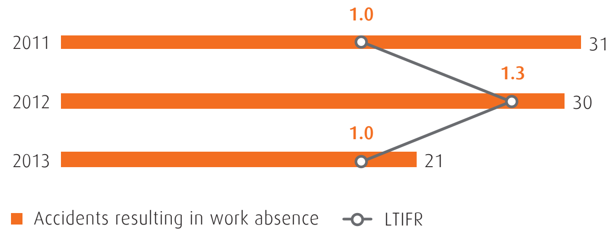
Accidents at Galp Energia
Employees



Service providers



Employees and service providers



Commitment to reducing environmental footprint

As an integrated energy operator, Galp Energia believes that fighting climate change is of the utmost importance. The Company has therefore established a climate change strategy defining specific goals and actions in this regard. Galp Energia revised this strategy in 2013, in particular for the period of 2014-2020, where the revision emphasises the E&P business, bearing in mind the strong growth expected in the coming years.

The Company's strategy revolves around four key actions:

- responsible exploration and production;
- efficient refining and marketing;
- innovation, research and development, and promotion of efficient technology;
- anticipating tendencies and stakeholder expectations within the energy and climate remit.

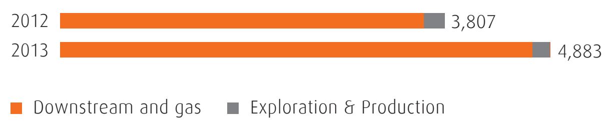
In 2013, for the second consecutive year, Galp Energia was included in the Carbon Disclosure Leadership Index (CDLI), as part of the annual Iberia 125 Climate Change report of the Carbon Disclosure Project (CDP), as the energy sector company with the highest increase compared to the previous year.

This index, compiled by PricewaterhouseCoopers, evaluates and distinguishes the Iberian Peninsula's largest companies on how to approach the disclosure of information involving climate change. Galp Energia was the highest-ranked company in the energy sector, and was ranked in second place overall.

New carbon footprint challenges

Companies in the energy industry have been subjected to new challenges in terms of carbon emissions, primarily in terms of reducing CO_2 emissions by streamlining the efficiency of their assets.

CO_2 emissions



Note: Exploration & Production includes Galp Energia's share in non-operated blocks.

In 2013, the third period established under the EU Emissions Trading Scheme (EU ETS) began, and it will run until 2020. During this period, CO_2 emissions licences will be allocated by benchmarking or through auction.

Under the EU ETS, Galp Energia was awarded emissions licences totalling 2.3 mton per year. Since the free emissions licences in 2013 were not sufficient to satisfy the Company's needs, 1.5 mton needed to be acquired via auction, with a total associated cost of €10 m. The acquisition of approximately 1.2 mton is planned for 2014.

Focus on prevention to minimise environmental impact risk

Galp Energia carries out its activities in compliance with all process safety regulations aimed, among other things, at preventing accidents that may harm the environment.

In 2013, there were 28 accidents with spills exceeding 150 litres. In respect of primary and secondary containment measures and emergency interventions, most of these occurrences did not have an impact on the environment. However, even if there was no material impact, around 30 m^3 of oil were released to the environment, where action was taken to re-establish the areas involved to their original state.

The Company promotes the management of sustainable resources, with specific lines of action for managing waste. In addition, Galp Energia shares a platform with its service providers to lower emergency response times, to reduce potential environmental impacts and to minimise the costs associated with managing contaminated areas.

Preserving biodiversity

Galp Energia believes that biodiversity is key to its business, and is therefore committed to ensuring its protection and conservation. As a result, the Company has a biodiversity management guide which, together with System G+, enforces and guides preservation over the course of the Company's operations.

Involvement in renewable energy projects

Galp Energia has maintained its presence in renewable energy projects, primarily in biofuels, to facilitate compliance with European standards, as well as wind and solar power generation. The Company believes it is essential to keep pace with new trends in the energy sector, primarily those arising within the areas of boosting energy efficiency and combating climate change.

In the biofuel business, of particular note in the green upstream level is the project to plant palm, which continued in 2013 with the planting of 15 additional hectares. For this purpose, by the end of 2013, 27,300 hectares of palm were planted in Brazil. In the downstream area, a second-generation biofuel production unit was commissioned in Portugal with an installed capacity of 27 mton of biofuels in the year, dedicated to the transforming of used oil and residual animal fat into biodiesel.

Galp Energia introduced around 135 thousand m³ of biodiesel in Portugal in 2013, that is an addition of 5.5% renewable energy into road transportation. According to the Renewable Energy Directive (RED), this represents a potential reduction in GGE of more than 127 thousand tonnes (kton) of CO_2 equivalent – a key factor in complying with European Union (EU) targets. Around 93 thousand m³ of biofuels were introduced in Spain, in compliance with the obligation handed down by the country's government. This introduction enabled a potential reduction of around 65 kton of CO_2 equivalent.

Galp Energia will continue to comply with the introduction of biofuels on the Iberian Peninsula, with the aim for 2015 of incorporating 5.5% of all energy used in Portugal and 4.1% of all energy in Spain, targets that are in accordance with those set by the European Commission, and respective countries.

With regard to wind power generation, Galp Energia has a small-scale project underway, benefiting from Portugal's natural conditions. The wind farm has an installed capacity of 12 MW and produced 31 GWh in 2013.

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

Supplier choices are essential for the Company's competitiveness

Galp Energia seeks to address the increasingly demanding and specific needs of the Oil & Gas industry. To this end, it is essential that the Company promotes the best possible safety and environmental performance among all parties involved, including its suppliers.

This is why the Company requires all its suppliers to deliver information on their HSE performance. It also demands they respect the principles of ethics and conduct, primarily focusing on combating anti-corruption and respecting human rights, by selecting and evaluating suppliers through a guide to best practice.

Palm plantation in Brazil

5.5 Quality

Galp Energia has established guidelines ensuring that quality management enhances its products and services, thereby sustaining the Company's long-term business.

In 2013, Galp Energia obtained six new certifications, now totalling 51 qualifications. These new certifications were under the areas of environment (ISO 14001), quality (ISO 9001), safety (OHSAS 18001) and energy (ISO 50001).

Moreover 51 audits were conducted within the environment, quality and safety remit in 2013. These involved 74 internal auditors for a total of 115 participations and five external auditors with 19 participations.

From the internal audits carried out in 2013, 504 situations were identified, of which 189 are non-conformities and 315 are opportunities for improvement. These results reflect, on the one hand, the Company's efforts in continuous improvement and, on the other, a greater identification capacity on behalf of Galp Energia when compared to external contracted auditors.

Obtaining new qualifications and performing regular audits reflect the Company's commitment to the continuous improvement of its business.

5.6 Innovation, research and development

Given the challenges of the Oil & Gas industry, Galp Energia considers that the focus on R&D is essential through developing projects with the potential to create value and so to increase the Company's competitiveness.

For this purpose, Galp Energia promotes innovative projects both in-house and in partnership with others, whether partner companies or other entities from the science and technology community. Of particular note in 2013 were projects involving the E&P business, particularly as part of the Lula/Iracema project, in Brazil.

Driving more value from E&P projects through a focus on R&D

Galp Energia is currently involved in some of the world's most important E&P projects, particularly those in Brazil. These projects increase the complexity of operations, due to their specific nature and location. They therefore require constant innovation to boost efficiency and extract more value, through production for example. Through joint industry analysis, Galp Energia and its partners are continuing to develop projects to study the potential application of new techniques and technology solutions that have these goals.

In this context, it is important to mention the progress achieved by the BM-S-11 consortium, which sought to maximise the return on the Lula/Iracema project. In 2013, the consortium proceeded with the *in situ* test of CO_2 injection with a potential positive impact on long-term recoverable resources. It also successfully tested drilling with a sub-horizontal geometry in Iara.

In addition, since Galp Energia is committed to creating a centre of research and technology excellence in Brazil, the activities of IsPG, created in 2012, are of particular note. In 2013, the Company continued to consolidate the implementation of this institute, whose ultimate purpose is to provide innovative solutions for the Company's technology needs. This included the establishment of the partnership with Scotland's Heriot-Watt University during the year, which sets world R&D benchmarks in exploration and production.

Promoting greater energy efficiency

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

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

Launched in 2007, this programme has already involved more than 130 Portuguese companies, which have benefited from innovative energy efficiency solutions developed by students at leading national universities.

06

Appendices

6.1 Proposed allocation of net profit

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

Galp Energia, SGPS, S.A., under separate accounts, closed the financial year 2013 with a net profit of €364,185,273.36. This result is presented in accordance with the International Financial Reporting Standards (IFRS).

The Board of Directors proposes, pursuant to the law, that the net profit from the financial year 2013 of €364,185,273.36, be allocated in the following manner: €125,361,090.48 be distributed out to retained earnings and €238,824,182.88 be distributed in dividends, corresponding to €0.288 per share, as approved by the shareholder remuneration policy in March 2012 and representing an increase of 20% from the dividend of the previous year. The month of October 2013 saw an anticipated distribution of dividends in the amount of €119,412,091.41 (€0.144 per share).

6.2 Additional information

Mandatory notices and statements

SHAREHOLDERS WITH MAJOR DIRECT OR INDIRECT HOLDINGS ON 31 DECEMBER 2013.

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

Shareholders	No. of shares	% share capital	% voting rights
Amorim Energia, B.V.	317,934,693	38.34%	54.68%
Eni, S.p.A.	135,497,095	16.34%	16.34%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Templeton Global Advisors Limited	16,870,865	2.03%	2.03%
Other shareholders	300,868,468	36.28%	36.28%
Total	**829,250,635**	**100.00%**	-

TREASURY SHARES

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

During the financial year 2013 Galp Energia, SGPS, S.A. – Sociedade Aberta did not acquire or sell any treasury shares.

SHARE OWNERSHIP AT 31 DECEMBER 2013 BY CURRENT MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BODIES OF GALP ENERGIA, SGPS, S.A. – SOCIEDADE ABERTA.

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

		Acquisition From 1 January to 31 December 2013			Disposal From 1 January to 31 December 2013			
Members of the Board of Directors	**Total shares as of 31 Dec. 2012**	**Date**	**No. of shares**	**Price (€/share)**	**Date**	**No. of shares**	**Price (€/share)**	**Total shares as of 31 Dec. 2013**
Américo Amorim	-	-	-	-	-	-	-	-
Manuel Ferreira De Oliveira	85,640	-	-	-	-	-	-	85,640
Luís Palha da Silva	3,350	-	-	-	07-10-2013	2,400	12.32	950
Paula Amorim	-	-	-	-	-	-	-	-
Filipe Crisóstomo Silva	-	-	-	-	-	-	-	-
Carlos Gomes da Silva	2,410	-	-	-	-	-	-	2,410
Sérgio Gabrielli de Azevedo	-	-	-	-	-	-	-	-
Stephen Whyte	-	13-11-2013	1,215	12.345	-	-	-	-
	-	02-12-2013	820	12.11	-	-	-	2,035
Vítor Bento	-	-	-	-	-	-	-	-
Abdul Magid Osman	-	-	-	-	-	-	-	-
Luís Campos e Cunha	-	-	-	-	-	-	-	-
Miguel Athayde Marques	1,800	-	-	-	-	-	-	1,800
Carlos Costa Pina	-	-	-	-	-	-	-	-
Rui Paulo Gonçalves	-	-	-	-	-	-	-	-
Luís Manuel Todo Bom	-	-	-	-	-	-	-	-
Fernando Gomes	1,900	-	-	-	-	-	-	1,900
Diogo Mendonça Tavares	2,940	-	-	-	-	-	-	2,940
Joaquim José Borges Gouveia	-	-	-	-	-	-	-	-
José Carlos da Silva Costa	275	-	-	-	-	-	-	275
Jorge Manuel Seabra de Freitas	-	-	-	-	-	-	-	-
Members of the Supervisory Board								
Daniel Bessa Fernandes Coelho	-	-	-	-	-	-	-	-
Gracinda Augusta Figueiras Raposo	-	-	-	-	-	-	-	-
Pedro Antunes de Almeida	1,505	-	-	-	02-01-2013	1,500	12.07	5
Amável Alberto Freixo Calhau	-	-	-	-	-	-	-	-
Statutory Auditors								
P. Matos Silva, Garcia Jr., Caiado & Associados	-	-	-	-	-	-	-	-
António Campos Pires Caiado	-	-	-	-	-	-	-	-

CURRENT DIRECTORS' DEALINGS WITH THE COMPANY

In accordance with articles 66 e) and 397 of the CSC.
There were no commitments in 2013 to the current members of the Board of Directors of Galp Energia, SGPS, S.A. – Sociedade Aberta, to conduct business with the Company.

OTHER ACTIVITY BY CURRENT DIRECTORS

As provided for under article 398 of the CSC.
None of the current Directors of Galp Energia, SGPS, S.A. exercised during the financial year 2013, in a company or companies that are related to this domain or group, any temporary or permanent duties under the employment contract, are subordinate or autonomous apart from José Carlos da Silva Costa, whose employment contract with Galp Energia, S.A. – Sociedade Aberta, remains suspended since his election as member of the Board of Directors of Galp Energia, SGPS, S.A. – Sociedade Aberta, which took place on 23 November 2012.

AMOUNTS OWED TO ASSOCIATES

In accordance with article 5, paragraph 4, of Decree-Law No. 495/88 of 30 December.
See note 28 in the notes to the financial statements in the separate accounts of Galp Energia SGPS, S.A. – Sociedade Aberta.

Governing bodies

GENERAL SHAREHOLDERS MEETING BOARD (2011-2013)

Chairman:
Daniel Proença de Carvalho

Vice-Chairman:
Victor Manuel Pereira Dias

Secretary:
Maria Helena Claro Goldschmidt

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

BOARD OF DIRECTORS

Chairman:
Américo Amorim

Vice-Chairman:
Manuel Ferreira De Oliveira

Vice-Chairman:
Luís Palha da Silva

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

EXECUTIVE COMMITTEE

Chairman:
Manuel Ferreira De Oliveira (CEO)

Vice-Chairman:
Luís Palha da Silva

Members:
Filipe Crisóstomo Silva (CFO)
Carlos Gomes da Silva
Stephen Whyte
Carlos Costa Pina
José Carlos da Silva Costa

COMPANY SECRETARY

Standing:
Rui de Oliveira Neves*

Deputy:
Maria Helena Claro Goldschmidt

SUPERVISORY BOARD

Chairman:
Daniel Bessa Fernandes Coelho

Member:
Gracinda Augusta Figueiras Raposo

Member:
Pedro Antunes de Almeida

Deputy:
Amável Alberto Freixo Calhau

STATUTORY AUDITORS

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

Deputy:
António Campos Pires Caiado

REMUNERATIONS COMMITTEE

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

Member:
Jorge Armindo Carvalho Teixeira

* Nominated by the Board of Directors on 26 July 2013, in replacement of Rui Maria Diniz Mayer.

6.3 Consolidated financial statements

Galp Energia, SGPS, S.A. and Subsidiaries

Consolidated statements of financial position as of 31 December 2013 and of 2012

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

ASSETS	Notes	31 Dec. 2013	31 Dec. 2012
Non-current assets:			
Tangible assets	12	4,565,289	4,489,919
Goodwill	11	233,137	232,046
Intangible assets	12	1,544,901	1,458,089
Investments in associates and jointly controlled entities	4	515,565	399,323
Assets held for sale	4	2,863	2,894
Trade receivables	15	24,322	24,402
Loans to Sinopec	14	706,993	917,558
Other receivables	14	212,968	136,540
Deferred tax assets	9	271,074	252,206
Other investments	17	24,530	19,307
Total non-current assets:		**8,101,642**	**7,932,284**
Current assets:			
Inventories	16	1,845,607	1,976,125
Trade receivables	15	1,326,563	1,351,189
Loans to Sinopec	14	164,500	13,643
Other receivables	14	732,706	731,445
Other investments	17	10,128	7,346
Current income tax recoverable	9	32,788	9,819
Cash and cash equivalents	18	1,503,390	1,886,723
Total current assets:		**5,615,682**	**5,976,290**
Total assets:		**13,717,324**	**13,908,574**

EQUITY AND LIABILITIES	Notes	31 Dec. 2013	31 Dec. 2012
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	2,394,913	2,630,548
Retained earnings		1,666,075	1,516,069
Consolidated net profit for the period		188,661	343,300
Total equity attributable to equity holders of the parent:		**5,160,906**	**5,401,174**
Non-controlling interests	21	1,254,894	1,304,800
Total equity:		**6,415,800**	**6,705,974**
Liabilities:			
Non-current liabilities:			
Bank loans	22	1,464,910	1,858,427
Bonds	22	1,838,812	618,902
Other payables	24	544,904	534,039
Retirement and other benefits liabilities	23	338,495	327,293
Deferred tax liabilities	9	128,577	130,616
Other financial instruments	27	1,538	7,346
Provisions	25	154,149	137,556
Total non-current liabilities:		**4,471,385**	**3,614,179**
Current liabilities:			
Bank loans and overdrafts	22	226,542	539,338
Bonds	22	146,778	566,256
Trade payables	26	1,509,633	1,469,231
Other payables	24	936,716	1,004,516
Other financial instruments	27	10,470	9,080
Total current liabilities:		**2,830,139**	**3,588,421**
Total liabilities:		**7,301,524**	**7,202,600**
Total equity and liabilities:		**13,717,324**	**13,908,574**

The accompanying notes form an integral part of the consolidated statement of financial position for the year ended 31 December 2013.

Galp Energia, SGPS, S.A. and Subsidiaries

Consolidated income statements for the periods ended 31 December 2013 and 2012

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

	Notes	31 Dec. 2013	31 Dec. 2012	
Operating income:				
Sales	5	19,100,871	18,040,881	
Services rendered	5	519,469	466,156	
Other operating income	5	144,026	137,035	
Total operating income:		**19,764,366**	**18,644,072**	
Operating costs:				
Cost of sales	6	17,208,242	16,195,685	
External supplies and services	6	1,069,024	990,103	
Employee costs	6	346,677	320,765	(a)
Amortisation, depreciation and impairment loss	6	585,262	426,469	
Provision and impairment loss on receivables	6	54,968	69,391	
Other operating costs	6	98,940	83,115	
Total operating costs:		**19,363,113**	**18,085,528**	
Operating profit:		**401,253**	**558,544**	
Financial income	8	110,130	85,198	
Financial costs	8	(255,315)	(166,264)	(a)
Exchange (gain) loss		(8,790)	2,209	
Share of results of investments in associates and jointly controlled entities	4	115,656	81,538	
Income (cost) on financial instruments	27	13,250	1,326	
Other gains (losses)		(1,348)	(1,696)	
Profit before income tax:		**374,836**	**560,855**	
Income tax	9	(135,829)	(170,585)	
Profit before non-controlling interests:		**239,007**	**390,270**	
Profit attributable to non-controlling interests	21	(50,346)	(46,970)	
Consolidated net profit for the year		**188,661**	**343,300**	
Earnings per share (in euros)	10	**0.23**	**0.41**	

(a) These amounts were restated taking as a result of changes in classification described in Note 2.23.
The accompanying notes form an integral part of the consolidated income statement for the year ended 31 December 2013.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated statements of changes in equity for the years ended 31 December 2013 and 2012

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

Changes in the period	Notes	Share capital	Share premium	Translation reserve (Note 20)	Other reserves (Note 20)
Balance as of 1 January 2012		**829,251**	**82,006**	**10,979**	**193,384**
Consolidated net profit for the period	10	-	-	-	-
Changes in scope of consolidation		-	-	-	-
Other gains and losses recognised in equity		-	-	(58,603)	(1,935)
Comprehensive income for the period		-	-	(58,603)	(1,935)
Dividends distributed/interim dividends		-	-	-	-
Increase of equity in subsidiaries		-	-	-	2,493,088
Appropriation of profit to reserves		-	-	-	-
Balance as of 31 December 2012		**829,251**	**82,006**	**(47,624)**	**2,684,537**
Balance as of 1 January 2013		**829,251**	**82,006**	**(47,624)**	**2,684,537**
Consolidated net profit for the period	10	-	-	-	-
Changes in scope of consolidation	3 and 21	-	-	-	-
Other gains and losses recognised in equity		-	-	(236,494)	-
Comprehensive income for the period		-	-	(236,494)	-
Dividends distributed/interim dividends	30	-	-	-	-
Increase of equity in subsidiaries		-	-	-	(4,098)
Appropriation of profit to reserves		-	-	-	-
Balance as of 31 December 2013		**829,251**	**82,006**	**(284,118)**	**2,680,439**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2013.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated statement of comprehensive income for the years ended 31 December 2013 and 2012

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

	Notes	December 2013	December 2012
Consolidated net profit for the period	10	**188,661**	**343,300**
Other comprehensive income which will not be recycled in the future for net profits of the period:			
Actuarial gains and losses		22,369	4,384
Tax – actuarial gains and losses	9	3,259	3,472
		25,628	7,856
Other comprehensive income which will be recycled in the future for net profits of the period:			
Differences arising on translation of foreign currency financial statements (Group companies)	20	(167,208)	(7,522)
Differences arising on translation of foreign currency financial statements (associated/jointly controlled companies)	4 and 20	(23,846)	(6,209)
Differences arising on translation of foreign currency – goodwill	11 and 20	1,091	1,390
Differences arising on translation of foreign currency – financial allocations (*quasi* equity)	20	(70,799)	(66,600)
Deferred tax related to components of differences arising on translation of foreign currency – financial allocations (*quasi* equity)	9 and 20	24,268	20,338
		(236,494)	(58,603)
Other increases/(decreases) in hedging reserves (Group companies)	27 and 20	6,789	(7,179)
Deferred tax related to components of hedging reserves (Group companies)	9 and 20	(1,985)	2,155
Increases/(decreases) of hedging reserves (associated/jointly controlled companies)	27 and 20	222	(340)
Deferred tax related to components of hedging reserves (associated/jointly controlled companies)	9 and 20	(69)	-
		4,957	(5,364)
Other increases/(decreases)		-	774
Other comprehensive income for the period net of tax		(205,909)	(55,337)
Comprehensive income for the period assignable to shareholders:		**(17,248)**	**287,963**
Comprehensive income for the period assignable to non-controlling interests		(38,237)	25,460
Total compheensive income for the period		**(55,485)**	**313,423**

The accompanying notes form an integral part of the consolidated comprehensive income statement for the year ended 31 December 2013.

Hedging reserves (Note 20)	Retained earnings – actuarial gains and losses (Note 23)	Retained earnings	Consolidated net profit for the period	Sub-total	Non-controlling interests (Note 21)	Total
(1,001)	**(106,359)**	**1,444,541**	**432,682**	**2,885,483**	**55,972**	**2,941,455**
-	-	-	343,300	343,300	46,970	390,270
-	-	-	-	-	19,348	19,348
(5,364)	7,856	2,709	-	(55,337)	(40,858)	(96,195)
(5,364)	7,856	2,709	343,300	287,963	25,460	313,423
-	-	(265,360)	-	(265,360)	(6,213)	(271,573)
-	-	-	-	2,493,088	1,229,581	3,722,669
-	-	432,682	(432,682)	-	-	-
(6,365)	**(98,503)**	**1,614,572**	**343,300**	**5,401,174**	**1,304,800**	**6,705,974**
(6,365)	**(98,503)**	**1,614,572**	**343,300**	**5,401,174**	**1,304,800**	**6,705,974**
-	-	-	188,661	188,661	50,346	239,007
-	-	-	-	-	(1,139)	(1,139)
4,957	25,628	-	-	(205,909)	(87,444)	(293,353)
4,957	25,628	-	188,661	(17,248)	(38,237)	(55,485)
-	-	(218,922)	-	(218,922)	(4,004)	(222,926)
-	-	-	-	(4,098)	(7,665)	(11,763)
-	-	343,300	(343,300)	-	-	-
(1,408)	**(72,875)**	**1,738,950**	**188,661**	**5,160,906**	**1,254,894**	**6,415,800**

Galp Energia, SGPS, S.A. and Subsidiaries

Consolidated statements of cash flows for the years ended 31 December 2013 and 2012

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

	Notes	December 2013	December 2012
Operating activities:			
Cash receipts from customers		20,505,082	20,295,479
Cash paid to suppliers		(14,714,036)	(15,512,127)
Cash paid to employees		(234,211)	(236,663)
Cash (paid)/received relating to tax on oil products		(2,418,105)	(1,969,067)
Cash (paid)/received relating to income tax		(153,589)	(131,918)
Contributions to the pension fund	23	(2,398)	(21,109)
Cash paid to early retired and pre-retired employees	23	(18,666)	(17,648)
Cash paid relating to insurance costs of retired employees	23	(11,857)	(11,903)
Other (payments)/receipts relating to operating activities		(2,150,845)	(2,092,525)
Net cash provided by operating activities (1)		**801,375**	**302,519**
Investing activities:			
Cash receipts relating to:			
Investments	4	129,459	19,421
Tangible assets		901	1,970
Intangible assets		-	429
Government grants	13	550	355
Interest and similar income		45,071	38,119
Dividends	4	64,400	65,262
Loans granted		40,125	5,466
		280,506	**131,022**
Cash payments relating to:			
Investments	4	(215,693)	(183,337)
Tangible assets		(705,753)	(802,801)
Intangible assets		(52,016)	(48,099)
Loans granted		(1,031)	(932,272)
		(974,493)	**(1,966,509)**
Net cash used in investing activities (2)		**(693,987)**	**(1,835,487)**
Financing activities:			
Cash receipts relating to:			
Loans obtained		2,250,729	2,598,063
Capital increases, supplementary capital contributions and share premium	20	-	3,597,357
Interest and similar income		2,159	2,800
Discounted notes		10,237	22,051
		2,263,125	**6,220,271**
Cash payments relating to:			
Loans obtained		(2,114,094)	(2,487,779)
Interest on loans		(151,900)	(133,158)
Dividends	30	(221,956)	(269,702)
Repayment of discounted notes		(2,004)	(2,361)
Payment of finance lease contractsand respective interests		(5)	(27)
Interest on bonds		(71,464)	(54,027)
		(2,561,423)	**(2,947,054)**
Net cash (used in)/provided by financing activities (3)		**(298,298)**	**3,273,217**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(190,910)	1,740,249
Effect of foreign exchange rate changes		(134,927)	(18,153)
Cash and cash equivalents at the beginning of the year	18	1,733,199	25,480
Change in scope of consolidation		(2,124)	(14,377)
Cash and cash equivalents at the end of the year	18	1,405,238	1,733,199

The accompanying notes form an integral part of the consolidated statement of cash flows as 31 December 2013.

Index

Notes to the consolidated financial statements 31 December 2013

(Amounts expressed in thousands of euros – €k)

1. INTRODUCTION

a) Parent company:

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

The shareholder structure of the Company as of 31 December 2013 is shown in Note 19.

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

b) The Group:

As of 31 December 2013 the Galp Energia Group (the Group) was made up of Galp Energia and its subsidiaries, which include, among others: (i) Petróleos de Portugal – Petrogal, S.A. (Petrogal) and its subsidiaries, which operate upstream and downstream in the crude oil and related derivatives sector; (ii) GDP – Gás de Portugal, SGPS, S.A. (GDP) and its subsidiaries, which operates in the natural gas sector; (iii) Galp Power, SGPS, S.A. and its subsidiaries, which operate in the electricity and renewable energy sector; and (iv) Galp Energia, S.A. which integrates the corporate support services.

b1) Crude oil upstream operations

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

b2) Crude oil downstream operations

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

b3) Natural gas activity and energy production and commercialisation

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

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

The power segment generates electrical energy and thermal power, which supplies power to large industrial customers and domestic customers. Galp Energia presently participates in six cogeneration plants with a total installed capacity of 254 MW and wind farms.

The natural gas area subdivides into the areas (i) purchasing and commercialisation; and (ii) supply and commercialisation.

The purchasing and commercialisation of natural gas area supplies natural gas to large industrial customers with annual consumptions of more than 2 mm^3, power generating companies, as well as natural gas supply companies and Autonomous Gas Unit (AGU). Therefore, in order to meet the demand of its customers, Galp Energia has long term purchase contracts with companies in Algeria and Nigeria.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Group to prepare the consolidated financial statements are explained below. During the year ended 31 December 2013 there were changes in the accounting policies, stated in section 2.23, regarding those used to prepare the financial information for the preceding year, nor were there any significant material errors relative to the previous year.

2.1. BASIS OF PRESENTATION

Galp Energia's consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value (Note 2.16), on the accounting records of the companies included in the consolidation (Notes 3 and 4) maintained in accordance with IFRS as adopted by the EU, effective for the year beginning 1 January 2013. These standards include IFRS issued by the International Accounting Standards Board (IASB) and International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standing Interpretation Committee (SIC), adopted by the EU. These standards and interpretations are hereinafter referred to as IFRS.

The IAS/IFRS standards approved and published in the Official Journal of the European Union (OJEU) during 2013 applicable to subsequent years are as follows:

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

IAS Standard	Publication date in OJEU	Date of accounting application	Period to which it applies	Comments
Amendments to IAS 36: disclosures on recoverable amounts for non-financial assets	21 December 2013	After 1 January 2014	2014	Under analysis for impacts on required disclosures.
Amendments to IAS 39: novation of derivatives and continuation of hedge accounting	20 December 2013	After 1 January 2014	2014	No accounting impacts are expected.
Amendments to IFRS 10, IFRS 12 and IAS 27: investment entities	21 November 2013	After 1 January 2014	2014	Not applicable.
Amendments to IFRS 10, IFRS 11 and IFRS 12: consolidated financial statements, joint agreements and disclosures of investments – transition guide	5 April 2013	After 1 January 2014	2014	No accounting impacts are expected.
Amendments to IAS 32 Financial instruments: disclosures – offsetting a financial asset and a financial liability	29 December 2012	After 1 January 2014	2014 Depending on the regulation articles	No accounting impacts are expected.
IFRS 10 Consolidated financial statements	29 December 2012	After 1 January 2014	2014	No accounting impacts are expected.
IFRS 11 Joint arrangements	29 December 2012	After 1 January 2014	2014	No significant impact. See in note a).
IFRS 12 Disclosure of interests in other entities	29 December 2012	After 1 January 2014	2014	Under analysis for additional disclosure requirements.
IAS 27 Separate financial statements	29 December 2012	After 1 January 2014	2014	No accounting impacts are expected.
IAS 28 Investments in associates and joint ventures	29 December 2012	After 1 January 2014	2014	No accounting impacts are expected.

a) Sigás ACE, a jointly controlled company, will be integrated into individual.

The approved and published IAS/IFRS standards in the OJEU applicable to 2013 are as follows:

Standards and interpretations adopted, if applicable:

IAS Standard	Publication date in OJEU	Date of accounting application	Period to which it applies	Comments
IFRS annual improvements cycle 2009-2011	28 March 2014	After 1 January 2013	2013	No accounting impacts are expected.
Amendments to IFRS 1 First-time adoption of IFRS – government loans	5 March 2013	After 1 January 2013	2013	Not applicable.
Amendments to IFRS 7 Financial instruments: disclosures – offsetting a financial asset and a financial liability	29 December 2012	After 1 January 2013	2013 Depending on the regulation articles	No accounting impacts are expected.
Amendments to IFRS 1 First-time adoption of IFRS – serious hyperinflation and surpressing of fixed dates for first-time adopters	29 December 2012	After 1 January 2013	2013	Not applicable.
IFRS 13 Fair value measurement	29 December 2012	After 1 January 2013	2013	New disclosure requirements.
Amendments to IAS 12 Income taxes – deferred taxes: recovery of underlying assets	29 December 2012	After 1 January 2013	2013	No accounting impacts are expected.
IFRIC 20 stripping costs in the production phase of a surface mine	29 December 2012	After 1 January 2013	2013	Not applicable.
Amendments to IAS 1 Presentation of financial statements – presentation of other items of other comprehensive income	6 June 2012	After 1 July 2012	2013	Impact on disclosure of consolidated comprehensive income statement.
Amendments to IAS 19 Employee benefits	6 June 2012	After 1 January 2013	2013	See below.

The Group restated its financial statements during the year ended on 31 December 2012, changing its policy for recognition of remeasurements, thus the adoption of the Revised IAS 19 had no impacts on the Group's consolidated financial statements for the year ended on 31 December 2013.

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

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

2.2. CONSOLIDATION METHODS

The following consolidation methods were used by the Group:

a) Investments in Group companies

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

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

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

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

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

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

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

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

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

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

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

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

b) Investments in jointly controlled entities, joint operations and joint assets

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

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

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

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

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

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

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

c) Investments in associates

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

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

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

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

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

An assessment of investments in associates is performed when there are indications that the participation may be impaired, being recorded as impairment losses. When impairment losses recognised in prior years no longer exist, they are reversed.

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

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

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

d) Goodwill

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

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

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

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

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

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

e) Conversion of foreign entities financial statements

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

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

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

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

Shareholders' loans in a different functional currency from the parent company that do not have defined repayment terms are considered as net investments in the foreign entities. The translation differences arising in translating the balances of shareholders' loans to the company's reporting functional currency that are not cancelled out in the consolidation processare reclassified to the shareholders' equity caption "Conversion reserve" in the consolidated financial statements.

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

	Year end		Average for the year	
Currency	**2013**	**2012**	**2013**	**2012**
Gambian Dalasi	51.69	40.02	45	40.43
Moroccan Dirhams	11.23	11.14	11.14	11.09
US dollars	1.38	1.32	1.33	1.28
Cape Verde Escudos	110.27	110.27	110.27	110.27
CFA Francs	655.96	655.96	655.96	655.96
Swazi Lilangeni	14.4	11.2	12.95	10.61
Mozambican Meticais	41.53	38.18	39.71	35.79
Angolan Kwanzas	134.47	126.33	127.97	123.29
Brazilian Reais	3.26	2.70	2.87	2.50

2.3. TANGIBLE ASSETS

General

Tangible assets acquired up to 1 January 2004 (date of transition to IFRS) are measured as according to 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 cumulative 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 the Group's 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 2013	Rates 2012
Land and natural resources	0.14%	0.19%
Buildings and other constructions	3.37%	3.44%
Machinery and equipment	4.91%	4.90%
Transport equipment	5.28%	5.28%
Tools and utensils	4.12%	4.81%
Administrative equipment	8.93%	7.50%
Reusable containers	2.73%	3.02%
Other tangible assets	3.87%	5.20%

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 cumulative impairment losses. The resulting accounting capital gains/losses are recorded in the consolidated income statement "Other operating income" or "Other operating costs" captions, respectively.

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

Oil exploration and production

In the E&P activity there are several accounting methods and variants of these methods that can be applied. The Group adopts policies that it considers best reflect expenditures made in this activity. These policies are based on "The Successful Efforts Method". Although expenses incurred in wells with no commercial viability are recorded as costs, other expenditures incurred during research/exploration phase are capitalised. Galp Energia uses a variant of this method through which costs incurred in the exploration phase (research) are capitalised, as it is too early in the process to assess whether the areas of development or exploration wells will be commercially viable or not.

Tangible assets related to oil exploration and production are recorded at acquisition cost and mainly relate to costs incurred in the exploration and the development of oil fields, including overheads incurred up to the beginning of production and are recorded in tangible assets in progress. When the field begins production, these costs are transferred from tangible assets in progress to fixed tangible assets, and are depreciated at the Unit of Production method (UOP) according to the asset's use.

Assets that are jointly controlled under an oil exploration consortium are recognised in the accounts in accordance with the established agreements. Therefore, these jointly controlled assets are recognised in the accounting for the share held (working interest) in the oil consortium.

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

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

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

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

All costs incurred in the exploration phase related with unsuccessful oil fields are recorded as costs in the income statement for the year except if it relates to unsuccessful oil wells expected to be used as injector well or considered as an appraisal well for future drillings, in which case the expenses are capitalised until the decision to interrupt the exploration and/or development works.

2.4. INTANGIBLE ASSETS

General

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

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

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

Intangible assets include costs incurred on information systems development, exclusivity bonuses paid to retailers of Galp Energia products and rights on land use costs, which are amortised over the period of the respective contracts (which ranges from 10 to 20 years).

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

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

Oil exploration and production operations

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

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

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

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

2.5. IMPAIRMENT OF NON-CURRENT ASSETS EXCEPT GOODWILL
Impairment tests are performed as of the financial statements date and whenever a decline in the asset value is identified. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded against income statement caption "Amortisation, depreciation and impairment loss of assets".

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

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

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

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

The impairment tests carried out by the Group are based on the estimated recoverable amount of each service station compared to its net book value at the end of each reporting period. The recoverable amount (value in use) determined by the Group corresponds to the present value of the expected future cash flows determined based on annual budgets and business plans for each service station, using the 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 projections period of cash flows are adjusted to the cash generating unit's average useful life.

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

- economically feasible reserves are not found;
- the licencing 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 oil exploration and production are assessed annually by the Group for impairment. The selected cash generating unit is the country or block depending on the stage of maturity of the investments.

The assessment for block impairment is made in accordance with the Expected Monetary Value model (EMV), comparing the carrying amount of the investments with the present value of the expected future cash flows using the WACC discount rate, calculated 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) benchmark price of a barrel of Brent;
(vi) EUR/USD exchange rate;
(vii) taxation of block/country.

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

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

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

2.6. LEASING

Lease contracts are classified as:

- finance leases if all the risks and benefits of ownership are substantially transferred; and
- operating leases when this does not occur.

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

Leases in which the Group is the lessee

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

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

Galp Energia is charged in the proportion of its interest in each consortium for the FPSO rent arising from contracts established by the existing consortia.

2.7. INVENTORIES

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

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

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

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

a) Raw and subsidiary materials

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

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

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

b) Products and work in process

Production cost includes the cost of materials, external supplies and services and overheads.

c) Finished and semi-finished products

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

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

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

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

d) Merchandise

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

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

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

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

e) Under/overlifting

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

On the other hand, when the Group has overlifted in relation to its production quota, the respective amounts are valued at market price as on the date in which the loans were obtained and registered as an account payable, as recorded in the caption "Other payables" (Note 24).

The Company considers that as a production share agreement (PSA) it is not subject to price risk since the operation is for use of the Group's contractors and the settlement of the under and overlifting is made through physical delivery (barrels of crude oil).

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 in the income statement in proportion of the costs incurred.

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

2.9. PROVISIONS

General

Provisions are recorded when, and only when, the Group has a present obligation (legal, contractual or constructive) resulting from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted on each consolidated finantial statement date so as to reflect the best estimate at that date.

E&P operations (block abandonment)

Provisions for abandonment costs are intended to cover all the costs incurred by the Company at the end of the useful production life of oil fields.

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

Estimated expenditure to be incurred and capitalised in tangible assets is depreciated using the UOP method, in which that expenditure is multiplied by a coefficient that is the proportion of the volume produced in each depreciation period in relation to the proved developed reserves at the end of the period plus production for the period.

2.10. RETIREMENT BENEFITS

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

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

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

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

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

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

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

- pension supplements for retirement, disability and surviving orphans;
- pre-retirement;
- early retirement;
- retirement bonus;
- voluntary social insurance;
- defined contribution minimum benefit plan.

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

- pension supplements for retirement, disability and surviving orphan;
- pre-retirement;
- defined contribution minimum benefit plan.

On 31 December 2002 the ISP authorised the creation of the Galp Energia Pension Fund with a defined contribution. In 2003, Galp Energia, SGPS, S.A. created a defined contribution Pension Fund for its employees and allowed the employees of other Group companies to join this fund. Petrogal, 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 in respect of healthcare, life insurance and defined contribution minimum benefit plan are recognised over the period the employees entitled to these benefits are in service of the respective companies, the liability being reflected in the statement of financial position caption "Retirement and other benefit obligations" (Note 23). Payments to the beneficiaries are deducted from the liability.

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

Remeasurements 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 the subsidiaries in their functional currencies, at the exchange rates in force on the dates of the transactions.

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

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

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

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

2.13. INCOME AND ACCRUAL BASIS

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

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

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

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

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

Natural gas operations

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

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

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

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

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

In the storage, distribution and commercialisation of last instance, 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 supply and commercialisation activities reflect the difference in payment terms.

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

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

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

2.14. FINANCIAL COSTS ON LOANS OBTAINED

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

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

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

2.15. INCOME TAX

General

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

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

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

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

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

E&P operations

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

As such, a deferred tax asset is recorded based on the loaned 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 for the year.

2.16. FINANCIAL INSTRUMENTS

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

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

a) Investments

Investments are classified as follows:

- held-to-maturity investments;
- investments at fair value through profit and loss;
- available-for-sale investments.

Held-to-maturity investments are classified as non-current investments, unless they mature in less than 12 months from the consolidated statement of financial position date. These investments have a defined maturity date which the Group intends and has the ability to retain up to their maturity. As of 31 December 2013 the Group does not own held-to-maturity investments.

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

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

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

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

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

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

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

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

b) Receivables

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

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

c) Equity or liability classification

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

d) Loans

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

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

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

e) Trade and other payables

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

f) Derivatives instruments

Hedge accounting

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

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

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

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

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

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

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

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

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

Trading instruments

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

g) Cash and cash equivalents

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

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

2.17. CO_2 EMISSION LICENCES

CO_2 emissions 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. STATEMENT OF FINANCIAL POSITION CLASSIFICATION

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

2.19. SUBSEQUENT EVENTS

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

2.20. SEGMENT REPORTING

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

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

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

2.21. ESTIMATES AND JUDGMENTS

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

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

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

Crude oil reserves

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

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

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

Provisions for contingencies

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

Environmental liabilities

Galp Energia makes judgments and estimates to calculate provisions for environmental matters such as CO_2. Every year Galp Energia is entitled to free licences, Emission Unit Allowance (EUA) from the Portuguese Environment Agency in order to address GGE. In case the free licences are insufficient to address GGE, Galp Energia goes to the market to acquire the EUAs or other equivalent/complementary allowances green certificates, Emission Reduction Units (ERU), assuming the cost which is recorded in caption "Other operational costs". However, if GGE 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 Energia also makes judgments and estimates to calculate its known obligations relating essentially to the known requirements of soil decontamination, based on current information relating to expected intervention costs and plans. Such costs can vary due to changes in the legislation and regulations, change in conditions of a specific location, as well as in decontamination technologies. Consequently, any change in the circumstances relating to such provisions, as well as in the legislation and regulations can significantly affect the provisions for such matters. The provision for environmental matters is reviewed annually.

The provision for environmental liabilities is referred in Note 25.

Actuarial and financial assumptions used to calculate retirement benefit liabilities

See Note 23.

Impairment of tangible and intangible assets and investments (including goodwill)

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.

Impairment of accounts receivable

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

Tangible fixed assets

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

Deferred tax assets

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

2.22. RISK MANAGEMENT AND HEDGING

The Group's operations lead to the exposure to risks of: (i) market risk, as a result of the volatility of prices of oil, natural gas and its derivatives, exchange rates and interest rates; (ii) credit risk, as a result of its commercial activity; and (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 centralized.

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

2.23. CHANGES IN ACCOUNTING POLICIES

As of 1 January 2013, the Galp Energia Group has decided to change its accounting policy on net interest related with post-employment plans of defined benefits, composed of interest determined by the discount rate of liabilities, and of interest related with expected return on assets. Net interest of post-employment plans are now booked under caption "Income statement", rather than under caption "Employee costs", as previously classified. Galp Energia Group considers that this reclassification will, improve the reading of financial statements, being more in line with IAS 19 and the new concept of net interest. Galp Energia applied this reclassification retrospectively so that the accounting information is comparable. Restated amounts at December 2012 from "Employee costs" to "Income statement" amount to €16,722 k.

3. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their head offices, percentage of interest held and their main activities on 31 December 2013 and 2012 are as follows:

Companies		Head Office		Percentage interest held		Main activity
		City	Country	2013	2012	
Companies of the Group						
Parent company:						
Galp Energia, SGPS, S.A.		Lisbon	Portugal	-	-	Management of equity participations in other companies as an indirect form of realising business activities.
Subsidiaries:						
Galp Energia, S.A.		Lisbon	Portugal	100%	100%	Business management and consultancy services.
Next Priority, SGPS, S.A.		Lisbon	Portugal	100%	100%	Management of equity participations.
Enerfuel, S.A.	b)	Lisbon	Portugal	100%	100%	Studies, projects, installation, production and commercialisation of biofuels, treatment, recovery and recovery of waste, sale and purchase of equipment.
Galp Energia E&P sub-group:						
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.
Galp Energia Brasil, S.A.		Recife	Brazil	100%	100,00%	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 consortia of companies that may be necessary for the development of its objectives.
Galp Bioenergy, B.V.	f)	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 in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Tarfaya, B.V. (Branch in Morocco)	a)	Rabat	Morocco	-	-	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; and evelopment of commercial activities related to exploration and production of oil and natural gas.
Wiindhoek PEL 23, 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.
Wiindhoek PEL 24, 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.
Wiindhoek PEL 28, 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.
Galp E&P Brazil, 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.
Petrogal Brasil, B.V.	a)	Rotterdam	The Netherlands	100%	-	Management of investments in other companies and financing of businesses and other companies dedicated to exploraton and pridtction of oil and natural gas, as well as trading in oil, natural gas and oil products.
Galp East Africa, B.V.	a)	Rotterdam	The Netherlands	100%	-	Management of investments in other companies and financing of businesses and other companies dedicated to exploraton and pridtction of oil and natural gas, as well as trading in oil, natural gas and oil products.
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), Ltd.		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.

Companies		Head Office		Percentage interest held		Main activity
		City	Country	2013	2012	
Petrogal sub-group:						
Petróleos de Portugal – Petrogal, S.A.		Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives trading; Transport, marketing 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, marketing and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. (Branch in Spain) and subsidiaries:		Madrid	Spain	-	-	Management of participations in other refined products distributor companies in the Iberian Peninsula.
Madrileña Suministro de Gas SUR, S.L.		Madrid	Spain	100%	100%	Supply 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 Servício, S.L.U.		Madrid	Spain	100%	100%	Management and operation of service stations.
Madrileña Suministro de Gas, S.L.		Madrid	Spain	100%	100%	Commercialisation of natural gas, electricity and other energy resources, energetic services and complementary activities.
CLT – Companhia Logística de Terminais Marítimos, S.A.		Matosinhos	Portugal	100%	100%	Operation of marine terminals and related activities.
Empresa Nacional de Combustíveis – Enacol, SARL and subsidiaries:	(**)	Mindelo	Cape Verde	48%	48%	Import, processing, distribution, transportation, storage, trading and re-export of hydrocarbons and their derivatives, including bitumen, base oils and lubricants, the operation of storage facilities, as well as their primary transport infrastructure within and between islands, reception, handling, loading and shipment of liquid and gaseous fuels, the operation of filling stations and service areas, vehicle assistance, production, distribution and other forms of non-fossil energy, including solar, wind, water and the other renewable sources, the use of their facilities as well as other industrial, commercial, research or provide services associated with this principal object.
Enamar – Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A.	(**)	Mindelo	Cape Verde	100%	100%	Marine transport and related activities.
EnacolGest, Lda.	(**)	Mindelo	Cape Verde	100%	100%	Import and trading, supply management, exploring areas of service stations and fuel supply, design and project management of maintenance and construction of facilities and service stations.
Fast Access – Operações e Serviços de Informação e Comércio Electrónico, S.A.		Lisbon	Portugal	100%	100%	Realisation of operations and rendering of information services and electronic commerce for mobile users as well as the rendering of on-line commerce management and operating services.
Galp 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 Energia Portugal Holdings, B.V. and subsidiaries:		Amsterdam	The Netherlands	100%	100%	Management of participations in other companies of the energy sector as an indirect form of economic activity.
Galp Energia Rovuma, B.V.		Amsterdam	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 Rovuma, B.V. (Branch in Mozambique)	a)	Maputo	Mozambique	-	-	Exploration and production of oil and natural gas.
Galp Trading, S.A.	(*)	Geneva	Switzerland	100%	100%	Development of physical trading activity of crude oil, oil products, petrochemicals and natural gas; ship chartering activities for maritime transport of the products that the company trades.
Galp Exploração e Produção (Timor-Leste), S.A.		Lisbon	Portugal	100%	100%	Oil commerce and industry, including prospecting, research and exploration of hydrocarbons in East Timor.
Galp Exploração e Produção Petrolifera, SGPS, S.A. and subsidiaries:		Funchal	Portugal	100%	100%	Management of equity participations in other companies as an indirect exercise of economic activity.
Galp Exploração Serviços do Brasil, Lda.		Recife	Brazil	100%	100%	Business management and consultancy services.

Companies		Head Office		Percentage interest held		Main activity
		City	Country	2013	2012	
Galpbúzi – Agro-Energia, S.A.	g)	Beira	Mozambique	-	90%	Development of projects and promotion of own or third party agricultural cultivation projects, of oil seeds, their transport and processing in own or third party facilities, for the production of vegetable oils transformable into biodiesel or other fuel that techniques permit, import and export of these vegetable oils thus produced or products extracted from them and the rendering of technical assistance and services within these activities.
Moçamgalp Agroenergias de Moçambique, S.A.	g)	Maputo	Mozambique	-	50%	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity.
Galp Energia Overseas, B.V. and subsidiaries:		Amsterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas, B.V. (Branch in Angola)		Luanda	Angola	-	-	Exploration and production of 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.	a)	Rotterdam	The Netherlands	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. (Branch in Angola)	a)	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.	a)	Rotterdam	The Netherlands	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)	a)	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.	a)	Rotterdam	The Netherlands	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)	a)	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.	a)	Rotterdam	The Netherlands	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)	a)	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 Gambia, Ltd.		Banjul	Gambia	100%	100%	Distribution, transport, storage, supply of LNG, oil and operation of service stations.
Galp Logística de Aviação, S.A.		Lisbon	Portugal	100%	100%	Services rendered related to storage and supply of oil products to aircraft.
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.
CLCM – Companhia Logistica de Combustíveis da Madeira, S.A.		Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities.
Gasinsular – Combustíveis do Atlântico, S.A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other oil derivatives and the direct and indirect operation fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Galp 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.

Companies		Head Office		Percentage interest held		Main activity
		City	Country	2013	2012	
Galp Serviexpress – Serviços de Distribuição e Comercialização de Produtos Petrolíferos, S.A.	c)	Lisbon	Portugal	-	100%	Rendering of transport, storage and supply services for liquid and gas fuels, base oils and other oil derivatives to individuals, small companies and farmers in the domestic and foreign markets. Direct and indirect operation of fuel marketing centres and supporting activities, namely service stations, workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial or commercial activity and the rendering of related services.
Galp Swaziland, (PTY), Ltd.		Matsapha	Swaziland	100%	100%	Distribution, transport, storage, supply of liquid and gas fuel, oil and operation of service stations.
Galpgeste – Gestão de Áreas de Serviço, S.A.		Lisbon	Portugal	100%	100%	Direct and indirect operation of service stations, fuel stations and related or complementary activities, such as service stations, workshops, the sale of lubricants motor vehicle parts and accessories, restaurants and hotels.
Petrogal Angola, Lda.		Luanda	Angola	100%	100%	Distribution, storage and supply of liquid and gas fuel, base oils and lubricants and the operation of fuel stations and service stations.
Petrogal Brasil, S.A. and subsidiary:	e)	Recife	Brazil	70%	70%	Refining of crude oil and its derivatives, their transport, marketing and commercialisation and research and exploration of oil and natural gas.
Fundo Vera Cruz		Recife	Brazil	100%	100%	Exclusive open investment fund.
Petrogal Cabo Verde, Lda.		São Vicente	Cape Verde	100%	100%	Distribution and sale of liquid and gas fuel, base oils and lubricants as well as the operation of fuel stations and service stations.
Petrogal Guiné-Bissau, Lda. and subsidiaries:		Bissau	Guinea-Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other oil derivatives and the operation of fuel stations and vehicle assistance stations.
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda.		Bissau	Guinea-Bissau	80%	80%	Commerce of marine banks.
Petrogás – Importação, Armazenagem e Distribuição de Gás, Lda.		Bissau	Guinea-Bissau	65%	65%	Import, storage and distribution of LPG.
Petrogal 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.
Petrogal Trading, Ltd.	(*)	Dublin	Ireland	100%	100%	Crude oil and petroleum product trading.
Probigalp – Ligantes Betuminosos, S.A.	b)	Rio Maior	Portugal	100%	60%	Purchase, sale, manufacture, transformation, import and export of bituminous products of additives that transform or modify such products.
Sacor Marítima, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Marine transport in own and chartered vessels.
Gasmar – Transportes Marítimos, Lda.	d)	Funchal	Portugal	-	100%	Marine transport in own and chartered vessels.
Tripul – Sociedade de Gestão de Navios, Lda.		Lisbon	Portugal	100%	100%	Technical management of ships, crews and supply.
S.M. Internacional – Transportes Marítimos, Lda.	d)	Funchal	Portugal	-	100%	Marine transport in own and chartered vessels.
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.		Lisbon	Portugal	75%	75%	Retail sale of food products, domestic utensils, presents and other articles, including newspapers, magazines, records, videos, toys, drinks, tobacco, cosmetics and hygiene, travel and vehicle accessory items.
Sopor – Sociedade Distribuidora de Combustíveis, S.A.		Lisbon	Portugal	51%	51%	Distribution, sale and storage of liquid and gas fuel, lubricants and other oil derivatives; service stations and repair workshops, including related businesses, namely restaurants and hotels.
Soturis – Sociedade Imobiliária e Turística, S.A.		Lisbon	Portugal	100%	100%	Real estate activities, namely the management, purchase, sale and resale of real estate.
Tagus Re, S.A.		Luxembourg	Luxembourg	100%	100%	Reinsurance of all products, excluding direct insurance.
Tanquisado – Terminais Marítimos, S.A.		Setúbal	Portugal	100%	100%	Development and operation of marine terminals.
GDP sub-group:						
GDP – Gás de Portugal, SGPS, S.A.		Lisbon	Portugal	100%	100%	Management of equity investments.
Subsidiaries:						
Beiragás – Companhia de Gás das Beiras, S.A.		Viseu	Portugal	59.51%	59.51%	Operation, construction and maintenance of regional natural gas supply networks.
Dianagás – Sociedade Distribuidora de Gás Natural de Évora, S.A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas supply networks.
Duriensegás – Sociedade Distribuidora de Gás Natural do Douro, S.A.		Vila Real	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas supply networks.
Galp Gás Natural Distribuição, SGPS, S.A.		Lisbon	Portugal	100%	100%	Management of equity investments.
GDP Serviços, S.A.		Lisbon	Portugal	100%	100%	Business management services.
Lisboagás Comercialização, S.A.		Lisbon	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas supply networks.

Companies		Head Office City	Head Office Country	Percentage interest held 2013	Percentage interest held 2012	Main activity
Lusitaniagás – Companhia de Gás do Centro, S.A.	b)	Aveiro	Portugal	96.81%	96.47%	Operation, construction and maintenance of regional natural and other gas supply networks.
Lusitaniagás Comercialização, S.A.		Aveiro	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Medigás – Sociedade Distribuidora de Gás Natural do Algarve, S.A.		Lisbon	Portugal	100%	100%	Operation, construction and maintenance of regional natural and other gas supply 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 marketing networks.
Setgás Comercialização, S.A.		Setúbal	Portugal	66.95%	66.95%	Commercialisation of retail last resort natural gas.
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.		Setúbal	Portugal	66.88%	66.88%	Natural gas distribution in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the national network for natural gas supply, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject, including exploitation of spare capacityof telecommunications network installed.
Galp Gás Natural, S.A. e subsidiares:		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 commercialisation or last resort of natural gas.
Galp Power sub-group:						
Galp Power, SGPS, S.A.		Lisbon	Portugal	100%	100%	Management of equity investments as an indirect way of exercising business activities.
Subsidiaries:						
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.
Galp Power, S.A.		Lisbon	Portugal	100%	100%	Purchase and sale of energy, as well as the rendering services and realisation of activities directly or indirectly related with energy.
Portcogeração, S.A.		Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy from co-generating systems and renewal energy.
Powercer – Sociedade de Cogeração da Vialonga, S.A.		Lisbon	Portugal	70%	70%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Agrocer – Sociedade de Cogeração do Oeste, S.A.		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.
Spower, 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.
Sinecogeração – Cogeração da Refinaria de Sines, S.A.		Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy produced by co-generating and renewal energy systems, including the conception, construction and operation of systems or installations.

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

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

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

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

During the year ended 31 December 2013 the scope has changed over the preceding year as follows:

a) Companies established:

- Galp Energia Overseas, B.V. subscribed to and paid for 100% of the following companies: Galp Energia Overseas Block 14, B.V., Galp Energia Overseas Block 32, B.V., Galp Energia Overseas Block 33, B.V. and Galp Energia Overseas LNG, B.V., which were formed in February 2013.

  Subsequently, in December 2013 the respective branches were formed in Angola.

- Galp Energia E&P, B.V. subscribed to and paid for 100% of Petrogal Brasil, B.V., which was created in April 2013.

- Under the farm-in with Eni and Empresa Nacional de Hidrocarbonetos (ENH) to explore area 4 at Rovuma basin, a branch of Galp Energia Rovuma, B.V., based in the Netherlands was created in August 2013, in Mozambique.

- Under the farm-in signed in 2012 by Galp Energia to acquire a 50% interest at the Tarfaya Offshore area, a branch of Galp Energia Tarfaya, B.V., based in the Netherlands was created in Morocco in November 2013.

- Galp Energia E&P, B.V. subscribed to 100% of Galp East Africa, B.V., which was formed in December 2013 and has not performed any operations in the year ended 31 December 2013.

b) Acquired companies:

- In May 2013, through its subsidiary GDP – Gás de Portugal, SGPS, S.A., the Group acquired a 0.3438% interest in the subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A. for an amount of €317 k, from Revigrés – Indústria de Revestimentos de Grés, Lda. With this acquisition the Group now holds a 96.8109% interest in the subsidiary.

  The subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A. was already controlled by the Group and consolidated using the full consolidation method (owned 96.4671%). The difference between the amount paid and equity book value at the acquisition date was recognised in equity in reserves by €92 k (Note 20).

- On 6 August 2012, Galp Energia, SGPS, S.A. and Enersis Investimentos, Lda. signed a sale and purchase agreement for the shares and cession of its contractual position in the company Enerfuel, S.A. (previously named Assunto Importante, S.A.).

  Enerfuel, S.A. located in Sines, owns an industrial unit for the production of biofuels.

  On the date of conclusion of the contract, Galp Energia, SGPS, S.A. acquired a 1% interest in the company Assunto Importante, S.A. for €500 for the first instalment of participation, and committed to acquire at the project completion date of its industrial unit, the remaining shareholding in the amount of €49,500 as well as to make ancillary payments.

  In July 2013, under the agreement signed in August 2012, the Group acquired a 99% interest in the subsidiary. Since the Group already exercised control, the company was consolidated using the full consolidation method. Thus, the difference between the amount paid and the book value of equity at the acquisition date was recognised under equity in the caption "Reserves" in the amount of €31 k (Note 20).

- On 10 September 2013, subsidiary Petrogal acquired from Mota-Engil, Engenharia e Construção, S.A. the remaining 40% interest in company Probigalp – Ligantes Betuminosos, S.A.

  With this acquisition the Group now holds 100% interest in the subsidiary Probigalp – Ligantes Betuminosos, S.A.

  The subsidiary was already controlled by the Group and consolidated using the full consolidation method (owned 60%). Thus, the difference between the paid amount and the book value if equity at the acquisition date was recognised under equity in caption "Reserves" in the amount of €3,975 k (Note 20).

c) Sold companies:

- During the first half of 2013 the subsidiary Petróleos de Portugal – Petrogal, S.A. sold 100% interest in Galp Serviexpress – Serviços de Distribuição e Comercialização de Produtos Petrolíferos, S.A., recognising a loss in the amount of €75 k in the consolidated income statement (Note 4.2).

d) Liquidated companies:

- During the second half of 2013 companies Gasmar – Transportes Marítimos, Lda. and S.M. Internacional – Transportes Marítimos, Lda. were liquidated. These companies were subsidiaries of Sacor Marítima, S.A.

e) Capital increase:

- On 31 May 2013, Galp Energia E&P, B.V. sold the totality of shares (9,062) held in the subsidiary Petrogal Brasil, S.A. to Petrogal Brasil, B.V.

  Shareholders of the subsidiary Petrogal Brasil, S.A. approved a capital increase through the issuance of 533,000 ordinary shares. On 5 September 2013, the new shares were fully subscribed by the shareholders of Petrogal Brasil, B.V. and Winland International Petroleum, SARL, (WIP) (Note 21).

  With the effect of the capital increase, Galp Energia Group still holds a 70% interest and voting rights in the subsidiary Petrogal Brasil, S.A. which in the year ended 31 December 2013 was held by the following entities: (i) 49.09% by subsidiary Petrogal; (ii) 30% by WIP; SARL (WIP); and (iii) 20.91% by subsidiary Petrogal Brasil, B.V.

f) Exchange of shares in Galp Bioenergy, B.V. and associates:

- In December 2013 there was an exchange of shares between Galp Energia, SGPS, S.A. and Galp Energia E&P, B.V. in order to simplify the Group's shareholding structure, thus keeping Galp Energia E&P, B.V. total interest in Galp Bioenergy, B.V. and its associates.

  For this to take place, Galp Energia E&P, B.V. carried out a capital increase, issuing one share with nominal value of €100, with this being paid for by Galp Energia, SGPS, S.A. through the delivery in kind of the interest held in Galp Bioenergy, B.V.

  This transaction occurred between two companies of the Group, and consequently, there was no impact on the consolidated financial statements of the Group.

g) Other changes:

- Interests held in Galpbúzi – Agro-Energia, S.A. and Moçamgalp Agroenergias de Moçambique, S.A. are from this year on recorded through the application of the equity method, in respect to the shareholder agreements that grants shared control of those companies' operational and financial management (Note 4.1).

4. INVESTMENTS IN ASSOCIATES

4.1. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Investments in jointly controlled entities, their head offices and the percentage or interest held as of 31 December 2013 and 2012 are as follows:

		Head Office		Percentage interest held	
Companies		City	Country	2013	2012
Tupi, B.V.	(e)(k)	Rotterdam	The Netherlands	10.00%	10.00%
Belem Bioenergia Brasil, S.A.	(d)	Belém	Brazil	50.00%	50.00%
Belem Bio Energy, B.V.	(d)	Rotterdam	The Netherlands	50.00%	50.00%
CLC – Companhia Logística de Combustíveis, S.A.	(b)(j)	Aveiras de Cima	Portugal	65.00%	65.00%
Galp Disa Aviación, S.A.	(f)	Santa Cruz de Tenerife	Spain	50.00%	50.00%
Parque Eólico da Penha da Gardunha, Lda.	(a)	Oeiras	Portugal	50.00%	50.00%
Multiservícios Galp Barcelona	(f)	Barcelona	Spain	50.00%	50.00%
Moçamgalp Agroenergias de Moçambique, S.A.	(g)(h)	Maputo	Mozambique	50.00%	-
Galpbúzi – Agro-Energia, S.A.	(g)(j)(i)	Beira	Mozambique	89.97%	-
Asa – Abastecimento e Serviços de Aviação, Lda.	(b)	Lisbon	Portugal	50.00%	50.00%
Ventinveste, S.A.	(a)(k)	Lisbon	Portugal	34.00%	34.00%
Ventinveste Eólica, SGPS, S.A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico da Serra do Oeste, S.A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico de Torrinheiras, S.A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico de Vale do Chão, S.A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico do Cabeço Norte, S.A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico de Vale Grande, S.A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico do Douro Sul, S.A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico do Pinhal Oeste, S.A.		Lisbon	Portugal	34.00%	34.00%
Parque Eólico do Planalto, S.A.		Lisbon	Portugal	34.00%	34.00%
Caiageste – Gestão de Áreas de Serviço, Lda.	(c)	Elvas	Portugal	50.00%	50.00%
Sigás – Armazenagem de Gás, ACE	(b)(j)	Sines	Portugal	60.00%	60.00%
Less: provision for joint liabilities (Note 25)	(l)				

Book value		Financial information from jointly controlled companies				
2013	2012	Assets	Liabilities	Income	Result for the year	Main activity
316,785	165,302	3,250,031	(82,182)	(269,440)	(39,599)	Management, construction, purchase, sale and rental of materials and equipment for exploration, development and production of hydrocarbons, including platforms, ships, FPSO, ships to transport crude, supply vessels and other types of vessels.
43,492	-	90,758	(3,770)	1,092	(4,737)	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.
-	18,404	23	(30)	-	(647)	Manage investments in companies that develop bio fuel projects, including research, production, logistics, marketing grain, raw materials, vegetable oils, bio fuels and co-products as well as companies or business's related with generation and sale of electicity for its own operation.
25,022	28,754	115,424	(76,925)	30,732	8,497	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.
7,399	7,373	14,800	(2)	(2,197)	(2,191)	Serivice rendered of aviation oil service supply, either directly or through participation in companies with the same business.
1,648	1,671	1,046	(1,629)	-	42	Production of electrical and wind energy.
1,148	594	3,101	(811)	-	(393)	Managing the supply of aviation business Barcelona Airport.
690	-	2,194	(814)	(186)	274	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity.
351	-	677	(288)	(102)	970	Development of projects and promotion of own or third party agricultural cultivation projects, of oil seeds, their transport and processing in own or third party facilities, for the production of vegetable oils transformable into biodiesel or other fuel that techniques permit, import and export of these vegetable oils thus produced or products extracted from them and the rendering of technical assistance and services within these activities.
21	51	300	(258)	1,384	-	Aircraft fuel services.
-	-	58,020	(59,163)	11	(30)	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farms.
-	-	24,047	(24,567)	487	5	Management of equity investments in other companies as an indirect form of carrying out economic activities and the construction and operation of wind farms.
-	-	1,858	(1,961)	-	(40)	Construction and operation of wind farms.
-	-	771	(742)	-	(7)	Construction and operation of wind farms.
-	-	3,527	(3,551)	-	(20)	Construction and operation of wind farms.
-	-	138	(391)	-	(22)	Construction and operation of wind farms.
-	-	18,864	(20,272)	2,274	(231)	Construction and operation of wind farms.
-	-	9,036	(9,402)	-	(105)	Construction and operation of wind farms.
-	-	1,552	(2,848)	-	(38)	Construction and operation of wind farms.
-	-	1,090	(1,157)	-	(32)	Construction and operation of wind farms.
-	-	105	(175)	1,130	(79)	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.
-	-	13,757	(13,757)	5,768	-	Conception and building of LPG underground storage cave, of surface facilities necessary to product movement. Management and administration of LPG underground storage cave, tanks and other complementary facilities.
396,556	**222,149**					
(1,780)	(1,679)					
394,776	**220,470**					

(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, SGPS, S.A.

(h) Control over Moçamgalp Agroenergias de Moçambique, S.A., is shared between: Galp Exploração e Produção Petrolífera, SGPS, S.A., Ecomoz – Energias Alternativas Renováveis, Lda. and Petromoc SARL, holding respectively 50%, 49% and 1% of share capital. On 31 December 2012, the investment amount of €831 k was transferred to investments in jointly controlled entities.

(i) Control over Galpbúzi – Agro-Energia, S.A. is shared between: Galp Exploração e Produção Petrolífera, SGPS, S.A., Companhia do Búzi, S.A. and Jorge Manuel Catarino Petiz, holding respectively 89.97%, 10.02% and 0.01% of share capital. On 31 December 2012, the investment amount of €969 k was transferred to investments in jointly controlled entities.

(j) Although the Group holds more than 50% interest, the subsidiary is classified as a jointly controlled entity since there are Shareholder agreements that provide shared control of financial and operational management of the company.

(k) Although the Group holds less than 50% interest, the subsidiary is classified as jointly controlled entity since there are shareholder agreements that provide shared control of financial and operational management of the company.

(l) On 31 December 2013 and 2012, the provision for the capital of associated companies, reflected the Group's commitment with its associates that presented negative equity.

The changes in investments in jointly controlled entities for the year ended 31 December 2013 which are reflected by the equity method are as follows:

Companies		Beginning balance	Increase in participation	Disposal of participation	Gain/ loss	Translation adjustment	Hedging reserves adjustment	Dividends	Transfers/ adjustments	Ending balance
Investments										
Tupi, B.V.	(a)	165,302	160,968	-	3,568	(13,053)	-	-	-	316,785
Belem Bioenergia Brasil, S.A.	(b)	-	52,638	-	(954)	(8,192)	-	-	-	43,492
CLC – Companhia Logística de Combustíveis, S.A.		28,754	-	-	5,522	-	-	(9,254)	-	25,022
Galp Disa Aviación, S.A.		7,373	-	-	1,156	-	-	(1,130)	-	7,399
Parque Eólico da Penha da Gardunha, Lda.		1,671	-	-	(23)	-	-	-	-	1,648
MultiServícios Galp Barcelona	(d)	594	750	-	(196)	-	-	-	-	1,148
Galpbúzi – Agro-Energia, S.A.	(e)	-	150	-	(873)	105	-	-	969	351
Moçamgalp Agroenergias de Moçambique, S.A.	(f)	-	-	-	(137)	(4)	-	-	831	690
Asa – Abastecimento e Serviços de Aviação, Lda.		51	-	-	-	-	-	(30)	-	21
Belem Bio Energy, B.V.	(c) and (b)	18,404	-	(18,339)	(1,762)	1,697	-	-	-	-
Sigás – Armazenagem de Gás, ACE		-	-	-	-	-	-	-	-	-
		222,149	**214,506**	**(18,339)**	**6,301**	**(19,447)**	**-**	**(10,414)**	**1,800**	**396,556**
Provisions for investments in jointly controlled entities (Note 25)										
Ventinveste, S.A.		(1,624)	-	-	(177)	-	55	-	-	(1,746)
Caiageste – Gestão de Áreas de Serviço, Lda.	(g)	(55)	60	-	(39)	-	-	-	-	(34)
		(1,679)	**60**	**-**	**(216)**	**-**	**55**	**-**	**-**	**(1,780)**
		220,470	**214,566**	**(18,339)**	**6,085**	**(19,447)**	**55**	**(10,414)**	**1,800**	**394,776**

(a) The amount of €160,968 k corresponds to the capital increase in Galp Sinopec Brazil Services, B.V. The control of the subsidiary Tupi, B.V. is shared between: Galp Sinopec Brazil Services, B.V. Brazil Services, B.V., Petrobras Netherlands, B.V. and BG Overseas, Holding, Ltd, holding respectively 10%, 65% and 25% of share capital.

(b) In the period ended 31 March 2013, as a result of a restructuring process, subsidiary Belém Bioenergy, B.V. sold 100% of interest held at subsidiary Belém Bioenergia Brasil, S.A., to Galp Bioenergy, B.V. (50%) and to Petrobrás Biocombustíveis, S.A. (50%). Control over subsidiary Belém Bioenergia Brasil, S.A. became shared directly between Galp Bioenergy, B.V. and Petrobrás Biocombustíveis, S.A., each holding a 50% interest. The amount of €52,638 k, recorded in the "capital increase" caption includes €18,410 k related to the acquisition of 50% of the investment and €34,228 k is related to capital increase made by Galp Bioenergy B.V.

(c) Subsidiary Belém Bioenergy, B.V., following the sale of 100% held at subsidiary Belém Bioenergia Brasil, S.A., carried out a capital reduction in the amount of €18,339 k. Control over subsidiary Belém Bioenergy, B.V. is shared between: Galp Bioenergy, B.V. and Petrobrás Netherlands, B.V., each holding a 50% interest.

(d) The amount of €750 k corresponds to the paid-up capital of the subsidiary MultiServícios Galp Barcelona which is 50% owned by the Group and 50% by the company MultiServícios.

(e) The amount of €969 k corresponds to the carrying amount of equity of the subsidiary on 31 December 2012, which was transferred to investments caption in jointly controlled companies (Note 3).
Control over subsidiary Galpbúzi – Agro-Energia, S.A. is shared between Galp Exploração e Produção Petrolífera, SGPS, S.A., Companhia do Búzi, S.A. and Jorge Manuel Catarino Petiz, holding respectively 89.97%, 10.02% and 0.01% of share capital.

(f) The amount of €831 k corresponds to the carrying amount of equity of the subsidiary on 31 December 2012, which was transferred to investments caption in jointly controlled companies (Note 3).
Control over Moçamgalp Agroenergias de Moçambique, S.A. is shared between: Galp Exploração e Produção Petrolífera, SGPS, S.A., Ecomoz – Energias Alternativas Renováveis, Lda. and Petromoc SARL, holding respectively 50%, 49% and 1% of share capital.

(g) The amount of €60 k corresponds to the supplementary capital contributions paid by Galpgeste – Gestão de Áreas de Serviço, S.A. to its subsidiary Caiageste – Gestão de Áreas de Serviço, Lda, for which a provision was recorded.

4.2. INVESTMENTS IN ASSOCIATES

Investments in associates, their head offices and the percentage or interest held as of 31 December 2013 and 2012, had the following detail:

		Head Office		Percentage interest held	
Company		City	Country	2013	2012
EMPL – Europe Magreb Pipeline, Ltd.	(a)	Madrid	Spain	22.80%	22.80%
Gasoduto Al-Andaluz, S.A.	(a)	Madrid	Spain	33.04%	33.04%
Gasoduto Extremadura, S.A.	(a)	Madrid	Spain	49.00%	49.00%
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	(b)	Santarém	Portugal	41.33%	41.33%
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	(e)	Luanda	Angola	49.00%	49.00%
Metragaz, S.A.	(a)	Tangier	Marocco	22.64%	22.64%
Terparque – Armazenagem de Combustíveis, Lda.	(d)	Angra do Heroísmo	Portugal	23.50%	23.50%
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	(c)	Bissau	Guinea-Bissau	45.00%	45.00%
IPG Galp Beira Terminal, Lda.	(g)	Maputo	Mozambique	45.00%	–
Sodigás – Sociedade Industrial de Gases, SARL	(h)	Mindelo	Cape-Verde	30.00%	30.00%
Galp IPG Matola Terminal, Lda.	(g)	Maputo	Mozambique	45.00%	–
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	(c)	Bissau	Guinea-Bissau	50.00%	50.00%
Compañia Logística de Hidrocarburos CLH, S.A.	(f) (j)	Madrid	Spain	-	5.00%
Gásfomento – Sistemas e Instalações de Gás, S.A.	(b)	Lisbon	Portugal	20.00%	20.00%
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	(i)	Lisbon	Portugal	35.00%	35.00%
Less: provision for joint liabilities (Note 25)	(l)				

(a) Participation held by Galp Gás Natural, S.A.
(b) Participation held by GDP – Gás de Portugal, 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 Galp Energia España, S.A.
(g) Participation held by Petrogal Moçambique, Lda.
(h) Participation held by Empresa Nacional de Combustíveis – Enacol, SARL
(i) Participation held by Galp Power, SGPS, S.A.
(j) As of 24 July 2013, subsidiary Galp Energia España, S.A. sold to British Columbia Investment Management Corporation (bcIMC), a 5% interest held in associate Compañia Logística de Hidrocarburos CLH, S.A. Although the Group held only 5% of share capital, it exercised a significant influence, the reason why the investment was valued as described in note 2.2 c).
(k) During the second half of 2013, company Petrogal Moçambique, Lda. acquired two 45% interests in companies IPG-Galp Beira Terminal, Lda. and Galp-IPG Matola Terminal, Lda. that have in sight the construction of Logistics terminals in Beira and Maputo.
(l) As of 31 December 2013, the provision for the capital of associated companies reflected the Group's commitment with its associates that presented negative equity

Book value		Associates financial information				
2013	2012	Assets	Liabilities	Income	Result for the year	Main activity
59,795	65,350	280,506	(18,245)	(234,326)	(183,650)	Construction and operation of the natural gas pipeline between Morocco and Spain.
18,480	17,994	59,113	(3,182)	(31,101)	(12,118)	Construction and operation of Tarifa–Córdoba gas pipeline.
15,586	15,116	34,426	(2,616)	(21,216)	(8,804)	Construction and operation of Córdoba-Campo Maior gas pipeline.
11,483	9,543	91,074	(63,291)	(25,173)	(3,341)	Production and distribution of Natural Gas and other piped combustible gases.
9,352	9,277	44,445	(25,358)	(121,483)	(2,516)	Distribution and Commercialisation of liquid fuel, lubricants and other oil derivatives, operation of service stations and automobile assistance and related services.
1,204	1,027	10,465	(5,144)	(16,258)	(1,020)	Construction, maintenance and operation of the Maghreb-Europe gas pipeline.
942	1,003	24,169	(20,231)	(3,556)	(646)	Construction and/or operation of storage facilities for combustibles.
798	717	3,471	(1,694)	(1,055)	(180)	Management and operation of the liquid fuel storage facilities and of the Bandim Oil Terminal.
640	-	1,422	-	-	-	Develop and operate a storage terminal for oil products, including with no limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
346	314	1,135	(208)	-	-	Production and sale of oxygen, acetylene, nitrogen and other industrial gases.
320	-	711	-	-	-	Develop and operate a storage terminal for oil products, including with no limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
63	63	932	(1,073)	(97,902)	(26,698)	Services rendered related to storage and supply of oil products to aircraft.
-	56,434	-	-	-	-	Installation and operation of liquid and gas storage facilities and related transport structures.
-	336	-	-	-	-	Activities relating to construction and civil engineering in general, project and construction and maintenance of installations.
-	-	12,429	(16,138)	(37,300)	547	Co-generation and sale of electric and thermic power.
119,009	**177,174**					
(1,350)	(1,171)					
117,659	**176,003**					

Changes in "Investments in associates" in the year ended 31 December 2013, were as follows:

Companies		Beginning balance	Increase in participation	Disposal of participation	Gain /loss	Exchange conversion adjustment	Hedging reserves adjustment	Capital gain /loss on the sale of equity investments	Dividends	Transfers/ adjustments	Ending balance
Investments											
EMPL – Europe Magreb Pipeline, Ltd.		65,350	-	-	41,872	(3,015)	-	-	(44,412)	-	59,795
Compañia Logística de Hidrocarburos CLH, S.A.	(a)	56,434	24	(111,000)	3,515	-	-	52,134	(1,639)	532	-
Gasoduto Al-Andaluz, S.A.		17,994	-	-	4,004	-	-	-	(3,518)	-	18,480
Gasoduto Extremadura, S.A.		15,116	-	-	4,313	-	-	-	(3,843)	-	15,586
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.		9,543	-	-	1,839	-	101	-	-	-	11,483
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.		9,277	-	-	1,960	(1,406)	-	-	(479)	-	9,352
Metragaz, S.A.		1,027	-	-	231	(10)	-	-	(44)	-	1,204
Terparque – Armazenagem de Combustíveis, Lda.		1,003	-	-	64	-	-	-	(125)	-	942
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.		717	-	-	81	-	-	-	-	-	798
IPG Galp Beira Terminal, Lda.	(b)	-	640	-	-	-	-	-	-	-	640
Sodigás – Sociedade Industrial de Gases, SARL		314	-	-	-	32	-	-	-	-	346
Galp IPG Matola Terminal, Lda.	(b)	-	320	-	-	-	-	-	-	-	320
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários		63	-	-	-	-	-	-	-	-	63
Gásfomento – Sistemas e Instalações de Gás, S.A.	(c)	336	-	(120)	(102)	-	-	(114)	-	-	-
		177,174	**984**	**(111,120)**	**57,777**	**(4,399)**	**101**	**52,020**	**(54,060)**	**532**	**119,009**
Provision for investment in associates (Note 25)											
Energin – Sociedade de Produção de Electricidade e Calor, S.A.		(1,171)	-	-	(179)	-	-	-	-	-	(1,350)
		176,003	**984**	**(111,120)**	**57,598**	**(4,399)**	**101**	**52,020**	**(54,060)**	**532**	**117,659**

(a) In accordance with the contract for the purchase of the interest in CLH – Compañia Logistics Hidrocarboros, S.A., its cost is revised annually, for a period up to 10 years from the date of the contract, based on the amount of sales made. The additional amount paid during the year amounted to €24 k.
On 24 July 2013, subsidiary Galp Energia España, S.A. sold to bcIMC, the 5% interest held in CLH – Compañia Logística de Hidrocarboros, S.A., in the amount of €111,000 k, generating a gain of €52,134 k. The amount of €532 k under column "Transfers/adjustments" refer to costs incurred with the sale process.
(b) During the second quarter of 2013, company Petrogal Moçambique, Lda. acquired two 45% interests in companies IPG – Galp Beira Terminal, Lda. and Galp – IPG Matola Terminal, Lda.
(c) During the year ended 31 December 2013, subsidiary GDP – Gás de Portugal, SGPS, S.A. sold to Ferjai – Construção Civil S.A., the 20% interest held in Gásfomento – Sistemas e Instalações de Gás, S.A., for the amount of €120 k, generating a loss of €114 k.

The consolidated income statement caption "Share of results of associates and jointly controlled entities" for the year ended 31 December 2013, is made up as follows: Dividends received in 2013 amounted to €64,474 k. However, the amount approved by the respective shareholders' general meetings, and that has been reflected in the caption "Investment in jointly controlled companies" amounted to €64,400 k (Notes 4.1 and 4.2).

Effect of applying the equity method:	
Associates	57,598
Jointly controlled entities	6,085
Effect of the disposal of assets available for sale/investments in associates:	
Loss on sale of 100% interest in Galp Serviexpress – Serv. de Distrib. e Comercialização de Produtos Petrolíferos, S.A.	(75)
Loss on sale of 20% interest in Gásfomento – Sistemas e Instalações de Gás, S.A.	(114)
Gain on sale of 5% interest in Compañia Logística de Hidrocarburos CLH, S.A.	52,134
Other	28
	115,656

The difference between the amount received and the amount recognised in the balance of investments in associated companies and jointly controlled entities of €74 k refers to: i) €134 k of unfavourable translation differences that occurred at the time of payment and that were reflected in gains (losses) in the income statement; and ii) €60 k of dividends received from assets available for sale.

Goodwill in associates and jointly controlled entities is included in the caption "Investments in associates", and was subject to impairment test per cash generating unit. Its detail as at 31 December 2013 and 2012 was:

		2013	2012
Compañia Logística de Hidrocarburos CLH, S.A.	a)	-	47,545
Parque Eólico da Penha da Gardunha, Lda.		1,939	1,939
		1,939	**49,484**

a) Sold interest, resulting in a gain of €52,134 k.

4.3. ASSETS HELD FOR SALE

The Group's investments in other companies, the head office of the companies and the percentage of interest held as of 31 December 2013 and of 2012 were as follows:

		Head Office		Percentage of interest held		Book value	
Companies		**City**	**Country**	**2013**	**2012**	**2013**	**2012**
Corporación de Reservas Estratégicas de Productos Petrolíferos		Madrid	Spain	n.d.	n.d.	1,808	1,808
InovCapital – Sociedade de Capital de Risco, S.A.		Porto	Portugal	1.82%	1.82%	499	499
PME Investimentos – Sociedade de Investimento, S.A.		Lisbon	Portugal	1.82%	1.82%	499	499
Adene – Agência para a Energia, S.A.		Amadora	Portugal	10.98%	10.98%	114	114
Omegás – Soc. D'Étude du Gazoduc Magreb Europe		Tangier	Morocco	5.00%	5.00%	35	35
Ressa – Red Española de Servícios, S.A.		Barcelona	Spain	n.d.	n.d.	23	23
Ambélis – Agência para a modernização Económica de Lisboa, S.A.	a)	Lisbon	Portugal	-	2.00%	-	20
Clube Financeiro de Vigo		Vigo	Spain	-	-	19	19
P.I.M. – Parque Industrial da Matola, SARL		Maputo	Mozambique	1.50%	1.50%	16	17
ADEPORTO Agência de Energia do Porto		Porto	Portugal	-	-	13	13
Imopetro – Importadora Moçambicana de Petróleos, Lda.		Maputo	Moçambique	15.38%	15.38%	10	10
Cooperativa de Habitação da Petrogal, CRL	a)	Lisbon	Portugal	-	0.07%	-	7
OIL Insurance, Ltd.		Hamilton	Bermuda	1.00%	1.00%	7	8
Other associates		-	-	n.d.	n.d.	32	43
						3,075	**3,115**
Impairment of other companies							
Ambélis – Agência para a modernização Económica de Lisboa, S.A.	a)					-	(7)
InovCapital – Sociedade de Capital de Risco, S.A.						(52)	(52)
PME Investimentos – Sociedade de Investimento, S.A.						(144)	(145)
P.I.M. – Parque Industrial da Matola, SARL						(16)	(17)
						(212)	(221)
						2,863	**2,894**

a) Liquidated company.

Investments were recorded at cost of acquisition as explained in Note 2.2 paragraph c). The net book value of these investments amounts to €2,863 k.

5. OPERATING INCOME

The Group's operating income for the years ended 31 December 2013 and 2012, had the following detail:

Captions	2013	2012
Sales:		
Merchandise	7,711,159	7,736,211
Products	11,389,712	10,304,670
	19,100,871	**18,040,881**
Services rendered	**519,469**	**466,156**
Other operating income:		
Supplementary income	51,452	46,079
Revenues arising from the construction of assets under IFRIC12	53,447	38,085
Operating government grants	122	4,503
Internally generated assets	197	444
Investment government grants (Note 13)	10,351	9,924
Gain on fixed assets	1,348	2,994
Other	27,109	35,006
	144,026	**137,035**
	19,764,366	**18,644,072**

Sales of fuel include the ISP.

The variation in sales is mainly due to the increase in exported quantities, arising from the upgrade in the refineries which allowed process optimisation and increased production.

Services rendered and sales includes the amount of €1,158 k relating to the activity of distribution and storage of natural gas including (Note 14):

- €21,933 k of positive adjustment between estimated regulated revenue and the amount invoiced relating to distribution, commercialisation and storage (Note 14);
- negative €4,749 k relating to the adjustment made by ERSE in setting of tariff deviations – corporate regulated revenue (Note 14);
- negative €6,887 k relating to the amortisation of regulated revenue from 2010 (Note 14);
- negative €11,412 k for the amortisation of regulated revenue from 2011 (Note 14);
- negative €42 k for the amortisation of regulated revenue from 2012 (Note 14).

As referred in Note 2.13 the total amount to recover was included by ERSE in the regulated revenue to refund in 2013-2014 Gas Year, and so the Group is recognising the reversal of the amount of tariff deviation approved in the income statement.

The caption "Other" for the year ended 31 December 2013 includes an amount of €11,912 k relating to damages resulting from property damage in the accident of the Sines refinery and the amount of €983 k returned by the Spanish tax agency, related to an inspection minute for "Assimilated VAT on imports" to the associate Galp Energia Spain.

In relation to construction contracts subject to IFRIC 12, the construction of concession assets is outsourced to specialised entities. The full risk of the construction activity is borne by the specialised entities. Income and costs associated with the construction of these assets are equal and immaterial when compared to total revenues and operating costs below that can be detailed as follows:

	2013	2012
Costs arising from the construction of assets under IFRIC12	(53,447)	(38,085)
Revenues arising from the construction of assets under IFRIC12 (Note 6)	53,447	38,085
Margin	-	-

6. OPERATING COSTS

The results for the years ended 31 December 2013 and 2012 were affected by the following items of operating costs:

Captions	2013	2012	
Cost of sales:			
Raw and subsidiary materials	9,252,759	8,219,567	
Merchandise	5,281,673	5,677,070	
ISP	2,516,737	2,238,206	
Variation in production	163,581	68,691	
Decrease (impairment) in inventories (Note 16)	(5,928)	489	
Financial derivatives (Note 27)	(580)	(8,338)	
	17,208,242	**16,195,685**	
External supplies and services:			
Subcontracts – network usage	295,054	231,411	
Subcontracts	4,332	8,809	
Transport of merchandise	132,618	114,097	
Storage and filling	70,556	81,090	
Rental costs	81,715	79,349	
Blocks production costs	77,804	68,515	
Maintenance and repairs	53,912	54,816	
Insurance	50,897	30,036	
Royalties	33,408	28,643	
IT services	24,632	23,792	
Commissions	19,418	21,628	
Advertising	10,289	20,268	
Electricity, water, steam and communications	37,977	40,328	
Technical assistance and inspection	10,829	10,332	
Port services and fees	8,617	7,943	
Other specialised services	68,290	72,106	
Other external supplies and services	25,092	25,229	
Other costs	63,584	71,711	
	1,069,024	**990,103**	
Employee costs:			
Statutory Boards remuneration (Note 29)	8,736	7,576	
Employee remuneration	229,171	237,036	
Social charges	54,200	53,376	
Retirement benefits – pensions and insurance (Note 23)	38,801	2,270	(a)
Other insurance	10,895	10,406	
Compensations – restructuring (Note 25)	-	10,020	
Capitalisation of employee costs	(7,582)	(13,001)	
Other costs	12,456	13,082	
	346,677	**320,765**	
Amortisation, depreciation and impairment:			
Amortisation and impairment of tangible assets (Note 12)	487,191	347,281	
Amortisation and impairment of intangible assets (Note 12)	57,380	42,065	
Amortisation and impairment of concession arrangements (Note 12)	40,691	37,123	
	585,262	**426,469**	
Provision and impairment of receivables:			
Provisions and reversals (Note 25)	4,458	32,107	
Impairment loss on trade receivables (Note 15)	50,366	38,782	
Impairment loss (gain) on other receivables (Note 14)	144	(1,498)	
	54,968	**69,391**	
Other operating costs:			
Other taxes	15,784	17,415	
Costs arising from the construction of assets under IFRIC12 (Note 5)	53,447	38,085	
Loss on tangible assets	1,242	2,628	
Donations	5,939	7,410	
CO_2 licences	7,339	-	
Other operating costs	15,189	17,577	
	98,940	**83,115**	
	19,363,113	**18,085,528**	

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

The variation in caption "Cost of sales" is mainly due to the increase in exported quantities, arising from the upgrade in the refineries which allowed process optimisation and increased production.

The caption "Subcontracts – gas network usage" refers to charges for the use of:
- distribution network usage (URD);
- transportation network usage (URT);
- global system usage (UGS).

The amount of €295,054 k recorded in this caption includes, mainly, an amount of €74,457 k charged by Ren Gasodutos, €71,696 k charged by Madrileña Red de Gas and €83,180 k charged by EDP Distribuição Energia.

7. SEGMENT REPORTING

Business segments

The Group is organised into four business segments which were defined based on the type of products sold and services provided, with the following business units:
- Gas & Power;
- Refining & Marketing;
- Exploration & Production;
- Other.

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

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

Below is the financial information on the previously identified segments, as of 31 December 2013 and of 2012:

	Gas & Power		Refining & Marketing	
	2013	**2012**	**2013**	**2012**
Income				
Sales and services rendered	3,287,400	2,907,165	16,415,780	15,569,850
Inter-segments	433,824	241,296	69,777	54,180
External	2,853,576	2,665,869	16,346,003	15,515,670
Ebtida (1)	**411,613**	**343,776**	**216,378**	**344,397**
Non-cash costs				
Amortisation, depreciation and impairment losses	(61,141)	(59,325)	(271,758)	(212,226)
Provisions and impairments	(9,983)	(13,909)	(41,293)	(32,438)
Segment results	**340,489**	**270,542**	**(96,673)**	**99,733**
Results of investments in associates	51,664	66,188	61,435	17,450
Other non-operating results	(19,486)	(27,711)	(172,361)	(164,501)
Income tax	(94,808)	(85,522)	61,294	42,540
Non-controlling Interest	(5,853)	(5,215)	(1,654)	(2,033)
Consolidated net profit	**272,006**	**218,282**	**(147,959)**	**(6,811)**
On 31 December 2013 and 2012				
OTHER INFORMATION				
Assets by segment (2)				
Investment (3)	108,200	111,041	92,235	107,302
Other assets	2,505,074	2,463,625	6,758,248	7,294,125
Total consolidated assets	2,613,274	2,574,666	6,850,483	7,401,427
Total consolidated liabilities	1,671,895	1,473,591	5,909,669	7,020,448
Investment in tangible and intangible assets	87,671	66,995	135,820	216,619

(1) Ebtida = Segment results/Ebit + Amortisation + Provisions
(2) Net amount
(3) In accordance with the equity method

Inter-segmental sales and services rendered

Segments	Gas & Power	Refining & Marketing	Exploration & Production	Other	Total
Gas & Power	N/A	68,971	-	23,150	92,121
Refining & Marketing	433,824	na	153,696	68,150	655,670
Exploration & Production	-	438	na	7,626	8,064
Other	-	368	-	na	368
	433,824	**69,777**	**153,696**	**98,926**	**756,223**

Exploration & Production		Other		Eliminations		Consolidated	
2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
553,786	474,560	119,597	115,181	(756,223)	(559,719)	19,620,340	18,507,037
153,696	155,586	98,926	108,657	(756,223)	(559,719)	-	-
400,090	318,974	20,671	6,524	-	-	19,620,340	18,507,037
395,433	**366,983**	**18,059**	**4,046**	**-**	**(4,798)**	**1,041,483**	**1,054,404**
(249,188)	(151,060)	(3,175)	(3,858)	-	-	(585,262)	(426,469)
(3,717)	(23,084)	25	40	-	-	(54,968)	(69,391)
142,528	**192,839**	**14,909**	**228**	**-**	**(4,798)**	**401,253**	**558,544**
2,557	(2,100)	-	-	-	-	115,656	81,538
55,827	100,013	(6,053)	8,174	-	4,798	(142,073)	(79,227)
(104,003)	(126,292)	1,688	(1,311)	-	-	(135,829)	(170,585)
(42,839)	(39,722)	-	-	-	-	(50,346)	(46,970)
54,070	**124,738**	**10,544**	**7,091**	**-**	**-**	**188,661**	**343,300**
317,824	183,705	169	169	-	-	518,428	402,217
4,755,013	6,050,343	3,829,491	3,698,946	(4,648,930)	(6,000,682)	13,198,896	13,506,357
5,072,837	6,234,048	3,829,660	3,699,115	(4,648,930)	(6,000,682)	13,717,324	13,908,574
749,645	1,313,968	3,619,245	3,395,275	(4,648,930)	(6,000,682)	7,301,524	7,202,600
592,999	502,673	1,497	3,579	-	-	817,988	789,866

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

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

In respect of related parties, and similar to what happens between independent companies that engage in transactions, the conditions establishing their commercial and financial relations are governed by market mechanisms.

The assumptions underlying the determination of prices in transactions between Group companies rely on the consideration of the economic realities and characteristics of the situations at hand, namely, considering the characteristics of operations or companies that might have impact on the intrinsic conditions of the commercial transactions in analysis. In this context, among others, the goods and services traded, the functions performed by the parties (including the assets used and risks assumed), the contractual terms, the economic situation of the parties as well as their negotiation strategies.

Compensation, in the context of related parties, corresponds to what is appropriate, by rule, to the functions performed by each company involved, taking into account the assets used and risks assumed. Thus, to determine such compensation the Group identifies the activities, the risks faced by companies in the value creating chain of goods/services traded, in accordance with their functional profile, particularly, in what concerns the functions they perform – import, manufacturing, distribution, and retail.

In conclusion, market prices are determined not only by analysing the functions performed, the assets used and the risks incurred by one entity, but also bearing in mind the contribution of those elements to the company's profitability. This analysis assesses whether the profitability indicators of the companies involved fall within the estimated ranges on the basis of the assessment of a panel of functionally comparable independent companies, thus allowing the prices to be fixed in order to respect the principle of full competition.

8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2013 and 2012 are made up as follows:

Captions	2013	2012	
Financial income:			
Interest on bank deposits	40,910	46,575	
Other financial income	51,596	23,073	
Interest and other income – related companies (Note 28)	17,624	15,550	
	110,130	**85,198**	
Financial costs:			
Interest on bank loans, overdrafts and other	(160,219)	(156,606)	
Interest on retirement benefits and other benefits (Note 23)	(13,959)	(16,722)	(a)
Interest capitalised in fixed assets (Note 12)	45,083	79,883	
Other financial costs	(118,579)	(66,694)	
Interest – other shareholders	(599)	(324)	
Interest – related companies (Note 28)	(7,042)	(5,801)	
	(255,315)	**(166,264)**	

(a) These amounts were restated to reflect the accounting classification changes.

During the year ended 31 December 2013, the Group capitalised in fixed assets in progress, the amount of €45,083 k relating to interests on loans to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

Captions "Other financial income" and "Other financial costs" include the amounts of €48,592 k and €49,554 k respectively, relating to energy trading operations, trading future contracts on CO_2 and electricity in the ICE Exchange (Ice Futures Europe Exchange) and OMIP Futures.

9. INCOME TAX

Since 31 December 2001, the companies with head offices in continental Portugal in which the Group has an interest greater than 90% have been taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S.A.

From 2010 onwards, the Group companies with head offices in Portugal report their financial statements in accordance with IAS/IFRS, using these standards to determine their taxable profit/loss.

However, estimated income tax of the Company and its subsidiaries is recoverable based on their tax results which, for the year ended 31 December 2013, amounted to recoverable income tax of €32,788 k.

Spanish tax resident companies whose percentage held by the Group exceeds 75% have been, from 2005 onwards taxed on a consolidated basis. Currently, the fiscal consolidation is performed by Petrogal S.A. – Branch in Spain.

The following conditions may affect income taxes payable in future.

(i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years except when there are carried forward tax losses, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended.

(ii) From 2001 to 2013, the subsidiary Petrogal, S.A. had several inspections by the tax authorities relating to the fiscal years 1997 to 2010, which in accordance with the Company assessment are following its normal course. Paragraphs v) and xii) below detail the open inspections.

(iii) During 2009, the tax authorities concluded the 2005 and 2006 inspections of Galp Energia, SGPS, S.A. and its subsidiary GDP – Gás de Portugal SGPS, S.A. Tax returns which resulted in additional assessments are summarized in paragraph vii) below.

(iv) The Group's tax returns for the years 2010 to 2013 are still subject to review. Galp Energia's Board of Directors believes that any corrections arising from inspections by the tax authorities of these tax returns will not have a significant impact on the consolidated financial statements as of 31 December 2013 and 2012.

(v) As mentioned in paragraph ii) above, in 2004 the corporate income tax returns for the years 2000, 2001 and 2002 were inspected by the tax authorities, which resulted in proposed additional assessments communicated to Petrogal of €740 k, €10,806 k and €2,479 k, respectively, of which €11,865 k have been paid. Additionally, regarding 2001, Petrogal has appealed against the settlement issued. As such, and given the expectation of additional amount to be incurred on these claims, Petrogal recorded a provision to cover such settlements totalling €7,394 k (Note 25 and 33).

(vi) As mentioned in paragraph ii) above, in 2006 the corporate income tax return for the year 2003 was inspected by the tax authorities, which resulted in an increase in taxable income of €12,098 k, which corresponds to an additional assessment communicated to Petrogal of €5,265 k, of which €2,568 k was paid in 2008 and recognised in the income statement of that year.

(vii) As mentioned in paragraphs ii) and iii) above, in 2009 Galp Energia, SGPS, S.A. and its subsidiaries Petrogal, S.A. and GDP – Gás de Portugal, SGPS, S.A., 2005. income tax returns were inspected by the tax authorities, which resulted in additional assessment of €23,587 k and for which during January 2010 the Company has conceded a bank warranty in the amount of €27,010 k. As the Group didn't agree with the tax authority's position, which is that tax gains on share sales that have been reinvested,are completely taxable when the shares of the reinvestment are sold, the Company, supported by its tax and legal advisors, presented an administrative claim and a judicial review with the reasons for disputing the tax administration's position. Galp Energia SGPS, S.A. recorded a provision of €3,230 k and its subsidiary GDP, SGPS, S.A. recorded an amount of €2,092 for this purpose regarding previous years. The company did not record any additional provision in fiscal year 2013.

(viii) Additionally, during 2010, and as consequence of inspections that occurred in 2006 and 2007, Petrogal, S.A. tax statements were corrected by the tax administration, which resulted in an additional assessment of €479 k and €190 k, respectively. As the company partially disagrees with these corrections, the amounts of €304 k regarding 2006 and €87 k regarding 2007 were not paid. Regarding these amounts the company has either contested or will contest the assessments.

(ix) In 2011, the subsidiary Petrogal, S.A. was subject to a tax inspection regarding the year 2008, which resulted in a tax payable of €492 k. For disagreeing with some of the corrections referred to above, the company filed a contest in the administrative jurisdiction, which is still under consideration.

(x) The tax inspection at the subsidiary Petrogal, S.A. regarding the year 2009 resulted in corrections to income tax that correspond to a tax payable from which the company chose to contest the amount of €375 k, filing an administrative complaint that is running its natural course of action.

(xi) At this date, the tax inspection regarding the 2010 financial year of subsidiary Petrogal S.A. is still on going.

(xii) In respect of the subsidiary Petrogal, S.A., as a result of the 2009 tax inspections the tax administrator concluded that a correction of €4,577 k in VAT is required. As the correction is based on the compliance of a mere formality, the Company believes that the above amount is not due, provided that the required formalities are fulfilled, which has already occurred. Consequently, the Company has contested the correction via an administrator claim which has been denied. As such, the Company has proceeded to judicial action, given its conviction of the correctness of its position. For this reason, the Group did nott include any provision for this contingency.

(xiii) As a result of the exploration and oil production operations in Angola, the Group is subject to PIT based on the Angolan tax system applied to production sharing contracts where the Group participates. On 31 December 2013 an additional settlement of IRP, related to corrections to year 2009, has not been paid. This is in discussion with the Ministry of Finance of Angola. The Group has decided to provide for these amounts, as well as eventual additional liquidation of IRP for years 2010 to 2012. As of 31 December 2013, the provision had the amount of €16,378 k (Note 25).

(xiv) Under current legislation, tax losses can be reported and carried forward during a period of: six years, from taxable income arising before 2010; four years, from taxable income arising in 2010 and 2011; and five years, from taxable income arising in 2012 and 2013.

(xv) There is no limit for the use of tax losses of Group companies based in the Brazilian territory. For tax losses of Group companies based in Spain, the reporting period for tax losses is 15 years. The Group has accounted for deferred tax assets for tax losses only for subsidiaries in which there is high probability of recovery. On 31 December 2013, the tax losses amounted to approximately €83,701 k, with €63,597 k related to companies based in Spain.

Income tax for the years ended 31 December 2013 and 2012, had the following detail:

Captions	December 2013		December 2012
Current income tax	116,987		165,364
IRP provision – tax on oil income (Note 25)	(274)		17,574
Insuficiency/(excess) of income tax for the preceding year	5,718	(a)	2,502
Deferred tax	13,398		(14,855)
	135,829		**170,585**

(a) This amount refers to temporary differences not accepted in 2012, but accepted in the future, for which deferred tax assets were recorded in the current year.

Below is a reconciliation of the income tax for the years ended 31 December 2013 and 2012, and details of deferred taxes:

	2013	Rate	Income tax	2012	Rate	Income tax
Profit before tax:	374,836	29.00%	108,702	560,855	29.00%	162,648
Adjustments to tax income:						
Application of the equity method		-3.05%	(11,435)		-2.88%	(16,149)
Fiscal benefits		-0.37%	(1,381)		-1.10%	(6,153)
Income tax rates differences		7.02%	26,329		6.71%	37,621
Other deductions		-0.02%	(79)		-1.49%	(8,344)
(Excess)/insufficiency of income tax of the preceding year		1.53%	5,718		-0.44%	(2,440)
Autonomous taxation		0.58%	2,179		0.53%	2,948
Other additions and deductions		1.55%	5,797		0.08%	454
Effective tax rate and tax income		**36.24%**	**135,829**		**30.42%**	**170,585**

In the year ended 31 December 2013 the Group paid PIT by its subsidiary Galp Overseas, B.V. and its respective branch in Angola, in the amount of €23,582 k relating to PIT on the sale and loans of crude oil, determined based on the Angolan tax regime applied to PSA in which the Group participates.

Deferred taxes

The balance of deferred tax assets and liabilities as of 31 December 2013, had the following detail:

	Deferred tax December 2013 – Assets					
Captions	**Beginning balance**	**Effect in results**	**Effect in equity**	**Effect of foreign currency translation**	**Other adjustments**	**Ending balance**
Adjustments to accruals and deferrals	7,619	2,736	-	-	(25)	10,330
Adjustments to tangible and intangible assets	30,933	(11,622)	-	5,491	-	24,802
Adjustments to inventories	-	471	-	-	-	471
Overlifting adjustments	3,388	(2,789)	-	(384)	(96)	119
Retirement benefits and other benefits	81,106	5,077	3,259	-	-	89,442
Double economical taxation	11,340	831	-	-	-	12,171
Financial instruments	2,318	-	(2,054)	-	71	335
Tax losses carried forward	14,136	6,175	-	(7,174)	-	13,137
Regulated revenue	4,333	3,474	-	-	-	7,807
Provisions non deductible	43,417	(16,136)	-	(194)		27,087
Financial expenses non deductible	14,586	3,484	-	-	-	18,070
Potential foreign exchange differences Brazil	31,722	(17,675)	34,857	2,609	-	51,513
Other	7,308	13,901	-	(5,419)	-	15,790
	252,206	**(12,073)**	**36,062**	**(5,071)**	**(50)**	**271,074**

	Deferred tax December 2013 – Liabilities					
Captions	**Beginning balance**	**Effect in results**	**Effect in equity**	**Effect of foreign currency translation**	**Other adjustments**	**Ending balance**
Adjustments to accruals and deferrals	(41)	(238)	-	14	-	(265)
Adjustments to tangible and intangible assets fair value	(23,133)	3,059	-	-	(17)	(20,091)
Adjustments to inventories	(133)	133	-	-	-	-
Underlifting adjustments	(6,287)	1,066	-	226	179	(4,816)
Retirement benefits and other benefits	(4,231)	4,231	-	-	-	-
Dividends	(54,029)	(7,041)	-	-	-	(61,070)
Regulated revenue	(38,378)	(512)	-	-	-	(38,890)
Accounting revaluations	(3,686)	589	-	21	-	(3,076)
Other	(698)	308	-	13	8	(369)
	(130,616)	**1,595**	**-**	**274**	**170**	**(128,577)**

The changes in deferred tax reflected in equity in the amount of: i) €3,259 k, includes €3,257 k relating to deferred taxes related to the component of actuarial gains and losses and €2 k relating to non-controlling interests (Note 21); and ii) €1,983 k relating to changes in deferred taxes related to the components of hedging reserves.

Potential translation differences from Brazil result from a tax option to tax potential translation differences only when they are realized. The amount of €34,857 k reflected in equity includes, €24,268 k relating to deferred taxes resulting from translation differences of financial allocations that are similar to *quasi* capital (Note 20) and €10,589 k relating to non-controlling interests.

As a result of the publication of Royal Decree-Law No. 20/2012 of July 13, a limitation of deduction of net financial charges amounting to 30% of operating income to certain conditions was introduced in the Spanish tax legislation, and it was also noted that the net financial charges of €1,000 k is allowed for tax recognition, regardless of the operating profit obtained.

The fiscal impact of the unacceptability of the financial charges on the Group's subsidiary based in Spain amounted to a tax expense of about €18,070 k.

Given that the mentioned Royal Decree-Law establishes a compensation period for such costs of 18 years and taking into account that the Company believes that the recovery will take place in this timeline, a deferred tax asset by the same amount was established.

During 2013, the Group recognised deferred tax assets in the amount of €4,779 k (R$15,567,400), related to block BMS-11, arising from difference between the fiscal base determined in accordance with tax calculation of the special interest and the accounting base of the abandonment provisions, amortisations and signing bonuses.

10. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2013 and 2012 were as follows:

	December 2013	December 2012
Net income		
Net income for purposes of calculating earnings per share (consolidated net profit for the year)	188,661	343,300
Number of shares		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
Basic earnings per share (amounts in euros):	**0.23**	**0.41**

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

11. GOODWILL

On 31 December 2013, the difference between the acquisition costs of investments and their equity book value can be detailed as follows:

Subsidiaries		Year of acquisition	Acquisition cost	Proportion of equity acquired as of the acquisition date %	Amount	Goodwill movement 2012	Exchange difference (g)	2013
Galp Energia España, S.A.								
Galp Comercialización Oil España, S.L.	(a)	2008	176,920	100.00%	129,471	47,449	-	47,449
Petróleos de Valência, S.A. Sociedad Unipersonal	(a)	2005	13,937	100.00%	6,099	7,838	-	7,838
Galp Distribuición Oil España, S.A.U.	(b)	2008	172,822	100.00%	123,611	49,211	-	49,211
						104,498	**-**	**104,498**
Petróleos de Portugal – Petrogal, S.A.							-	
Galp Comercialização Portugal, S.A.	(c)	2008	146,000	100.00%	69,027	50,556	-	50,556
						50,556	**-**	**50,556**
Madrileña Suministro de Gas, S.L.		2010	43,356	100.00%	12,641	29,766	-	29,766
Galp Swaziland (PTY), Ltd.		2008	18,117	100.00%	651	17,675	747	18,422
Madrileña Suministro de Gas SUR, S.L.		2010	12,523	100.00%	3,573	8,686	-	8,686
Galpgest – Petrogal Estaciones de Servício, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	5,568
Galp Gambia, Ltd.		2008	6,447	100.00%	1,693	4,761	205	4,966
Empresa Nacional de Combustíveis – Enacol, SARL		2007 and 2008	8,360	15.77%	4,031	4,329	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	2,719	139	2,858
Duriensegás – Soc. Distrib. de Gás Natural do Douro, S.A.		2006	3,094	25.00%	1,454	1,640	-	1,640
Lusitaniagás – Companhia de Gás do Centro, S.A.		2002/3 and 2007/8/9	1,440	1.543%	856	584	-	584
Probigalp – Ligantes Betuminosos, S.A.		2007	720	10.00%	190	530	-	530
Gasinsular – Combustíveis do Atlântico, S.A.		2005	50	100.00%	(353)	403	-	403
Saaga – Sociedade Açoreana de Armazenagem de Gás, S.A.		2005	858	67.65%	580	278	-	278
Beiragás – Companhia de Gás das Beiras, S.A.		2003/6 and 2007	152	0.94%	107	51	-	51
Galp Sinopec Brazil Services (Cyprus), Ltd.		2012	3	100.00%	1	2	-	2
						232,046	**1,091**	**233,137**

(a) The subsidiaries Petróleos de Valência, S.A. Sociedad Unipersonal and Galp Comercializacion Oil España, S.L. were merged in the subsidiary Galp Energia España, S.A., through a process of incorporation during 2010.
(b) The subsidiary Galp Distribuición Oil España, S.A.U, was incorporated in Galp Energia España, S.A. through a merger by incorporation, during 2011 (Note 3).
(c) The subsidiary Galp Comercialização Portugal, S.A., was merged in the subsidiary Petrogal, through a process of incorporation, during 2010.
(d) Differences arising from translation of goodwill recorded in the functional currency, to the Group's reporting currency (euros) in accordance with the exchange rate at date of financial statements (Notes 2.2 d) and 20).

Goodwill impairment analysis

When performing impairment tests, goodwill is allocated to the respective cash generating unit.

Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The discount rate used reflects Galp Energia Group's WACC for the reporting segment and country of each cash generating unit.

Cash generating unit	Evaluation method	Assumptions: Cash flows	Growing factor	Discounted rates
Investments (by business segment)	(Discounted Cash Flow) DCF	Sales volume projected to five years	Gordon growth model with a growing factor for perpetuity of 2%	WACC between: R&M [7.4% – 12.74%] E&P [10% – 14.98%] G&P [6.7% – 9.6%]

R&M – Refining and Marketing
E&P – Exploration and Production
G&P – Gas & Power

According to the assumptions defined for the year ended 31 December 2013, there were no losses with goodwill impairment.

Sensibility analyses were performed to WACC and cash flows for 10% variances, which also did not result in any impairment.

12. TANGIBLE AND INTANGIBLE ASSETS

Moviments intangible assets on 31 December 2013:

	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils
Acquisition cost:					
Balance on 1 January	**284,250**	**887,449**	**4,809,526**	**32,554**	**4,548**
Additions	730	2,847	40,513	788	35
Additions by financial costs capitalisation (Note 8)	-	-	-	-	-
Write-offs/sales	(14)	(5,894)	(12,648)	(508)	(126)
Adjustments	1,249	(160)	178	(3)	-
Adjustments for currency differences in initial balance	(48)	(1,949)	(68,020)	(502)	-
Transfers	52	41,783	1,828,015	1,127	188
Changes in the consolidation perimeter (Note 3)	-	(360)	(1,381)	(471)	(16)
Gross acquisition cost on 31 December	**286,219**	**923,716**	**6,596,183**	**32,985**	**4,629**
Accumulated impairments on 1 January	**(6,899)**	**(12,844)**	**(23,914)**	**(107)**	**(106)**
Increase in impairments	(3,020)	(124)	(1,214)	-	-
Reversal of impairments	(11)	525	248	-	-
Adjustments for currency differences in initial balance	-	-	-	-	-
Utilisation/transfers of impairments	(1,213)	102	154	(1)	-
Impairments balance on 31 December	**(11,143)**	**(12,341)**	**(24,726)**	**(108)**	**(106)**
Balance on 31 December	**275,076**	**911,375**	**6,571,457**	**32,877**	**4,523**
Accumulated depreciations and impairment losses:					
Balance on 1 January	**(2,208)**	**(593,040)**	**(3,561,423)**	**(27,578)**	**(3,882)**
Depreciations for the year	(404)	(31,519)	(361,925)	(1,742)	(184)
Write-offs/sales	-	4,690	12,449	506	125
Adjustments	420	(11)	8,508	(41)	(7)
Adjustments for currency differences in initial balance	130	551	30,809	361	1
Transfers	-	-	(25,010)	-	-
Changes in the consolidation perimeter (Note 3)	-	265	837	453	8
Accumulated balance on 31 December	**(2,062)**	**(619,064)**	**(3,895,755)**	**(28,041)**	**(3,939)**
Net amount:					
on 31 December	**273,014**	**292,311**	**2,675,702**	**4,836**	**584**

Tangible assets and depreciations are recorded in accordance with the accounting policies explained in Note 2.3.

Adjustments to tangible assets amounting to €951 k mainly result from the variation in caption “Advances to suppliers of tangible assets” amounting to €590 k, and caption “Adjustments for currency differences in initial balance” refers to revaluation of initial balance of the subsidiaries’ tangible assets stated in foreign currency.

The changes in the scope result from the exit of tangible assets. During the year ended, the following entities were excluded from the consolidation scope (Note 3):

	Tangible assets		Intangible assets		Total		Net value
	Gross	Depreciation	Gross	Amortisation	Gross	Amortisation /depreciation	
Galpbúzi – Agro-Energia, S.A.	1,076	(412)	254	(4)	1,330	(416)	914
Moçamgalp Agroenergias de Moçambique, S.A.	1,312	(300)	2	-	1,314	(300)	1,014
Galp Serviexpress – Serv. de Distrib. e Comercialização de Produtos Petrolíferos, S.A.	1,073	(863)	-	-	1,073	(863)	210
	3,461	**(1,575)**	**256**	**(4)**	**3,717**	**(1,579)**	**2,138**

Tangible assets

2013						2012
Administrative equipment	Reusable containers	Other tangible assets	Tangible assets in progress	Advances to suppliers of tangible assets	Total tangible fixed assets	Total tangible fixed assets
183,300	**160,258**	**102,839**	**2,712,122**	**736**	**9,177,582**	**8,586,287**
1,644	163	1,362	626,816	-	674,898	647,517
-	-	-	45,082	-	45,082	79,878
(13,795)	(4,566)	(648)	(46,195)	-	(84,394)	(78,172)
1	(101)	(580)	(945)	(590)	(951)	(2,283)
(342)	(434)	(283)	(125,802)	-	(197,380)	(65,952)
3,430	3,298	581	(1,861,657)	-	16,817	(3,827)
(15)	(12)	(13)	(1,193)	-	(3,461)	14,134
174,223	**158,606**	**103,258**	**1,348,228**	**146**	**9,628,193**	**9,177,582**
(1,493)	**(1)**	**(2,457)**	**(75,106)**	**-**	**(122,927)**	**(81,960)**
27	-	(901)	(63,109)	-	(68,341)	(54,884)
-	-	-	-	-	762	253
-	-	-	7,781	-	7,781	4,822
11	-	(1)	50,018	-	49,070	8,842
(1,455)	**(1)**	**(3,359)**	**(80,416)**	**-**	**(133,655)**	**(122,927)**
172,768	**158,605**	**99,899**	**1,267,812**	**146**	**9,494,538**	**9,054,655**
(147,130)	**(145,768)**	**(83,707)**	**-**	**-**	**(4,564,736)**	**(4,344,884)**
(15,520)	(4,322)	(3,996)	-	-	(419,612)	(292,650)
13,702	4,566	517	-	-	36,555	68,021
(1)	21	655	-	-	9,544	2,020
202	229	140	-	-	32,423	3,068
-	12	-	-	-	(24,998)	-
7	1	4	-	-	1,575	(311)
(148,740)	**(145,261)**	**(86,387)**	**-**	**-**	**(4,929,249)**	**(4,564,736)**
24,028	**13,344**	**13,512**	**1,267,812**	**146**	**4,565,289**	**4,489,919**

Movement in Intangible assets on 31 December 2013:

	Research and development costs	Industrial property and other rights	Goodwill	Reconversion of consumption to natural gas
Acquisition cost:				
Balance on 1 January	**257**	**470,402**	**19,750**	**551**
Additions	-	31,436	-	-
Additions by financial costs capitalisation (Note 8)	-	-	-	-
Write-offs/sales	1	(12,201)	-	-
Adjustments	-	(266)	-	-
Adjustments for currency differences in initial balance	-	(3,620)	-	-
Transfers	27	83,691	-	-
Changes in the consolidation perimeter (Note 3)	-	(255)	-	-
Gross acquisition cost on 31 December	**285**	**569,187**	**19,750**	**551**
Accumulated impairments on 1 January	**-**	**(14,257)**	**(236)**	**-**
Increase in impairments	-	(20,784)	-	-
Adjustments for currency differences in initial balance	-	459	-	-
Utilisation/transfers of impairment	-	8,360	-	-
Impairments balance on 31 December	**-**	**(26,222)**	**(236)**	**-**
Balance on 31 December	**285**	**542,965**	**19,514**	**551**
Accumulated depreciations and impairment losses:				
Balance on 1 January	**(257)**	**(243,312)**	**(10,282)**	**(415)**
Depreciations for the year	(9)	(32,812)	-	(8)
Write-offs/sales	-	4,056	-	-
Adjustments	-	457	-	-
Adjustments for currency differences in initial balance	-	257	-	-
Transfers	-	(16)	-	-
Changes in the consolidation perimeter	-	4	-	-
Accumulated balance on 31 December	**(266)**	**(271,366)**	**(10,282)**	**(423)**
Net amount:				
on 31 December	**19**	**271,599**	**9,232**	**128**

Intangible assets and amortisations are recorded in accordance with the accounting policies explained in Note 2.4. Amortisations are calculated as defined in the same note.

"Adjustments for currency differences in initial balance" refers to revaluation of initial balance of the subsidiaries' tangible assets stated in foreign currency.

Amortisation for the years 2013 and 2012 were as follows:

	2013			2012		
	Tangible assets	Intangible assets	Total	Tangible assets	Intangible assets	Total
Amortisation and depreciation for the period	419,612	32,836	452,448	292,650	33,051	325,701
Amortisation for the period – concession arrangements	-	40,691	40,691	-	37,123	37,123
Increase in impairment	68,341	24,544	92,885	54,884	9,014	63,898
Decrease in impairment	(762)	-	(762)	(253)		(253)
Amortisation (Note 6)	**487,191**	**98,071**	**585,262**	**347,281**	**79,188**	**426,469**

Main occurrences in 2013:
The increase in tangible and intangible assets in the amount of €841,978 k mainly includes:

i) E&P segment
- €360,251 k relating to research and development investments in blocks in Brazil;
- €74,602 k relating to research and development investments in block 14 in Angola;
- €58,100 k relating to research investments in blocks in Namibia;
- €48,392 k relating to research investments in block 4 in Mozambique;
- €14,986 k relating to research investments in block A-IMI & 14k in Angola;
- €7,134 k relating to research investments in blocks in Morocco;
- €4,277 k relating to research investments in block 32 in Angola;
- €3,312 k relating to research investments in block 33 in Angola;
- €2,988 k relating to oil research investments in the Portuguese coast;
- €2,075 k relating to research investments in Aljubarrota-3 concession in Portugal;
- €1,296 k relating to research investments on blocks 3 and 4 in Uruguay; and
- €913 k relating to natural gas research investments in Angola.

Regarding investments on research in the Aljubarrota-3 concession in Portugal, impairment totalling €2,075 k were recorded, such that tangible and intangible assets were impaired in the total amount of €4,552 k. The increased impairment relating to research and development investments in Brazil amounted to €24,778 k. Impairment was recorded relating to research investments in blocks in Namibia in the amount of €57,951 k.

Intangible assets

2013					2012
Other intangible assets	Service concession arrangements	Intangible assets in progress	Intangible assets in progress of Service concession arrangements	Total intangible assets	Total intangible assets
498	**1,695,243**	**18,089**	**22,667**	**2,227,457**	**1,939,336**
15	(1,451)	38,758	53,239	121,997	64,470
-	-	-	1	1	5
1	(220)	(3,311)	1	(15,729)	(12,363)
-	-	-	-	(266)	12,071
-	-	(101)	-	(3,721)	(1,893)
68	72,577	(18,462)	(72,568)	65,333	1,120
-	-	(2)	-	(257)	224,711
582	**1,766,149**	**34,971**	**3,340**	**2,394,815**	**2,227,457**
-	**-**	**-**	**-**	**(14,493)**	**(5,937)**
-	-	(3,760)	-	(24,544)	(9,014)
-	-	-	-	459	55
-	-	3,760	-	12,120	403
-	**-**	**-**	**-**	**(26,458)**	**(14,493)**
582	**1,766,149**	**34,971**	**3,340**	**2,368,357**	**2,212,964**
(498)	**(500,111)**	**-**	**-**	**(754,875)**	**(631,918)**
(7)	(40,691)	-	-	(73,527)	(70,174)
-	190	-	-	4,246	10,885
-	(2)	-	-	455	(177)
-	-	-	-	257	22
-	-	-	-	(16)	(1,156)
-	-	-	-	4	(62,357)
(505)	**(540,614)**	**-**	**-**	**(823,456)**	**(754,875)**
77	**1,225,535**	**34,971**	**3,340**	**1,544,901**	**1,458,089**

ii) G&P segment

- €53,447 k relating to natural gas infrastructure construction (networks, plots and other infrastructures) covered by IFRIC 12 (Note 5 and 6);
- €33,822 k relating to the conception and construction of cogeneration plants.

iii) R&M segment

- €75,169 k relating to industrial investments in Porto and Sines refinery;
- €39,707 k related to wholesale business unit investments in its expansion, IT and improvements in service stations.

During the year ended 31 December 2013, the Group disposed or wrote-off tangible and intangible assets, in the amount of €100,123 k as a result of the review of the Group's asset register and include:

(i) €42,566 k relating to equipment, expenses and rights disposals in Brazil, with no economic viability;
(ii) €14,490 k relating to equipment, expenses and rights disposals in East Timor;
(iii) €12,428 k relating to disposals from the retail business unit, essentially due to improvements in service stations, convenience stores, investments in its expansion, and IT development, most of which were fully depreciated;
(iv) €5,570 k relating to disposals from Porto and Sines refineries;
(v) €2,328 k relating to surface rights disposals in Spain.

On 31 December 2013, the Group has recorded impairment in tangible and intangible assets in the amount of €160,114 k which include:

- €57,951 k to face impairment in blocks in Namibia;
- €55,004 k to face impairment in the retail network in Portugal and Spain;
- €19,776 k to face impairment in operated and non-operated blocks in Brazil;
- €8,371 k to face impairment in combined cycle centrals;
- €8,208 k to face impairment in research at Aljubarrota;
- €4,453 k to face impairment in blocks in East Timor;
- €2,224 k to face impairment in research in Angola.

Tangible and intangible assets in progress (including advances on account of tangible and intangible assets less impairment losses) at the year ended 31 December, 2013 were made up as follows:

	Assets in progress	Impairment	Net assets
Research and exploration of oil in Brazil	752,553	(19,588)	732,965
Research and exploration of oil in Angola and Congo	244,748	(2,224)	242,524
Research in Mozambique	119,229	-	119,229
Industrial investment relating to refineries	47,254	-	47,254
Research in Portugal	53,785	(8,208)	45,577
Research of gas in Angola and Guinea	31,805	-	31,805
Renewal and expansion of the network	30,595	(17)	30,578
Floating LNG-Brazil	19,243	-	19,243
Conversion projects of the Sines and Porto refineries	12,582	-	12,582
Transportation and logistics	3,818	-	3,818
Oil exploration in blocks 3 and 4 in Uruguay	2,598	-	2,598
Research in Morocco	1,796	-	1,796
Underground storage of natural gas	927	-	927
Research in Namibia	39,597	(39,449)	148
Production of energy and steam	8,371	(8,371)	-
Research in East Timor	2,559	(2,559)	-
Other projects	15,225	-	15,225
	1,386,685	**(80,416)**	**1,306,269**

13. GOVERNMENT GRANTS

Government grants received (accumulated) as of 31 December 2013 and 2012 were as follows:

	Amount received	
Programme	December 2013	December 2012
Economic operational programme	285,871	285,871
Energy programme	114,919	114,919
Desulphurisation of Sines	39,513	39,513
Desulphurisation of Porto	35,307	35,307
Protede	19,708	19,708
Interreg II	19,176	19,176
Central regional operational programme	2,102	2,102
North regional operational programme	550	-
Algarve operational programe	174	174
Innovation incentives system	73	102
Other	21,806	21,729
	539,199	**538,601**
Accumulated amount recognised as income	(262,664)	(252,313)
Government grants – receivable (Note 14)	1	1
Government grants to be recognised (Note 24)	**276,536**	**286,290**

In the year ended 31 December 2013, government grants were received in the amount of €550 k, from the “North Regional Operational Programme”.

During the years ended 31 December 2013 and 2012 €10,351 k and €9,924 k, respectively were recognised in the income statement (Note 5).

14. OTHER RECEIVABLES

The non-current and current caption "Other receivables" as of 31 December 2013 and of 2012 was made up as follows:

	December 2013		December 2012	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
State and other public entities:				
Corporate income tax	6,833	-	2,269	-
VAT – reimbursement requested	667	-	1,515	-
Others	122	-	96	-
Loans to Sinopec Group (Note 3 and 28)	164,500	706,993	13,643	917,558
Advances to suppliers of fixed assets	155,225	-	135,831	-
Advances to suppliers	40,203	-	11,097	-
Underlifting	31,071	-	40,080	-
Subsoil rates	18,728	32,771	40,697	-
Over cash-call from partner Petrobrás in operated blocks	10,057	-	17,232	-
Means of payment	8,371	-	7,711	-
Other receivables – associated, related and participated companies (Note 28)	6,360	13,011	3,811	8,532
Personnel	2,030	-	1,924	-
Receivables from block 14 consortium in Angola (excessive profit-oil receivable)	1,648	-	-	
Spanish Bitumen process	385	-	2,568	-
Ceding rights contract to use telecommunications infrastructures	251	-	259	-
Loans to clients	70	1,561	682	1,637
Government grants – receivable (Note 13)	1	-	1	-
ISP – Tax on oil products	-	-	21,553	
Operating subsidies receivable	-	-	4,478	-
Pension fund payment recovery	-	-	356	-
Loans to associated, jointly controlled related and participated companies (Note 28)	-	27,878	-	29,265
Other receivables	87,412	5,172	62,238	14,955
	533,934	**787,386**	**368,041**	**971,947**
Accrued income:				
Sales and services rendered not yet invoiced	208,967	-	165,959	-
Adjustment to tariff deviation – pass through – ERSE regulation	38,128	-	32,425	-
Adjustment to tariff deviation – regulated revenue – ERSE regulation	34,324	50,752	81,161	-
Adjustment to tariff deviation – energy tariff – ERSE regulation	28,025	45,537	11,333	82,151
Financial neutrality – regulation ERSE	15,133	-	12,689	-
Accrued management and structure costs	1,683	-	289	-
Accrued interest	1,614	-	13,996	-
Commercial discount on purchases	1,503	-	738	-
Sale of finished goods to be invoiced by the service stations	1,100	-	1,546	-
Compensation for the uniform tariff	917	-	224	-
Other	7,623	31	4,035	-
	339,017	**96,320**	**324,395**	**82,151**
Deferred costs:				
Interest and other financial costs	9,244	-	2,535	-
Catalyser costs	6,223	-	4,943	-
Costs relating to service station concession contracts	2,478	31,339	33,617	-
Prepaid insurance	797	-	953	-
Prepaid rent	601	-	2,349	-
Retirement benefits (Note 23)	-	4,916	-	-
Other deferred costs	11,902	-	15,684	-
	31,245	**36,255**	**60,081**	**-**
	904,196	**919,961**	**752,517**	**1,054,098**
Impairment of other receivables	(6,990)	-	(7,429)	-
	897,206	**919,961**	**745,088**	**1,054,098**

The movements in the caption "Impairment of other receivables" for the year ended 31 December 2013 were as follows:

Caption	Beginning balance	Increase	Decrease	Utilisation	Adjustments	Ending balance
Other receivables	7,429	269	(125)	(623)	40	6,990

The increase and decrease of the caption "Impairment of other receivables" with the net amount of €144 k was booked in the caption provisions and impairment – other receivables (Note 6).

The caption "Loans" includes the amount of €871,493 k ($1,201,876,211.38) for the loan granted to Tip Top Energy, SARL (company held by Sinopec Group) in 28 March 2012, which earns a three-month LIBOR interest rate, plus a spread, for a period of four years and is classified as current, in the amount of €164,500 k ($226,861,950.00), and non-current, in the amount of €706,993 k ($975,014,261.38). This caption also includes the amount of €15,952 k ($21,999,957.97) in non-current loans, relating to capitalised interest. In the year ended 31 December 2013 an amount of €16,565 k was recognised in caption interest on loans granted to related companies (Notes 8 and 28).

Caption “Subsoil rates” amounting €51,499 k refers to rates of subsoil occupation already paid to municipalities. In accordance with natural gas distribution concession agreement between the Portuguese Government and the Group companies, and with Cabinet Council Resolution No. 98/2008, dated 8 April, companies have the right to pass on to marketing entities or to final customers, the full amount of subsoil rates paid to the local authorities in the concession area.

The amount of €31,071 k recorded in “Other receivables – Underlifting” corresponds to amounts receivable by the Group as a result of lifting crude oil barrels below the production quota (underlifting) and is measured at the lowest market price at the time the underlifting occurred or as of 31 December 2013.

Caption “Means of payment” amounts to €8,371 k refers to amounts receivable for sales made with Visa/debit cards, which as of 31 December 2013 were pending collection.

The amount of €19,371 k booked in caption Other receivables current and non-current – jointly controlled entities, related and participated companies refers to amounts receivables from companies which were not consolidated using the full consolidation method.

The caption “Other non-current receivables” includes €4,995 k receivable from Gestmin, SGPS, S.A., for the purchase of COMG – Comercialização de Gás, S.A. on 3 December, 2009 and earns a six-month Euribor interest rate plus a spread of 3.12% per year, and is expected to be received every six months until 3 December 2016.

Company	Total	Natural gas	Electricity
Galp Gás Natural, S.A.	84,312	84,312	-
Madrileña Suministro de Gas	15,925	15,925	-
Madrileña Suministro de Gas, SUR	14,482	14,482	-
Galp Power, S.A.	11,375	5,167	6,208
Galp Energia España, S.A., Unipessoal	11,191	6,143	5,048
Transgás, S.A.	11,164	11,164	-
Lisboagás Comercialização, S.A.	8,334	8,334	-
Lusitaniagás Comercialização, S.A.	7,327	7,327	-
Setgás Comercialização, S.A.	1,971	1,971	-
	166,081	**154,825**	**11,256**

Caption “Accrued income – sales and services not yet invoiced” mainly comprises December natural gas and electricity sales to be invoiced in January as follows:

The amount of €1,100 k in caption “Sale of finished goods to be invoiced by the service stations” relates to sales made up to 31 December 2013 through Galp Frota cards, which will be invoiced in the subsequent months.

Expenses recorded in caption “Deferred costs – costs relating to service station concession contracts” in the amount of €33,817 k are booked as expenses during the corresponding concession period, which ranges from 17 up to 32 years.

Caption “Accrued income – adjustment to tariff deviation – energy tariff – ERSE regulation” is detailed as follows:

Wholesale gas commercialisation activity - Energy Tariff (CURG)	2012	Recovery of energy tariff deviation	Variation	2013
Gas Year 2008-2009				
First half of Gas Year 2008-2009 (31.12.2008)	32,325	-	-	32,325
Second half of Gas Year 2008-2009 (30.06.2009)	28,531	-	-	28,531
Adjustment to regulated tariff – regulated revenue – ERSE regulation – Gas Year 2008-2009	6,535	-	-	6,535
Regulated revenue in respect of Gas Year 2008-2009 – Amortisation	(31,440)	(19,922)	-	(51,362)
	35,951	**(19,922)**	**-**	**16,029**
Second half of 2009				
Second half of 2009	8,314	-	-	8,314
	8,314	**-**	**-**	**8,314**
Fiscal Year of 2010				
First half of 2010	14,651	-	-	14,651
Second half of 2010	987	-	-	987
	15,638	**-**	**-**	**15,638**
Fiscal Year of 2011				
First half of 2011	21,154	-	-	21,154
Second half of 2011	12,427	-	-	12,427
	33,581	**-**	**-**	**33,581**
Fiscal Year of 2012				
First half of 2012	(4,224)	-	-	(4,224)
Second half of 2012	562	-	-	562
	(3,661)	**-**	**-**	**(3,661)**
Fiscal Year of 2013				
First half of 2013	-	-	(657)	(657)
Second half of 2013	-	-	(5,820)	(5,820)
	-	**-**	**(6,477)**	**(6,477)**
	89,823	**(19,922)**	**(6,477)**	**63,424**
Accrued costs (Note 24)	(3,661)	-	(6,477)	(10,138)
Accrued income	93,484	(19,922)	-	73,562
	89,823	**(19,922)**	**(6,477)**	**63,424**

Caption “Adjustment to tariff deviation – Energy tariff” in the amount of €63,424 k refers to the cumulative difference between the cost of acquiring natural gas from the Group’s suppliers and the energy tariffs defined by ERSE, for each Gas Year, applied in customers invoicing, that will be recovered in the revision of next years’ tariffs, in accordance with the mechanism set out by ERSE. These amounts earn three months Euribor interest rate plus a 1.75% spread.

During 2013, Galp Energia reclassified an amount of €45,537 k related to the energy tariff deviation from current asset to non-current assets. This reclassification intends to reflect the ERSE publication, with the estimated payback period of the tariff deviation being six years.

In 2013, the Group recovered the energy tariff deviation relating to the 2008-2009 Gas Year, in the amount of €19,922 k. This deviation was included in portion II of the UGS tariff and was subsequently invoiced to the transportation network operator, REN Gasodutos, S.A., and companies Sonorgás, S.A., Tagusgás, S.A. and EDP GÁS – Serviço Universal, S.A., in accordance with the tariff regulation.

Caption "Accrued income – regulated revenue – ERSE regulation" is detailed as follows:

	2012	Adjustment to regulated revenue for Gas Year (Note 5)	Amortisation /reversion of differed regulated revenue (Note 5)	Adjustment between the estimated regulated revenue and the revenues invoiced (Note 5)	Other reclassifications	2013
Fiscal Year of 2010						
First half of 2010	1,389	-	-	-	-	1,389
Second half of 2010	22,087	-	-	-	-	22,087
Adjustment of 2010	(6,837)	(2,055)	-	-	-	(8,892)
Regulated revenue reversal of 2010	(7,697)	-	(6,887)	-	-	(14,584)
	8,942	**(2,055)**	**(6,887)**	**-**	**-**	**-**
Fiscal Year of 2011						
First half of 2011	(9,838)	-	-	-	-	(9,838)
Second half of 2011	37,385	-	-	-	-	37,385
Adjustment of 2011	-	(2,694)	-	-	-	(2,694)
Regulated revenue reversal of 2011	-	-	(11,412)	-	-	(11,412)
	27,547	**(2,694)**	**(11,412)**	**-**	**-**	**13,441**
Fiscal Year of 2012						
First half of 2012	17,495	-	-	-	-	17,495
Second half of 2012	13,322	-	-	-	-	13,322
Regulated revenue reversal of 2012		-	(42)	-	-	(42)
	30,817	-	**(42)**	-	-	**30,775**
Fiscal Year of 2013						
First half of 2013	-	-	-	(2,203)	1,382	(821)
Second half of 2013	-	-	-	24,136	(1,382)	22,754
	-	-	-	**21,933**	-	**21,933**
	67,306	**(4,749)**	**(18,341)**	**21,933**	**-**	**66,149**
Accrued costs (Note 24)	(13,855)	1,914	(158)	(8,210)	1,382	(18,927)
Accrued income	81,161	(6,663)	(18,183)	30,143	(1,382)	85,076
	67,306	**(4,749)**	**(18,341)**	**21,933**	**-**	**66,149**

Caption "Adjustment to tariff deviation – regulated revenue" amounting €85,076 k relates to the difference between the estimated regulated revenue published for each regulated activity and the invoiced amount (Note 2.13). These amounts earn three months Euribor interest rate.

The amounts payable or receivable in respect of each Gas Year are presented for each activity on a net basis, depending on the nature in each Gas Year, since this is the ERSE approval method of the adjustments to regulated revenue.

Since 2010, ERSE regulated accounts began to be reported in accordance with the calendar year. As such, the initial balances were reclassified to a calendar year basis.

During the year ended 31 December 2013 the differences for regulated revenue referring to the year 2011 were fixed, in the receivable amount of €24,854 k. As the accrual accounted for was insufficient, the amount of €2,694 k was recorded in the caption "Sales" (Note 5).

As referred in Note 2.13 the total recoverable amount was included by ERSE in the recoverable regulated revenue in the Gas Year 2013-2014. Galp Group is recognising in its consolidated income statements the reversal of the approved tariff deviation.

Caption "Accrued income – financial neutrality – ERSE regulation" concerns the gradual reposition of financial neutrality, associated with the extinction of the straightened capital cost for the first regulatory period mechanism, resulting from the difference between the straightened and non-straightened capital cost recoverable, recoverable over six years. The accrued amounts refer to the recoverable tariff values for the Gas Year 13-14 and Gas Year 14-15.

The following is an aging schedule of other receivables as of 31 December 2013 and 2012:

Aging	Not overdue	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2013								
Gross	1,809,613	1,437	766	5,319	126	676	6,220	1,824,157
Impairment	-	-	-	(154)	(148)	(564)	(6,124)	(6,990)
	1,809,613	**1,437**	**766**	**5,165**	**(22)**	**112**	**96**	**1,817,167**
2012								
Gross	1,782,474	9,055	2,607	2,300	1,238	848	8,093	1,806,615
Impairment	-	-	-	(553)	(193)	(233)	(6,450)	(7,429)
	1,782,474	**9,055**	**2,607**	**1,747**	**1,045**	**615**	**1,643**	**1,799,186**

The Group considers as amounts not yet due, the balance of other receivables not overdue and the captions "Accrued income" and "Deferred costs" amounting to €502,837 k and €466,627 k in 2013 and 2012, respectively.

Overdue balances that were not adjusted comprise receivables for which there are payment agreements or a global or partial expectation of recovery.

Galp Energia holds collateral guarantees on accounts receivable, namely bank guarantees and security deposits, in the amount of €103,330 k, as of 31 December 2013.

15. TRADE RECEIVABLES

Caption "Trade receivables" as of 31 December 2013 and of 2012 had the following detail:

	December 2013		December 2012	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
Trade receivables – current accounts	1,317,791	24,322	1,338,484	24,402
Trade receivables – doubtful accounts	201,375	-	157,026	-
Trade receivables – notes receivable	7,075	-	10,544	-
	1,526,241	**24,322**	**1,506,054**	**24,402**
Impairment of trade receivables	(199,678)	-	(154,865)	-
	1,326,563	**24,322**	**1,351,189**	**24,402**

Caption "Trade receivables – current accounts" under non-current debt, in the amount of €24,322 k and €24,402 k, for the years ended 31 December 2013 and of 2012, respectively, refer to client debt settlement agreements with term exceeding one year.

Changes in caption "Impairment of trade receivables" for the year ended 31 December 2013 were as follows:

Caption	Opening Balance	Increases	Decreases	Utilisation	Adjustments	Changes in perimeter	Ending balance
Impairment of trade receivables	154,865	54,854	(4,488)	(6,199)	694	(48)	199,678

The increase and decrease in the caption "Impairment of trade receivables" in the net amount of €50,336 k was recorded in the caption "Provision and impairment loss on receivables" (Note 6).

The following is an aging schedule of Group trade receivables as of 31 December 2013 and of 2012:

Aging of trade receivables	Not overdue	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2013								
Gross	1,163,772	121,386	41,061	45,824	38,665	20,067	119,788	1,550,563
Adjustments	-	(277)	(1,292)	(27,427)	(36,181)	(18,568)	(115,933)	(199,678)
	1,163,772	**121,109**	**39,769**	**18,397**	**2,484**	**1,499**	**3,855**	**1,350,885**
2012								
Gross								
Adjustments	1,149,709	183,584	32,138	41,292	18,518	13,753	91,462	1,530,456
	-	(893)	(6,679)	(29,195)	(14,836)	(12,754)	(90,508)	(154,865)
	1,149,709	**182,691**	**25,459**	**12,097**	**3,682**	**999**	**954**	**1,375,591**

Overdue balances which have not been subject to adjustments are in respect of receivables for which there are payment agreements or a total or partial expectation of recovery.

16. INVENTORIES

Inventories, as of 31 December 2013 and of 2012, had the following detail:

Captions	December 2013	December 2012
Raw, subsidiary and consumable materials:		
Crude oil	53,840	245,632
Other raw materials	41,980	56,462
Raw material in transit	622,017	249,843
	717,837	**551,937**
Impairment of raw, subsidiary and consumable materials	(11,019)	(9,629)
	706,818	**542,308**
Finished and semi-finished products:		
Finished products	244,254	335,780
Semi-finished products	325,271	445,598
Finished products in transit	12,083	7,869
	581,608	**789,247**
Impairment of finished and semi-finished products	(23)	(6,829)
	581,585	**782,418**
Work in progress	91	169
	91	**169**
Merchandise	558,784	653,154
Merchandise in transit	100	478
	558,884	**653,632**
Impairment of merchandise	(1,771)	(2,402)
	557,113	**651,230**
	1,845,607	**1,976,125**

Merchandise as of 31 December 2013, in the amount of €558,784 k mainly consist of natural gas in pipelines in the amount of €118,178 k, inventories of crude oil derivative products of subsidiaries Galp Energia España, S.A., Empresa Nacional de Combustíveis – ENACOL, SARL and Petrogal Moçambique, Lda. in the amounts of €405,716 k, €10,546 k and €9,717 k, respectively.

As of 31 December 2013 and of 2012, the Group's liabilities to competitors for strategic reserves, which can only be satisfied upon product delivery, amounted to €149,312 k and €194,341 k, respectively, and are reflected in caption "Advances on account of sales" (Note 24).

In November 2004, under Decree-Law No. 339-D/2001 of December, Petrogal together with Petrogal Trading Limited entered into a contract to purchase, sell and exchange crude oil for finished products for strategic reserves with Entidade Gestora de Reservas Estratégicas de Produtos Petrolíferos, EPE (EGREP). Under the contract entered into in 2004 the crude oil acquired by EGREP, which is not reflected in the financial statements, is stored in a non-segregated form in Petrogal's installations, where it must remain so that EGREP can audit it in terms of quantity and quality whenever it so wishes. In accordance with the contract, Petrogal must, when so required by EGREP, exchange the crude sold for finished products, receiving in exchange an amount representing the refining margin as of the date of exchange.

Changes in caption "Impairment of inventories" for the year ended 31 December 2013, were as follows:

Captions	Begining balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Impairment of raw, subsidiary and consumable materials	9,629	1,526	(73)	(6)	(57)	11,019
Impairment of finished and semi-finished products	6,829	24	(6,829)	-	(1)	23
Impairment of merchandise	2,402	87	(663)	(50)	(5)	1,771
	18,860	**1,637**	**(7,565)**	**(56)**	**(63)**	**12,813**

The net increase in impairment, amounting to €5,928 k was recorded in caption "Cost of sales" in the income statement (Note 6).

17. OTHER INVESTMENTS

Caption "Other investments" as of 31 December 2013 and of 2012, had the following detail:

	December 2013		December 2012	
Other investments	**Current**	**Non-current**	**Current**	**Non-current**
Financial instruments at fair value through profit and loss (Note 27)				
Swaps over commodities	9,383	6,066	1,483	8
Swaps over interest rate	-	-	54	-
Swaps over currency	105	-	4,770	-
	9,488	**6,066**	**6,307**	**8**
Bank deposits (Note 18)				
Term deposits	640	-	1,039	-
	640	**-**	**1,039**	**-**
Other Financial Assets				
Other	-	18,464	-	19,299
	-	**18,464**	**-**	19,299
	10,128	**24,530**	**7,346**	**19,307**

As of 31 December 2013 and of 2012, financial derivative instruments are recorded at their respective fair value, reported at those dates (Note 27).

18. CASH AND CASH EQUIVALENTS

Caption "Cash and cash equivalents" as of 31 December 2013 and of 2012, had the following detail:

Captions	December 2013	December 2012
Cash	3,961	7,856
Current account	154,635	171,266
Term deposits	5,394	2,974
Other negotiable securities	72,100	409,879
Other treasury applications	1,267,300	1,294,748
Cash and cash equivalents in the consolidated statement of financial position	**1,503,390**	**1,886,723**
Other current investments (Note 17)	640	1,039
Bank overdrafts (Note 22)	(98,792)	(154,563)
Cash and cash equivalents in the consolidated statement of cash flow	**1,405,238**	**1,733,199**

Caption "Other negotiable securities" mainly includes:
- €65,151 k referring to bank deposit certificates;
- €5,022 k in electricity futures;
- €1,710 k in CO_2 futures;
- €214 k in commodities futures (Brent).

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

Caption "Other treasury applications" includes applications of cash surplus, with less than three months maturities, within the following Group companies:

	December 2013	December 2012
Galp Energia E&P, B.V.	1,146,987	1,204,136
Petróleos de Portugal – Petrogal, S.A.	67,435	24,329
Galp Gás Natural, S.A.	24,654	-
CLCM – Companhia Logística de Combustíveis da Madeira, S.A.	8,550	5,300
Galp Energia Brasil S.A.	6,396	-
Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A.	6,300	1,400
Powercer – Sociedade de Cogeração da Vialonga, S.A.	2,340	300
Beiragás – Companhia de Gás das Beiras, S.A.	2,075	1,900
Galp Exploração Serviços do Brasil, Lda.	1,863	2,968
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.	700	380
Galp Sinopec Brazil Services, B.V.	-	51,815
Galp Energia Overseas, B.V.	-	1,462
Sacor Marítima, S.A.	-	758
	1,267,300	**1,294,748**

19. SHARE CAPITAL

Capital structure

Galp Energia's capital structure has undergone several changes during 2013, compared to the year ended 2012, with a rise in free float from 30.32% to 38.32%.

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

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

At the end of May 2013, Eni announced the sale of a 6.7% interest in Galp Energia's share capital. Considering that Eni had sold in the meantime an interest of approximately 1.3% directly in the regulated market, Eni's holding in Galp Energia's share capital was, by the end of 2013, 16.34%, from which 8% were the underlying asset to the convertible bonds issued at the end of 2012, and the remaining 8.34% were subject to certain rights exercisable by Amorim Energia.

Following these changes in Galp Energia's capital structure, free float went from 30.32% by the end of 2012 up to 38.32% by the end of 2013.

Under the agreements signed by the Parties which, under the terms in paragraph 1.c) of article 20 of the CVM, contemplated that the voting rights corresponding to shares held by each of those Parties were allocated to the remaining, this fact ceased its effects in relation to CGD when the latter sold its 1% interest in Galp Energia's share capital. Regarding Amorim Energia and Eni, on 26 July 2013, the Italian company informed Galp Energia that the inherent voting rights from the qualified holding held by Amorim Energia, were not allocable to Eni, despite voting rights held by Eni were still allocable to Amorim Energia.

By the end of 2013, Eni held a qualified holding of 16.34% of Galp Energia's share capital, and the corresponding voting rights, while a total percentage of 54.68% of voting rights were allocable to Amorim Energia.

As a result of the above, the Company's fully subscribed and paid up share capital as of 31 December 2013 was held as follows:

	No. of shares	% of capital	% of voting rights
Amorim Energia, B.V.	317,934,693	38.34%	54.68%
Eni, S.p.A.	135,497,095	16.34%	16.34%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	317,739,333	38.32%	38.32%
Total	**829,250,635**	**100.00%**	-

20. RESERVES

As of 31 December 2013 and of 2012, caption translation reserves and other reserves had the following detail:

	December 2013	December 2012
Translation reserves:		
Reserves – financial allocations (*quasi* equity)	(133,485)	(62,686)
Reserves – tax on financial allocations (*quasi* equity) (Note 9)	57,265	32,997
	(76,220)	(29,689)
Reserves – conversion of financial statements	(208,958)	(17,904)
Reserves – goodwill rate update	1,060	(31)
	(284,118)	**(47,624)**
Hedging reserves:		
Reserves – financial derivatives	(1,743)	(8,754)
Reserves – deferred tax on financial derivatives (Note 9)	335	2,389
	(1,408)	**(6,365)**
Other reserves:		
Legal reserve	165,850	165,850
Free distribution reserves	27,977	27,977
Special reserves	(443)	(443)
Reserves – capital increase in subsidiaries Petrogal Brazil, S.A. and Galp Sinopec Brazil Services, B.V.	2,493,088	2,493,088
Reserves – increase of 11.0972% in 2012 and of 0.3438% in 2013 of stake in the share capital of subsidiary Lusitaniagás – Companhia de Gas do Centro, S.A.	(2,027)	(1,935)
Reserves – increase of 40% of stake in the share capital of Probigalp – Ligantes Betuminosos, S.A.	(3,975)	-
Reserves – increase of 99% of stake in the share capital of subsidiary Enerfuel, S.A.	(31)	-
	2,680,439	**2,684,537**
	2,394,913	**2,630,548**

Translation reserve:

The movement in the year ended 31 December 2013, in caption "Conversion reserve", was the following:

(i) €208,958 k relating to negative translation differences resulting from the translation of the financial statements in foreign currency to euros:

	Exchange rate on 31 December 2012	Initial balance	Variation	Ending balance	Exchange rate on 31 December 2013
Reserves of currency exchange conversion – by currency:					
Gambian Dalasi	40.02	(135)	(608)	(743)	51.69
US dollars	1.32	21,238	(143,568)	(122,330)	1.38
Cape Verde Escudos	110.27	(69)	-	(69)	110.27
CFA Francs	655.96	(202)	-	(202)	655.96
Angolan Kwanzas	126.33	(1,497)	(277)	(1,774)	134.47
Swazi Lilangeni	11.20	591	(1,027)	(436)	14.40
Mozambican Meticais	38.18	(3727)	(1,798)	(5,525)	41.53
Brazilian Reais	2.70	(34,103)	(43,776)	(77,879)	3.26
		(17,904)	**(191,054)**	**(208,958)**	-

(ii) €76,220 k relating to negative translation differences of the financial allocations of Galp Exploração e Produção Petrolífera, S.A., Petrogal and WIP, SARL (WIP) to Petrogal Brasil, Lda., in euros and US dollars, which are not remunerated and for which there is no intention of reimbursement similar to share capital (*quasi* capital), thus integrating the net investment in that foreign operational unit in accordance with IAS 21;

(iii) €1,060 k relating to negative translation differences resulting from the update of foreign goodwill.

Hedging reserve:

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

In the year ended 31 December 2013 the amount of €1,408 k includes €1,743 k relating to negative changes occurred in financial derivatives – hedging cash flow and €335 k relating to the impact of deferred tax assets on the occurred variations.

Other reserves:

Legal reserves

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

Special reserves

The amount of €443 k in caption special reserves includes €463 k relating to a deferred tax correction – revaluation of equity in the subsidiary Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. and the negative amount of €20 k relating to a donation reserve in subsidiary Gasinsular – Combustíveis do Atlântico, S.A.

Reserves – Capital increases in Petrogal Brazil, S.A. and Galp Brazil Services, B.V.

On 28 March 2012, company WIP, subsidiary of Tip Top Energy, SARL (Sinopec Group), subscribed and realised a capital increase in the amount of $4,797,528,044.74 in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services, B.V. (previously named Galp Brazil Services, B.V.), with the former becoming the owner of 30% of the share capital and voting rights of both subsidiaries.

With the capital increase completed, the Galp Energia Group maintained operational and financial control of the companies, in which it now holds 70% of share capital and voting rights, and continues, in accordance with IAS 27, to consolidate its assets using the full consolidation method. Hence, the difference between the realised amount of capital increase and the book value of share capital at the date of the capital increase was recognised under "Share capital", in caption "Reserves" in the amount of €2,493,088 k.

Reserves – Increase by 11.097% of share capital of subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A.

In July 2012, the Group acquired 10.7532% of the share capital of subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A., which was previously controlled by the Group and consolidated using the full consolidation method. Hence, the difference between paid amount and the book value of share capital at the date of the acquisition was recognised under "Share capital", in caption "Reserves" in the amount of €1,935 k.

In May 2013, the Group acquired 0.3438% of the share capital of subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A. from Revigrés – Indústria de Revestimentos de Grés, Lda., having recognised under "Share capital", in caption "Reserves" the amount of €92 k, due to the difference between paid amount and book value (Note 3).

Reserves – Increase by 99% of share capital of subsidiary Enerfuel, S.A.

In July 2013, the Group acquired 99% of the share capital of subsidiary Enerfuel, S.A., under the agreement signed in August 2012 in which it committed to acquire the remaining shareholding on the final conclusion date of the industrial unit project. Because control was exercised by the Group, the company was already being consolidated using the full consolidation method. Hence, the difference between paid amount and the book value of share capital at the date of the acquisition was recognised under "Share capital", in caption "Reserves" in the amount of €31 k (Note 3).

Reserves – Increase by 40% of share capital of subsidiary Probigalp – Ligantes Betuminosos, S.A.

In September 2013, the Group acquired 40% of the share capital of subsidiary Probigalp – Ligantes Betuminosos, S.A. (Note 3), which was previously controlled by the Group and consolidated using the full consolidation method. Hence, the difference between paid amount and the book value of share capital at the date of the acquisition was recognised under "Share capital", in caption "Reserves" in the amount of €3,975 k.

21. NON-CONTROLLING INTERESTS

As of 31 December 2013 and of 2012, equity caption "Non-controlling interests" refers to the following subsidiaries:

		Balance in December 2012	Capital and reserves	Changes in perimeter (Note 3)	Dividends granted (h)	Prior year results	Translation reserves	Hedging reserves	Retained earnings – actuarial gains and losses	Net result for the year	Balance in December 2013
Galp Sinopec Brazil Services, B.V.		1,010,266	-	-	-	-	(44,321)	-	-	15,893	981,838
Petrogal Brasil, S.A.	(a)	233,997	(7,367)	-	-	-	(48,220)	-	-	26,946	205,356
Setgás – Sociedade de Produção e Distribuição de Gás, S.A.		20,361	-	-	-	-	-	-	6	2,784	23,151
Empresa Nacional de Combustíveis – Enacol, SARL		18,593	-	-	(1,193)	52	-	-	-	1,770	19,222
Beiragás – Companhia de Gás das Beiras, S.A.		12,096	-	-	-	-	-	-	-	1,750	13,846
Lusitaniagás – Companhia de Gás do Centro, S.A.	(b)	2,794	(88)	-	(620)	(223)	-	-	-	499	2,362
Petromar – Sociedade de Abastecimentos de Combustíveis, Lda.		1,572	-	-	(229)	102	-	-	-	505	1,950
Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A.		1,332	-	-	(413)	-	-	-	-	509	1,428
Sopor – Sociedade Distribuidora de Combustíveis, S.A.		2,128	-	-	-	-	-	-	-	(790)	1,338
Saaga – Sociedade Açoreana de Armazenagem de Gás, S.A.		1,503	-	-	(485)	-	-	-	9	223	1,250
CLCM – Companhia Logística de Combustíveis da Madeira, S.A.		1,007	-	-	(750)	-	-	-	-	747	1,004
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.		898	-	-	(14)	-	-	-	-	16	900
Setgás Comercialização, S.A.		1,048	-	-	-	-	-	-	-	(164)	884
Powercer – Sociedade de Cogeração da Vialonga, S.A.		419	-	-	(300)	-	-	5	-	474	598
Moçamgalp Agroenergias de Moçambique, S.A.	(c)	298	-	(900)	-	690	(88)	-	-	-	-
Galpbúzi – Agro-Energia, S.A.	(d)	84	-	(239)	-	152	3	-	-	-	-
Enerfuel, S.A.	(e)	24	(49)	-	-	253	-	-	-	(228)	-
Probigalp – Ligantes Betuminosos, S.A.	(f)	(3,381)	(161)	-	-	4,136	-	-	-	(594)	-
Petrogás Guiné-Bissau – Importação, Armazenagem e Distribuição de Gás, Lda.	(g)	(239)	-	-	-	-	-	-	-	6	(233)
		1,304,800	**(7,665)**	**(1,139)**	**(4,004)**	**5,162**	**(92,626)**	**5**	**15**	**50,346**	**1,254,894**

(a) On 5 September 2013, subsidiary Petrogal Brasil, B.V. and company WIP, shareholders of Petrogal Brasil, S.A., subscribed to capital increases in the amount of €284,689 k and €122,010 k, respectively (Note 3). At the same time, Petrogal Brasil, S.A. settled loans which were recorded as of 31 December 2012 under equity, in the amount of €431,257 k (*). Negative amount of €7,367 k refers to fluctuations of non-controlling interests in captions "Share capital", "Share premiums" and "Supplemental payments".
(*) which, in substance, have characteristics of equity, taking also part of net investment in that operational unit.

(b) Subsidiary Lusitaniagás – Companhia de Gas do Centro, S.A., which was previously owned at 96.4671%, became owned at 96.8109% by the Group. Due to the increase of 0.3438%, a negative amount of €311 k, relating to the variation in the percentage held by the Group, was recorded in Non-controlling interests (Note 3).
The negative amount of €88 k corresponds to the variation of non-controlling interests in captions "Share capital" and "Share premiums".
The negative amount of €223 k corresponds to the variation of non-controlling interests in caption "Retained earnings" until the date interests were transferred.

(c) Interest held in subsidiary Moçamgalp Agroenergias de Moçambique, S.A. began being booked using the equity method, under the Shareholder Agreements that grant shared control of the company's operational and financial management (Notes 3 and 4.2).
Reduction in the amount of €900 k corresponds to non-controlling interests in captions "Share capital" and "Supplemental payments".
The amount of €690 k corresponds to non-controlling interests in caption "Retained earnings" until the date interests were transferred.
The amount of €88 k corresponds to non-controlling interests of reserves for currency exchange, resulting from translation of financial statements in foreign currency (Mozambican Meticais to euros) until the date interests were transferred.

(d) Interest held in subsidiary Galpbúzi – Agro-Energia, S.A. began being booked using the equity method, under the shareholder agreements that grant shared control of the company's operational and financial management (Notes 3 and 4.2).
Reduction in the amount of €239 k corresponds to non-controlling interests in captions "Share capital" and "Supplemental payments".
The amount of €152 k corresponds to non-controlling interests in caption "Retained earnings" until the date interests were transferred.
The amount of €3 k corresponds to non-controlling interests of reserves for currency exchange, resulting from translation of financial statements in foreign currency (Mozambican Meticais to euros) until the date interests were transferred.

(e) Subsidiary Enerfuel S.A., previously held at 1% became held at 100% by the Group. Resulting from the increase by 99%, the negative amount of €24 k relating to the variation of percentage held by the Group was recorded in caption non-controlling interests (Note 3).
The negative amount of €49 k corresponds to the variation of non-controlling interests in captions "Share capital" and "Share premiums".
The positive amount of €253 k corresponds to the variation of non-controlling interests in caption "Retained earnings" until the date interests were transferred.
The negative amount of €228 k corresponds to non-controlling interests of "Net profit for the year" generated until the date of acquisition of the remaining 99%.

(f) Subsidiary Probigalp – Ligantes e Betuminosos, S.A., previously held at 60% became 100% owned by the Group. Resulting from the increase shareholding by 40%, the positive amount of €3,381 k relating to the variation of percentage held by the Group was recorded in caption non-controlling interests (Note 3).
The negative amount of €161 k corresponds to the variation of non-controlling interests in captions "Share capital" and "Share premiums".
The positive amount of €4,136 k corresponds to the variation of non-controlling interests in caption "Retained earnings" until the date interests were transferred.
The negative amount of €594 k corresponds to non-controlling interests of "Net profit for the year" generated until the date of acquisition of the remaining 40%.

(g) As of 31 December 2013, the subsidiaries have negative equity. Thus, the Group only recognised accumulated losses in proportion to the capital in that subsidiary, which is why the minority interests have a debit balance.

(h) From the amount of €4,005 k of attributed dividends, €3,034 k were paid in the year ended 31 December 2013.

22. LOANS

Loans detail

Loans obtained as of 31 December 2013 and of 2012 had the following detail:

	December 2013		December 2012	
	Current	Non-current	Current	Non-current
Bank loans:				
Loans	129,407	1,466,909	322,862	1,418,656
Bank overdrafts (Note 18)	98,792	-	154,563	-
Discounted notes	5,118	-	6,535	-
	233,317	**1,466,909**	**483,960**	**1,418,656**
Origination fees	(6,777)	(2,193)	(595)	(966)
	226,540	**1,464,716**	**483,365**	**1,417,690**
Other loans obtained:				
IAPMEI	2	194	2	210
CESCE	-	-	65,883	461,178
	2	**194**	**65,885**	**461,388**
Origination fees	-	-	(9,912)	(20,651)
	2	**194**	**55,973**	**440,737**
	226,542	**1,464,910**	**539,338**	**1,858,427**
Bonds and notes				
Bonds	150,000	1,350,000	570,000	625,000
Notes	-	500,000	-	-
	150,000	**1,850,000**	**570,000**	**625,000**
Origination fees	(3,222)	(11,188)	(3,744)	(6,098)
	146,778	**1,838,812**	**566,256**	**618,902**
	373,320	**3,303,722**	**1,105,594**	**2,477,329**

The non-current loans, excluding origination fees, as of 31 December 2013 had the following repayment plan:

2015	510,886
2016	642,971
2017	623,762
2018	807,179
2019	569,408
2020	56,976
2021 and subsequent years	105,921
	3,317,103

Domestic and foreign loans as of 31 December 2013 and of 2012 are expressed in the following currencies:

		December 2013		December 2012	
Currency		**Initial total amount**	**Amount due (€k)**	**Initial total amount**	**Amount due (€k)**
US dollars	USD	456,673	329,737	132,320	98,691
Cape Verde Escudos	CVE	146,338	1,327	241,321	2,189
Euros	EUR	1,888,432	1,265,252	1,827,551	1,640,588
Swazi Lilangeni	SZL	-	-	472	34
Mozambican Meticais	MZM	-	-	7839	16
			1,596,316		**1,741,518**

The average interest rates on loans and bank overdrafts, including commissions and other financial costs in 2013 and of 2012 were of 4.4% and 4.46%, respectively.

Description of the main loans

Underwriting of commercial paper

On 31 December 2013, the Group has contracted commercial paper underwritten totalling €1,065,000 k, which are divided into €515,000 k of medium and long term and €550,000 k of short term. Of these amounts, €390,000 k were used at medium and long term.

These underwritings bear interests at a Euribor rate for the respective period of issuance, plus variable spreads defined in the contractual terms of the commercial paper programs underwritten by the Group. The specified interest rate refers to the amount of each issue and remains unchanged during the respective period of the issue.

In 2013, a commercial paper program underwritten was contracted in the amount of €140,000 k with Caixa Central de Crédito Agrícola Mútuo, CRL. This program has a term of six years and bears interests at a Euribor rate plus a spread.

Bank loans
As of 31 December 2013, bank loans have the following detail:

Entity	Amount due	Interest rate	Maturity	Reimbursement
Banco do Brasil	65,000	Euribor 3m + spread	December 14	December 14
Banco do Brasil	115,000	Euribor 3m + spread	February 18	Semi-annual installments beginning in March 16
BTG Pactual	94,264	Libor 6m + spread	December 16	50% @ December 15 50% @ December 15
Banco Itaú	91,364	Libor 6m + spread	April 17	50% @ April 16 50% @ April 17
ICBC	145,022	Libor 6m + spread	December 18	December 18

In 2013, the Group has contracted three new non-current loans. One loan was contracted with Banco do Brazil AG – Branch in Portugal, amounting to €115,000 k, and two loans, in US dollars, namely contracted loan with Itaú BBA International, Ltd., in the amount of $126,000 k and repaid in three amortisations during 2013, and the other is the first loan contracted with a Chinese entity, Industrial and Commercial Bank of China (Europe) S.A., Sucursal en España, in the amount of $200,000 k.

Additionally, the Group recorded the amount of €47,697 k in internal non-current loans obtained by: Agroger – Sociedade de Cogeração do Oeste S.A., Beiragás – Companhia de Gás das Beiras, S.A. and CLCM – Companhia Logística de Combustíveis da Madeira, S.A.

Main loans contracted with European Investment Bank (EIB), as of 31 December 2013, have the following detail:

Entity	Amount due	Interest rate	Maturity	Reimbursement
EIB (Porto cogeneration)	50,000	Revisable fixed rate	October 17	October 17
EIB (Installment A – Sines cogeneration)	28,634	Fixed rate	September 21	Semi-annual installments beginning in March 10
EIB (Installment B – Sines cogeneration)	14,641	Euribor 6m + spread	March 22	Semi-annual installments beginning in September 10
EIB (Installment A – refinery conversion)	282,000	Revisable fixed rate	February 25	Semi-annual installments beginning in August 10
EIB (Installment B – refinery conversion)	188,000	Fixed rate	February 25	Semi-annual installments beginning in August 12

Additionally, the Group has two other loans contracted with EIB in the amount of €68,097 k.

The loans contracted with the EIB, with the purpose of financing the implementation of cogeneration projects at the Sines and Porto refineries, and instalment A of the conversion of the Sines and Porto refineries, are granted under a signed contract with Petrogal, S.A.

The remaining loan with the EIB, in the amount of €256,097 k, is granted under a signed contract with a bank syndicate.

Bonds
As of 31 December 2013, issued bonds had the following detail:

Issue	Amount due	Interest rate	Maturity	Reimbursement
Galp Energia/2012 – €300 m FRN-2014	150,000	Euribor 6m + spread	November 14	50% @ November 13 50% @ November 14
Galp Energia/2012-2016	100,000	Euribor 6m + spread	December 16	December 16
Galp Energia/2013 – €600 m FRN-2017	600,000	Euribor 6m + spread	May 17	50% @ May 16 50% @ May 17
Galp Energia/2012-2017	80,000	Euribor 6m + spread	December 17	December 17
Galp Energia/2012 – FRN-2018	260,000	Euribor 3m + spread	February 18	February 18
Galp Energia/2013-2018	110,000	Euribor 3m + spread	March 18	March 18
Galp Energia/2013 – €200 m-2018	200,000	Euribor 6m + spread	April 18	April 18

2013 Issue – Galp Energia, SGPS, S.A.

a) On 18 February 2013 the Company issued bonds for private subscription, amounting to €150,000 k, for the financing of its investment plan. The bonds bear interest at a three-month Euribor rate plus a spread, and matures on 18 February 2018. This issue will be merged with the issue by Galp Energia on 18 December 2012 in the amount of €110,000 k, making the total amount of the issue, from 18 February 2013, of €260,000 k.

   The issuance was organised and subscribed by Deutsche Bank AG, London Branch.

b) On 8 March 2013 the Company issued bonds by private subscription, amounting to €110,000 k, for the financing of its investment plan. The bonds bear interest at a three-month Euribor rate plus a spread, and mature on 8 March 2018.

   The issuance was organised and subscribed by Banco Espírito Santo de Investimento, S.A.

c) On 15 April 2013 the Company, issued bonds by private subscription, amounting to €200,000 k. The bonds have a maturity of five years and a coupon indexed to six month Euribor plus a spread.

   The issuance was organised and subscribed by Banco BPI, S.A.

d) On 20 May 2013, the Company issued a bond, by private subscription, amounting to €600,000 k, intended in part to refinance the second amortisation in the amount of €420,000 k of the bond of €700,000 k. The bonds bear interests at a six-month Euribor rate plus a variable spread, and have maturity of 50% on 20 May 2016 and 50% on 20 May 2017.

The issuance was organised and subscribed by: BNP Paribas, Banco Santander Totta, BBVA, Caixa – Banco de Investimento, ING and Société Génerale.

Issue of notes
Galp Energia established, under its financing plan, an EMTN Programme €5,000,000,000.

On 15 November 2013, under the EMTN Programme, Galp Energia issued notes in the amount of €500,000 k, due on 25 January 2019 with a coupon of 4.125%, which are admitted for negotiation at the London Stock Exchange.

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

23. RETIREMENT AND OTHER EMPLOYEE BENEFITS

As mentioned in Notes 2.10 and 2.11, some Group companies assumed liabilities relating to retirement benefits and other employee benefits.
In 2013, the Group companies did not make any contributions to their Pension Funds.

As of 31 December 2013 and of 2012, the Petrogal Pension Fund, Sacor Marítima Pension Fund and GDP Pension Fund assets, measured at fair value, in accordance with the report of the fund management entity were as follows:

	2013	2012
Bonds	218,666	227,981
Shares	73,312	66,660
Other investments	10,360	10,398
Real estate	32,752	36,532
Liquidity	3,645	10,576
	338,735	**352,147**

As of 31 December 2013, the Group had recorded the following amounts relating to retirement and other benefit liabilities:

Captions	Assets (Note 14)	Liabilities	Equity
Retirement benefits:			
Relating to the Pension Fund	4,916	(289)	32,794
Retired employees	-	(3,754)	1,361
Pre-retirement	-	(43,853)	643
Early retirement	-	(60,388)	(5,317)
Retirement bonus	-	(7,919)	1,024
Voluntary social insurance	-	(1,666)	2,561
Other	-	(607)	(120)
Other benefits:			
Healthcare	-	(211,532)	56,127
Life insurance	-	(3,615)	538
Defined contribution plan minimum benefit	-	(4,872)	(1,912)
	4,916	**(338,495)**	**87,699**

Caption "Pre-retirement" in the amount of €43,853 k includes €4,027 k and €1,850 k from Petrogal and Lisboagás, respectively, to cover the early retirements already agreed which will only be effective in 2014.

Employee cost caption "Retirement benefits" in the amount of €38,801 k (Note 6) mainly includes: (i) €5,369 k relating to benefits affected to the fund; (ii) €31,999 k relating to other retirement benefits; (iii) a loss of €4,658 k from other benefits; (iv) €2,284 k relating to the defined contribution plan; and (v) a gain of €6,155 k relating to reversion of pre-retirements and early retirements not included in other benefits.

The difference of €14,824 k, in the detail of the equity presented above and caption retained earnings – actuarial gains and losses in the consolidated statement of financial position relates to the amount of deferred tax.

The following table shows the number of participants and beneficiaries per each category:

	December 2013	December 2012
Active	2,219	1,574
Pre-retired	280	232
Early retirements	255	218
Disability retirements	90	115
Elderly retirements	3,131	3,181
Pensioners – widowood/orphanhood	1,586	1,685
	7,561	**7,005**

In 2013 there were 87 new cases of pre-retirement, 44 new cases of early retirement and 11 leavers for termination by mutual agreement.

Average maturity of liabilities for the defined benefit plans is 9.9 years.

The assumptions used to calculate the retirement benefits are those considered by the Group and the entity specialised in the actuarial studies as those that best meet the obligations established in the pension plan and the respective liability for retirement benefits are as follows:

	Group in Portugal	
	2013	2012
Assumptions		
Rate of return on assets	3.75%	4.50%
Technical interest rate	3.75%	4.50%
Rate of increase in salaries	1.00%	In the first 5 years: 2%; After: 3%
Rate of increase in pensions	[0% – 0.5%]	[0% – 2%]
Current personnel and pre-retirees mortality table	INE 2009 – 2011	INE 2009 – 2011
Retired personnel mortality table	INE 2009 – 2011	INE 2009 – 2011
Disability table	50% EVK 80	50% EVK 80
Common age for retirement	65	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous period	376,571	370,480
Current service cost	2,773	2,862
Interest cost	16,360	18,752
Actuarial (gain)/loss	(38,129)	5,803
Benefit payments made by the Fund	(26,282)	(26,245)
Cut back – Early retirements	5,314	5,284
Cut back – Pre-retirement	(2,354)	(42)
Liquidations	(381)	-
Other adjustments	3	(323)
PSL at the end of the current period	**333,875**	**376,571**
Changes in coverage of financial assets (pension fund)		
Assets at the end of the previous period	352,147	318,392
Expected return	15,261	17,537
Associate's contribution	-	21,006
Benefit payments	(26,282)	(26,245)
Financial gains/(losses)	(2,391)	21,457
Assets at the end of the current period	**338,735**	**352,147**
Conciliation of gains and losses		
(Gain)/loss from actuarial experience	8,619	8,773
(Gain)/loss by actuarial assumptions change	(46,748)	(2,971)
Financial (gain)/loss	2,391	(21,457)
Other impacts	35,738	15,655
(Gains)/losses to be recognised in the year-end	-	-
Conciliation to the statement of financial position		
(Gains)/losses to be recognised at the beginning of the year	(24,424)	(52,088)
Net cost of the period	(6,451)	(9,320)
Associate's Contribution	-	21,006
Gains/(losses) recognised – through Comprehensive Income	35,738	15,655
Other impacts	(3)	323
Total recognised at period end – assets/(liabilities)	**4,860**	**(24,424)**
Net cost of the year		
Current service cost	2,773	2,862
Interest cost	1,099	1,216
Net cost of the period before special events	**3,872**	**4,078**
Cut back impact – early retirement	5,314	5,284
Cut back impact – pre-retirement	(2,354)	(42)
Liquidations impacts	(381)	-
Net cost of the year	**6,451**	**9,320**
Reconciliation of gains and loss recognised – through comprehensive income		
(Gains)/losses to be recognised at the beginning of period	66,151	81,826
Actuarial (gains) and losses from experience	8,619	8,774
(Gains)/losses from change in assumptions	(46,748)	(2,971)
Financial (gains)/losses	2,391	(21,458)
Other impacts	2	(20)
(Gains)/losses to be recognised at the end of period	**30,415**	**66,151**

	Group in Spain	
	2013	**2012**
Assumptions		
Asset remuneration rate	3.75%	4.50%
Technical interest rate	3.75%	4.50%
Salary increase rate	3.00%	3.00%
Pensions increase rate	2.00%	2.00%
Current personnel and pre-retirees mortality table	PERMF 2000P	PERMF 2000P
Retired personnel mortality table	PERMF 2000P	PERMF 2000P
Common age for retirement	65	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous period	452	7,784
Current service cost	11	9
Interest cost	14	392
Actuarial (gain)/loss	(23)	580
Benefits paid by the Fund	-	(636)
Liquidations	(88)	(7,673)
Other adjustments	6	(4)
PSL at the end of the current period	372	**452**
Changes in the coverage of financial assets (pension fund)		
Asset value at the end of the previous period	413	7,815
Expected return	13	393
Associate's contribution	117	103
Benefit payments	-	(636)
Liquidations	(88)	(7,673)
Financial gains/(losses)	(27)	411
Asset value at the end of current period	**428**	**413**
Asset ceiling		
Total recognised at the beginning of the period – assets/(liabilities)	-	(963)
Adjustment to net assets of the plan	-	963
Total recognised at period end – assets/(liabilities)	-	-
Conciliation to the statement of financial position		
Total recognised at the beginning of the period – assets/(liabilities)	(39)	(932)
Net cost of the period	(18)	(3)
Associate's contribution	117	103
Gains/(loss) recognised – through comprehensive income	(4)	-
Gains/(loss) recognised – without use of the corridor	-	793
Total recognised at period end – assets/(liabilities)	**56**	**(39)**
Net cost of the year		
Current service cost	11	9
Interest cost	1	(1)
Net cost of the period before special events	**12**	**8**
Other adjustments	6	(4)
Net cost for the year	**18**	**4**
Conciliation of gains and loss recognised – through comprehensive income		
(Gains)/losses to be recognised at the beginning of period	2,555	3,401
Changes in asset ceiling effect	-	(963)
Actuarial (gains) and losses from experience	12	59
(Gains)/losses from change in assumptions	(35)	521
Financial (gains)/losses	27	(411)
Adjustments from previous years	(180)	(52)
(Gains)/losses to be recognised at the end of period	**2,379**	**2,555**

Other retirement benefits not related with the pension fund:

	Group in 2013						
	Retired	Pre-retirement	Early retirement	Retirement bonuses	Voluntary social insurance	Other	Total
Assumptions							
Technical interest rate	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	
Salary increase rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	
Pension increase rate	[0% – 0.50%]	[0% – 0.50%]	[0% – 0.50%]	[0% – 0.50%]	[0% – 0.50%]	[0% – 0.50%]	
Current personnel and pre-retirees mortality table	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	
Retired personnel mortality table	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)							
PSL at the end of the previous period	4,852	27,000	55,707	7,325	1,881	655	97,420
Current service cost	-	8	531	231	-	20	790
Interest cost	200	1,023	2,336	322	78	29	3,988
Actuarial (gain)/loss for the year	32	(1,607)	(606)	728	5	(26)	(1,474)
Benefits paid by the Company	(707)	(10,374)	(7,787)	(418)	(298)	(125)	(19,709)
Transfer of responsibility within the Company	(623)	623	-	-	-	-	-
Cut back – early retirement	-	-	10,839	(202)	-	-	10,637
Cut back – pre-retirement	-	21,270	(632)	(14)	-	-	20,624
Liquidations	-	-	-	(53)	-	-	(53)
Other adjustments	-	2	-	-	-	1	3
PSL at the end of the current period	**3,754**	**37,945**	**60,388**	**7,919**	**1,666**	**554**	**112,226**
Conciliation to the statement of financial position							
Total recognised at the beginning of the period – assets/(liabilities)	(4,852)	(27,000)	(55,707)	(7,325)	(1,881)	(655)	(97,420)
Net cost of the period	(200)	(22,301)	(13,074)	(284)	(78)	(49)	(35,986)
Benefits paid directly by the Company	707	10,374	7,787	418	298	125	19,709
Gains/(loss) recognised – through comprehensive income	(32)	1,607	606	(728)	(5)	26	1,474
Transfer of responsibility between companies	623	(623)	-	-	-	-	-
Total recognised at period end – assets/(liabilities)	**(3,754)**	**(37,945)**	**(60,388)**	**(7,919)**	**(1,666)**	**(554)**	**(112,226)**
Net cost of the period							
Current service cost	-	8	531	231	-	20	790
Interest cost	200	1,023	2,336	322	78	29	3,988
Net cost of the period before special events	**200**	**1,031**	**2,867**	**553**	**78**	**49**	**4,778**
Cut back effect – early retirement	-	-	10,839	(202)	-	-	10,637
Cut back effect – pre-retirement	-	21,271	(632)	(14)	-	-	20,625
Liquidations impacts	-	-	-	(53)	-	-	(53)
Net cost of the period	**200**	**22,302**	**13,074**	**284**	**78**	**49**	**35,987**
Conciliation of gains and loss recognised-through comprehensive income							
(Gains)/losses to be recognised at the beginning of period	1,329	2,264	(4,712)	295	2,555	(94)	1,637
Actuarial (gains) and Losses from experience	(88)	(977)	241	1,501	(31)	2	648
(Gains)/losses from change in assumptions	120	(630)	(846)	(772)	36	(28)	(2,120)
Other impacts	-	(14)	-	-	1	-	(13)
(Gains)/losses to be recognised at the end of period	**1,361**	**643**	**(5,317)**	**1,024**	**2,561**	**(120)**	**152**
Non-controlling interests	-	(6)	-	-	-	-	(6)
(Gains)/losses to be recognised at the end of period	**1,361**	**649**	**(5,317)**	**1,024**	**2,561**	**(120)**	**158**

	Group in 2012						
	Retired	Pre-retirement	Early retirement	Retirement bonuses	Voluntary social insurance	Other	Total
Assumptions							
Asset remuneration rate	N/A	N/A	N/A	N/A	N/A	N/A	
Technical interest rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	
Salary increase rate	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	
Pension increase rate	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	[0% – 2%]	
Current personnel and pre-retirees mortality table	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	
Retired personnel mortality table	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)							
PSL at the end of the previous period	4,716	31,732	54,828	8,903	2,177	808	103,164
Current service cost	-	6	648	271	-	39	964
Interest cost	230	1,428	2,729	453	107	31	4,978
Actuarial (gain)/loss for the year	425	227	(4,495)	(1,726)	(163)	(16)	(5,748)
Benefits paid by the Company	(704)	(9,733)	(6,518)	(367)	(275)	(51)	(17,648)
Transfer of responsibility between companies	-	(191)	191	-	-	-	-
Cut back – early retirement	-	-	8,697	(216)	35	-	8,516
Cut back – pre-retirement	185	3,199	(373)	7	-	64	3,082
Other adjustments	-	332	-	-	-	(220)	112
PSL at the end of the current period	**4,852**	**27,000**	**55,707**	**7,325**	**1,881**	**655**	**97,420**
Conciliation to the statement of financial position							
Total recognised at the beginning of the period – assets/(liabilities)	(4,716)	(31,732)	(54,828)	(8,903)	(2,177)	(808)	(103,164)
Net cost of the period	(415)	(4,633)	(11,701)	(515)	(142)	(134)	(17,540)
Benefits paid directly by the Company	704	9,733	6,518	367	275	51	17,648
Gains/(loss) recognised – through comprehensive income	(425)	(227)	4,495	1,726	163	16	5,748
Transfer of responsibility between companies	-	191	(191)	-	-	-	-
Other adjustments	-	(332)	-	-	-	220	(112)
Total recognised at period end – assets/(liabilities)	**(4,852)**	**(27,000)**	**(55,707)**	**(7,325)**	**(1,881)**	**(655)**	**(97,420)**
Net cost of the period							
Current service cost	-	6	648	271	-	39	964
Interest cost	230	1,428	2,729	453	107	31	4,978
Net cost of the period before special events	**230**	**1,434**	**3,377**	**724**	**107**	**70**	**5,942**
Cut back effect – early retirement	-	-	8,697	(216)	35	-	8,516
Cut back effect – pre-retirement	186	3,199	(373)	7	-	64	3,083
Net cost of the period	**416**	**4,633**	**11,701**	**515**	**142**	**134**	**17,541**
Conciliation of gains and loss recognised – through comprehensive income							
(Gains)/losses to be recognised at the beginning of period	954	2,275	(217)	2,021	2,718	(78)	7,673
Actuarial (gains) and Losses from experience	888	(323)	(4,418)	(1,862)	(200)	(55)	(5,970)
(Gains)/losses from change in assumptions	(463)	550	(77)	136	37	39	222
Other impacts	(50)	(238)	-	-	-	-	(288)
(Gains)/losses to be recognised at the end of period	**1,329**	**2,264**	**(4,712)**	**295**	**2,555**	**(94)**	**1,637**
Non-controlling interests	-	3	-	-	-	-	3
(Gains)/losses to be recognised at the end of period	**1,329**	**2,261**	**(4,712)**	**295**	**2,555**	**(94)**	**1,634**

As mentioned in Note 2.10, on 31 December 2002, the Portuguese Insurance Institute authorised Galp Energia to create a defined contribution Pension Fund, giving the employees the possibility to choose between the new defined contribution pension plan and the existing defined benefits plan. In 2013, €2,284 k were recorded in the caption “Employee costs”, relating to contributions for the year from companies associated with the Galp Energia defined contribution Pension Fund, in benefit of their employees, by transferring the amount to the fund manager.

Other retirement benefits – healthcare, life insurance and defined contribution minimum benefit plan (disability and survivor):
As mentioned in Note 2.11, as of 31 December 2013, the Group had a provision to cover its liability for healthcare, life insurance of current personnel past service and the total liability for the remaining population and with minimum benefit defined contribution plan. The present value of past service liability and actuarial assumptions used in the calculation are as follows:

	Group in 2013			
	Healthcare	Life insurance	Defined contribution plan minimum benefit	Total
Assumptions				
Technical interest rate	3.75%	3.75%	3.75%	
Salary increase rate	4.00%	1.00%	1.00%	
Current personnel and pre-retirees mortality table	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	
Retired personnel mortality table	INE 2009 – 2011	INE 2009 – 2011	GKF95	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous period	192,781	3,619	5,866	202,266
Current service cost	3,441	158	1,059	4,658
Interest cost	8,441	158	263	8,862
Actuarial (gain)/loss	17,407	(87)	(2,316)	15,004
Benefits paid by the Company	(10,538)	(233)	-	(10,771)
PSL at the end of the current period	**211,532**	**3,615**	**4,872**	**220,019**
Conciliation to the statement of financial position				
Total recognised at the beginning of the period – assets/(liabilities)	(192,781)	(3,619)	(5,866)	(202,266)
Net cost of the period	(11,882)	(316)	(1,322)	(13,520)
Benefits paid directly by the Company	10,538	233	-	10,771
Gains/(loss) recognised – through comprehensive income	(17,407)	87	2,316	(15,004)
Total recognised at period end – assets/(liabilities)	**(211,532)**	**(3,615)**	**(4,872)**	**(220,019)**
Net cost of the period				
Current service cost	3,441	158	1,059	4,658
Interest cost	8,441	158	263	8,862
Net cost of the period	**11,882**	**316**	**1,322**	**13,520**
Conciliation of gains and loss recognised – through comprehensive income				
(Gains)/losses to be recognised at the beginning of period	38,720	622	403	39,745
Actuarial (gains) and Losses from experience	(2,154)	254	(703)	(2,603)
(Gains)/losses from change in assumptions	19,561	(335)	(1,613)	17,613
Other impacts	-	(3)	-	(3)
(Gains)/losses to be recognised at the end of period	**56,127**	**538**	**(1,913)**	**54,752**
Non-controlling interests (Note 21)	1	(3)	14	12
(Gains)/losses to be recognised at the end of period	**56,126**	**541**	**(1,927)**	**54,740**

The current service cost in the amount of €4,658 k was recorded in the consolidated income statement caption "Employee costs" (Note 6).

Net interest in the total amount of €8,862 k was recorded in the consolidated income statement caption "Other interest paid" (Note 8).

	Group in 2012			
	Healthcare	**Life insurance**	**Defined contribution plan minimum benefit**	**Total**
Assumptions				
Technical interest rate	4.50%	4.50%	4.50%	
Salary increase rate	4.00%	In the first 5 years: 2%; After: 3%	In the first 5 years: 2%; After: 3%	
Current personnel and pre-retirees mortality table	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	
Retired personnel mortality table	INE 2009 – 2011	INE 2009 – 2011	INE 2009 – 2011	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	65	65	65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous period	198,650	3,373	4,292	206,315
Current service cost	3,042	122	896	4,060
Interest cost	10,135	174	225	10,534
Actuarial (gain)/loss	17,279	115	497	17,891
Benefits paid by the Company	(11,651)	(207)	(44)	(11,902)
Other Adjustments	(24,674)	42	-	(24,632)
PSL at the end of the current period	**192,781**	**3,619**	**5,866**	**202,266**
Conciliation to the statement of financial position				
Total recognised at the beginning of the period – assets/(liabilities)	(198,650)	(3,373)	(4,292)	(206,315)
Net cost of the period	11,497	(296)	(1,120)	10,081
Benefits paid directly by the Company	11,651	207	43	11,901
Gains/(loss) recognised – through comprehensive income	(17,279)	(115)	(497)	(17,891)
Other adjustments effect	-	(42)	-	(42)
Total recognised at period end – assets/(liabilities)	**(192,781)**	**(3,619)**	**(5,866)**	**(202,266)**
Net cost of the period				
Current service cost	3,042	122	896	4,060
Interest cost	10,135	174	224	10,533
Other adjustments	(24,674)	-	-	(24,674)
Net cost of the period	**(11,497)**	**296**	**1,120**	**(10,081)**
Conciliation of gains and loss recognised – through comprehensive income				
(Gains)/losses to be recognised at the beginning of period	21,394	504	(94)	21,804
Actuarial (gains) and losses from experience	12,214	70	(475)	11,809
Other impacts	47	3	-	50
(Gains)/losses to be recognised at the end of period	**38,720**	**622**	**403**	**39,745**
Non-controlling interests	(1)	3	26	28
(Gains)/losses to be recognised at the end of period	**38,721**	**619**	**377**	**39,717**

According to actuarial studies made by a specialised entity, estimated contributions for the various defined benefit plans in 2014 are of €13,903 k.

Sensitivity analysis

A sensitivity analysis was made in order to measure the impact on liabilities caused by the change in the discount rate. For this purpose an increase by 75 b.p. in the discount rate was considered.

Liabilities	Discount rate 3.75%	Discount rate 4.50%	Variation
Retirement benefits:			
Relating to the pension fund	333,875	311,550	(6.69%)
Not relating to the pension fund	112,226	108,619	(3.21%)
	446,101	**420,169**	
Other benefits:			
Healthcare	211,532	191,970	(9.25%)
Life insurance	3,615	3,397	(6.03%)
Defined contribution plan minimum benefit	4,872	4,664	(4.27%)
	220,019	200,031	
	666,120	**620,200**	

A sensitivity analysis was made in order to measure the impact on liabilities caused by the change in retirement age. For this purpose an increase by one year in the age of retirement (from 65 to 66 years old) was considered:

Liabilities	Age of retirement 65 years old	Age of retirement 66 years old	Variation
Retirement benefits:			
Relating to the pension fund	333,875	326,933	(2.08%)
Not relating to the pension fund	112,226	130,938	16.67%
	446,101	**457,871**	
Other benefits:			
Healthcare	211,532	208,272	(1.54%)
Life insurance	3,615	3,307	(8.52%)
Defined contribution plan minimum benefit	4,872	4,923	1.04%
	220,019	216,502	
	666,120	**674,373**	

Rate of medical cost trend

The long term medical cost growth rate considered by the Group, based on historical growth of premiums and claims rates, is 4%. The sensitivity analysis made to Petrogal, which represents 89% of Group, reflects that an increase of 1% in growth of premiums rate causes an increase in liabilities by 15% (€31,640 k), while a decrease of 1% in growth of premiums rate causes a decrease by 12% in liabilities (€25,550 k).

Health insurance sensitivity analysis

Captions	3%	4%	5%
Current service cost	2,655	3,441	4,517
Interest cost	7,454	8,441	9,648
	10,109	**11,882**	**14,165**
Past service liabilities	185,981	211,532	243,171
Impact on current service cost and interest cost	(1,773)	-	2,283
Impact on past service liabilities	(25,550)	-	31,640

Historical analysis of remeasurements

The historical analysis of gains and losses was performed with reference to the Petrogal Pension Fund, as it represents 91% of the Galp Group:

Discount rate	3.75%	4.50%	5.25%	5.25%	5.25%	6.10%	5.45%
	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Liabilities amount (a)	302,461	342,720	336,401	329,908	339,565	311,357	328,220
Value of the Fund (b)	306,892	320,518	288,047	304,235	308,472	302,572	333,403
Actuarial gains (+) and losses (-)	35,491	(6,483)	(8,694)	8,833	(32,210)	12,871	24,205
Gains (+) and losses (-) for changes in assumptions	44,243	4,055	-	-	(27,009)	20,337	30,430
Actuarial gains (+) and losses (-) from experience (c)	(8,752)	(10,538)	(8,694)	8,833	(5,201)	(7,466)	(6,225)
Financial gains (+) and losses (-) (d)	(2,744)	20,213	(15,219)	1,706	11,013	(26,840)	(7,363)
(c)/(a)	(3%)	(3%)	(3%)	3%	(2%)	(2%)	(2%)
(d)/(b)	(1%)	6%	(5%)	1%	4%	(9%)	(2%)
Real return on plan assets (%)	3.6%	12.5%	0.3%	4.8%	8.9%	(2.9%)	3.1%
Real return on plan assets	11,128	36,200	125	15,857	25,535	(9,796)	9,694

Defined benefit pension plans and post-employment healthcare and Life are exposed to several risks, from which the following are highlighted:

(a) Longevity Risk

Actual longevity higher than projected may cause an increase in liabilities.

(b) Bond Interest Rate Risk

A decrease in the reference interest rate used as discount rate, increases liabilities, which may be mitigated in case a fund is used as financing vehicle, by exposure of assets to the bond segment.

(c) Investment Risk

The main investment risks are the interest rate, the credit, the stock market and the currency risks. Implications that the underlying risk of the investment policy may have in fulfilling the fund's minimum solvency, result from fluctuations in interest rates and exposition to stock and secondary markets resulting in a performance lower than the discount rate. In this particular case, fluctuations in interest rates are the most relevant risk, since portfolios are mostly invested in this asset class. Together with the impact of non-mitigable risks (e.g. variations in population), this fact increases the probability of necessary extraordinary contributions (i.e. beyond the cost of current services) in order to maintain fund solvency.

(d) Risk of unfavourable evolution of actual cost with health and life insurances.

24. OTHER PAYABLES

The non-current and current caption "Other payables" as of 31 December 2013 and of 2012, have the following detail:

	December 2013		December 2012	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
State and other public entities:				
VAT payables	257,732	-	223,905	-
ISP	75,229	-	122,661	-
Personnel and corporate income tax withheld	8,250	-	7,563	-
Social Security contributions	6,530	-	6,128	-
Other taxes	27,261	-	21,843	-
Advances on sales (Note 16)	149,312	-	194,341	-
Suppliers – tangible and intangible assets	139,329	98,938	128,592	99,790
Personnel	7,433	-	12,029	-
Overlifting	4,889	-	17,332	-
Trade receivables credit balances	2,989	-	2,928	-
Guarantee deposits and guarantees received	2,666	-	2,579	-
ISP – congeners debit	1,409	-	2,242	-
Other payables – other shareholders	1,235	-	1,400	-
Trade receivables advances	978	-	1,208	-
Loans – associated, participated and related companies (Note 28)	365	135,319	-	142,229
Payable from the block 14 consortium in Angola (insufficiency of profit-oil payable)	-	-	1,106	-
Other payables – associated, participated and related companies (Note 28)	2,238		668	
Loans – other shareholders	-	12,648	-	11,577
Other creditors	31,081	3,717	27,724	2,952
	718,926	**250,622**	**774,249**	**256,548**
Accrued costs:				
External supplies and services	72,729	-	68,835	-
Holiday pay, holiday subsidy and corresponding personnel costs	29,877	-	31,501	-
Accrued interest	23,276	-	26,982	-
Productivity bonus	15,570	-	13,667	-
Adjustment to tariff deviation – other activities – ERSE regulation	15,399	-	16,965	-
Fastgalp prizes	7,836	-	8,360	-
Adjustment to tariff deviation – regulated revenue – ERSE regulation (Note 14)	5,618	13,309	13,855	-
Interest on overdrafts	5,486	-	5,258	-
Accrued insurance premiums	2,510	-	4,691	-
Financial costs	940	-	1,202	-
Financial neutrality – ERSE regulation	394	-	320	-
Accrued personnel costs – other	74	-	127	-
Adjustment to tariff deviation – Energy tariff – ERSE regulation (Note 14)	-	10,138	3,661	-
Other accrued costs	11,593	2,814	8,740	-
	191,302	**26,261**	**204,164**	**-**
Deferred income:				
Investment government grants (Note 13)	10,384	266,153	11,080	275,210
Services rendered	5,016	-	3,367	-
Fibre optics	404	1,799	404	2,203
Other	10,684	69	11,252	78
	26,488	**268,021**	**26,103**	**277,491**
	936,716	**544,904**	**1,004,516**	**534,039**

The caption "Advances on sales" includes the amount of €149,312 k relating to Group liability to competitors for strategic reserves (Note 16).

The caption "Suppliers – fixed assets and intangible assets" refers essentially to the surface rights.

The amount of €4,889 k in the caption "Overlifting" represents the Group's liability for crude oil lifted in excess of its production quota and is measured as described in Note 2.7 e).

The amount of €2,666 k recorded in the caption "Guarantee deposits and guarantees received" includes €2,093 k relating to Petrogal's liability as of 31 December 2013, for customer deposits received on gas containers in use which were recorded at acquisition cost, which is, approximately, its fair value.

The amount of €135,319 k recorded in the caption "Loans – associated, participated and related companies" refers to the following:

- In March 2012, WIP granted loans totalling €258,072 k ($358,873,000): i) €135,319 k relating to loans obtained by subsidiary Petrogal Brazil, S.A., that bear interest at market rates and have defined maturity of 10 years, are recorded in caption loans – other shareholders (non-current); and ii) €122,754 k do not bear interest and there is no intention of repayment, thus being similar as share capital (*quasi* equity), and, as such, recorded in caption non-controlling interests (Notes 20 and 21). The amount recorded under "Loans – other shareholders (non-current)" amounts to €135,319 k, as of 31 December 2013, as result of the exchange rate update. In the period ended 31 December 2013, the amount of €7,042 k, relating to loans obtained concerning related companies, is recognised under interest caption (Notes 8 and 28).

The amount of €12,648 k in caption "Loans – other shareholders" mainly refers to:

- €8,938 k recorded in non-current payable to ENAGÁS, SGPS, S.A. for loans obtained by subsidiary SETGÁS – Sociedade de Distribuição de Gás Natural, S.A., included in the consolidation scope (Note 3), which bears interest at market rate and has no defined repayment date;

- €1,205 k recorded as non-current payable to EDP Cogeração, S.A. related to shareholders loans obtained by the subsidiary Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A., which bears interest at market rate and has no defined repayment date;

- €2,477 k recorded as non-current payable to Visabeira Telecomunicações, SGPS, S.A., relates to shareholder loans obtained by the subsidiary Beiragás – Companhia de Gás das Beiras, S.A., which bears interest at market rates and has no defined repayment date.

The amount of €7,836 k recorded under accrued costs – Fast Galp prizes is Petrogal's liability for Fast Galp card points issued but not yet claimed until 31 December 2013, which are expected to be exchanged for prizes in subsequent periods.

Government grants are to be recognised as income over the useful life of the assets. The amount to be recognised in future periods is €276,537 k (Note 13).

Income from the contract of assignment of rights to use telecommunication infrastructures is recorded in caption deferred income – fibre optics and is recognised in earnings during the period of the contract. The balance of deferred income as of 31 December 2013, to be recognised in future periods amounts to €2,203 k.

25. PROVISIONS

The changes in provisions in the period ended 31 December 2013, were as follows:

Caption	Beginning balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in perimeter	Ending balance
Legal actions	18,061	6,056	(2 470)	(7,380)	-	(11)	-	14,256
Investments (Note 4)	2,850	395	-	-	-	(115)	-	3,130
Taxes	16,511	52	(274)	-	17,341	(740)	-	32,890
Environment	4,233	200	(350)	(302)	-	-	-	3,781
Abandonment costs	51,376	95,812	-	(57,233)	-	(1,728)	-	88,227
Other risks and charges	44,525	1,178	(208)	(16,249)	(1,341)	(38)	(2)	11,865
	137,556	**103,693**	**(3,302)**	**(81,164)**	**-**	**(2,632)**	**(2)**	**154,149**

The increase in provisions, net of the decreases, was recorded against the following caption of the consolidated income statement:

Provisions (Note 6)	4,458
Capitalisation of costs of provision for abandonment blocks	95,812
Estimate for additional payments of IRP (Angola) (Note 9)	(274)
Results in investments in associates and jointly controlled entities (Note 4)	395
	100,391

Lawsuits

Provisions for current lawsuits in the amount of €14,256 k mainly includes: €5,472 k relating to liabilities concerning subsoil occupation taxes of subsidiary Petrogal, in respect of the process against Municipal Council of Matosinhos, €641 k relating to non-compliance with contractual conditions of service stations management, €1,269 k relating to fiscal processes and with public entities by Galp Energia España, S.A., and €1,328 k relating to litigation for contractual inaccuracy in the monthly fee of €17,708.00 since October 2010, between subsidiary CLCM – Companhia Logística de Combustíveis da Madeira, S.A. and APRAM – Administração dos Portos da Região Autónoma da Madeira, S.A.

The provision used in the period ended 31 December 2013, includes the amount of €2,000 k due to the merger of Galp Distribuição Portugal, S.A. in Petrogal subsidiary as result of Recheio – Cash & Carry process, and €865 k for liquidation of subsoil occupation taxes.

Financial investments

Provision for investments reflects the statutory commitment of the Group to its associates that present negative equity (Note 4).

Taxes

Caption tax provisions, in the amount of €32,890 k includes mainly:

(i) €16,378 k of additional liquidations of PIT;

(ii) €7,394 k concerning a tax contingency, related with corrections to 2001 and 2002 corporate income tax of the subsidiary Petrogal;

(iii) €5,322 k relating to corrections to Galp Energia, SGPS, S.A. and its subsidiary GDP – Gás de Portugal, SGPS, S.A. 2005 and 2006 corporate income tax as result of tax assessment to the respective income tax declaration. The tax contingency is related to the interpretation of the taxation rules for capital gains before 2000;

(iv) €3,377 k concerning the tax risk associated with the sale of the interests in ONI, SGPS, to Galp Energia, SGPS, S.A.

Environmental
The amount of €3,781 k accounted for in environmental provisions aims to meet the costs related with soil decontamination of some facilities occupied by the Group where these are already legally mandatory. In 2013, an amount of €302 k was used to decontaminate soils in the refineries.

Abandonment of blocks
The amount of €77,423 k and the remaining amount of €10,804 k related to Brazilian facilities. This provision aims to cover all costs incurred at the end of useful life of those areas with dismantling of assets and soil decontamination.

Other risks and charges
On 31 December 2013, caption "Provisions – other risks and charges", in the amount of €11,865 k, mainly comprises:

(i) €4,561 k concerning processes related to sanctions applied by customs authorities due to the late submission of the customs destination declaration of some shipments received at Sines;

(ii) €2,364 k ISP on biofuels;

(iii) €1,699 k concerning debits made by the Lisbon Port Authority, relating to 2012, for occupation of lands in Cabo Ruivo, contested by the Company.

"Utilisation" and "Transfers" in the caption "Other provisions for risks and charges" refer essentially to the use of restructuring provision amounting to €10,000 k and a transfer in the amount of €17,341 k for additional PIT liquidations.

The amount recorded in perimeter variation refers to the exit of the associate Galpbúzi – Agro-Energia, S.A. (Note 3).

26. TRADE PAYABLES
As of 31 December 2013 and of 2012, the amounts recorded in the caption "Suppliers" had the following detail:

Captions	December 2013	December 2012
Trade payables – current accounts	859,334	716,698
Trade payables – invoices pending	650,299	752,533
	1,509,633	**1,469,231**

The balance of caption "Trade payables – invoices pending" corresponds mainly to purchases of crude oil raw materials, natural gas and goods in transit.

27. OTHER FINANCIAL INSTRUMENTS

The Group uses financial derivatives to hedge interest rate and market fluctuation risks, namely risks of variation in crude oil prices, finished products and refining margins, as well as risks of variation in natural gas and electricity prices, which affect the amount of assets and future cash flows resulting from its operations.

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

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

In accordance with IFRS 13 an entity must classify how it measures fair value, in a hierarchy that reflects the meaning of the inputs used in measuring. The fair value hierarchy must have the following levels:

- Level 1 – quoted prices (not adjusted) for similar instruments;
- Level 2 – other directly or indirectly observable market inputs for the asset or the liability, than Level 1 inputs namely prices and derivatives prices, respectively;
- Level 3 – inputs for the asset or the liability not based on observable market data (not observable).

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

Financial derivatives – swaps, options and forwards

Interest rate swaps
The interest rate swaps as of 31 December 2013 had the following characteristics

Type of derivative over Interest rate	Interest rate	Nominal value	Maturity	Fair value of the derivatives in €k
Liability	**Cash-flow hedge**			
Swaps	Pays between 1.48% and 6.24% Receives Euribor 6m	€122,500 k	2014	(1,241)
				(1,241)

Derivative financial instruments over interest rate in portfolio showed the following evolution as of 31 December 2013 and of 2012:

	Assets		Liabilities	
Interest rate derivatives	**Current**	**Non-current**	**Current**	**Non-current**
Fair value on 1 January 2012	**-**	**1,032**	**-**	**(1,806)**
Purchased during the year	-	-	-	-
Payment/(receipt) of interest during the year	-	-	-	1,952
Receipt/(payment) of interest reflected in the income statement	-	-	-	(1,953)
Increase/(decrease) in fair value reflected in the income statement	54	(157)	(42)	73
Increase/(decrease) in fair value reflected in equity	-	(875)	(703)	(5,592)
Fair value on 31 December 2012	**54**	**-**	**(745)**	**(7,326)**
Fair value on 1 January 2013	**54**	**-**	**(745)**	**(7,326)**
Purchased during the year	-	-	-	-
Payment/(receipt) of interest during the year	-	-	-	6,265
Receipt/(payment) of interest reflected in the income statement	-	-	-	(6,265)
Increase/(decrease) in fair value reflected in the income statement	(54)	-	41	-
Increase/(decrease) in fair value reflected in equity	-	-	704	6,085
Fair value on 31 December 2013 (Note 17)	**-**	**-**	**-**	**(1,241)**

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

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

Fair value change in equity	**December 2013**	**December 2012**
Group companies	6,789	(7,170)
Non-controlling interest	(8)	(9)
	6,781	**(7,179)**
Associates	222	(340)
	7,003	**(7,519)**

Commodities swaps and options

Swaps and options on commodities on 31 December 2013 showed the following characteristics:

Types of derivative on commodities	**Characteristics**	**Nominal value**	**Maturity**	**Fair value of derivatives in €k**
Assets	**Fair value through profit and loss**			
Swaps	Natural gas	Buy 463,045 MWh	2015	42
Swaps	Natural gas	Buy 752,015 MWh	2014	176
Swaps	Natural gas	Sell 20,110 MWh	2014	7
Swaps	Margem de refinação oil	Sell 10,200 bbl	2014-2015	15,191
Option – collar	Natural gas – price range 10.27%	Sell 52,875 MWh	2014-2015	33
Passivo	**Fair value through profit and loss**			
Swaps	Electricity	Buy 522,700 MWh	2014-2015	(221)
Swaps	Natural gas	Buy 187,090 MWh	2015	(76)
Swaps	Natural gas	Buy 792,585 MWh	2014	(418)
Swaps	Natural gas	Sell 53,348 MWh	2014	(38)
Option – collar	Natural gas – price range 10.27%	Buy 55,225 MWh	2014-2015	(40)
				14,656

The impact as of 31 December 2013 and of 2012 in caption the “Cost of sale” can be viewed in the following table:

	Assets		Liabilities	
Derivatives on commodities	**Current**	**Non-current**	**Current**	**Non-current**
Fair value on 1 January, 2012	**2,240**	**750**	**(90,489)**	**-**
Purchased during the year	27	-	-	
Sold during the year	-	-	87,259	-
Increase/decrease on the sale accounted for in the income statement	-	-	(717)	-
Increase/(decrease) in fair value reflected in the income statement	(784)	(742)	2,144	(20)
Increase/(decrease) in fair value reflected in equity	-	,	-	-
Fair value on 31 December 2012	**1,483**	**8**	**(1,803)**	**(20)**
Fair value on 1 January 2013	**1,483**	**8**	**(1,803)**	**(20)**
Purchased during the year	-	-	-	-
Sold during the year	(8,586)	-	2,854	-
Increase/decrease on the sale accounted for in the income statement	8,586	-	(2,351)	-
Increase/(decrease) in fair value reflected in the income statement	7,900	6,058	804	(277)
Increase/(decrease) in fair value reflected in equity	-	-	-	-
Fair value on 31 December 2013 (Note 17)	**9,383**	**6,066**	**(496)**	**(297)**

Cross currency swaps

Cross currency swaps in portfolio on 31 December 2013 showed the following characteristics:

Type of derivative on exchange rate	Characteristics	Nominal value	Maturity	Fair value of derivatives in €k
Assets	**Fair value through profit and loss**			
Non-deliverable forward	Delivers BRL	R$99,000 k	2014	20
	Receives USD	$41,730 k		
Forwards	Delivers BRL	$45,110 k	2014	85
	Receives USD	€32,797 k		
Passivo	**Fair value through profit and loss**			
Cross currency interest	Pays Euribor between 3m and 6m + spread between 2% and 4%	$970,000 k	2014	(9,974)
Rate swaps	Recebe US Libor between 3m and 6m + spread between 1.94% and 4.05%	€713,454 k		
				(9,869)

The impact as of 31 December 2013 and of 2012, in caption results can be viewed in the following table:

Derivatives on exchange rate	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Fair value on 1 January 2012	**-**	**-**	**-**	**-**
Increases/(decreases) during the period	-	-	(21,404)	-
Increase/(decrease) resulting from currency translation	-	-	-	-
Increase/(decrease) in fair value reflected in financial results	1,407	-	(11)	-
Increase/(decrease) in fair value reflected in exchange rate results	4,236	-	1,858	-
Increase/decrease in fair value reflected in translation reserves	(873)	-	1,025	-
Fair value on 31 December 2012	**4,770**	**-**	**(6,532)**	**-**
Fair value on 1 January 2013	**4,770**	**-**	**(6,532)**	**-**
Increases/(decreases) during the period	(4,770)	-	137	-
Increase/(decrease) resulting from currency translation	-	-	1,538	-
Increase/(decrease) in fair value reflected in financial results	-	-	(1,223)	-
Increase/(decrease) in fair value reflected in exchange rate results	105	-	(4,389)	-
Increase/decrease in fair value reflected in translation reserves	-	-	495	-
Fair value on 31 December 2013 (Note 17)	**105**	**-**	**(9,974)**	**-**

Financial derivatives – futures

The Galp Energia Group also trades commodity futures. Given their high liquidity, as they are traded in the market, they are classified as financial assets at fair value through profit and loss and included in cash and cash equivalents. The gain and loss on commodity futures (Brent and electricity) are classified in caption the "Cost of sales" and CO_2 futures are classified in the caption "Financial income and costs". As futures are traded in the market, subject to a clearing house, gains and losses are continuously recorded in the income statement.

Gains and losses and financial position balances relating to futures on Brent are as follows:

Commodity futures (Brent)	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Fair value on 1 January 2012	**2,329**	**-**	**-**	**-**
Purchased during the year	77,784	-	-	-
Sold during the year	(86,276)	-	-	-
Increase/(decrease) in fair value reflected in the income statement	8,457	-	-	-
Fair value on 31 December 2012	**2,294**	**-**	**-**	**-**
Fair value on 1 January 2013	**2,294**	**-**	**-**	**-**
Purchased during the year	59,103	-	-	-
Sold during the year	(59,695)	-	-	-
Increase/(decrease) in fair value reflected in the income statement	(1,488)	-	-	-
Fair value on 31 December 2013 (Note 18)	**214**	**-**	**-**	**-**

Beside the futures above, the Group trades electricity futures, which are designated as "Financial assets at fair value through profit and loss – held for sale". Gains and losses are classified as operating profit and fair value fluctuations recorded as financial results. Gains and losses are continuously recorded in the income statement as follows:

Electricity derivatives	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Fair value on 1 January 2012	**1,209**	**-**	**-**	**-**
Purchased during the year	8,716	-	-	-
Sold during the year	(6,177)	-	-	-
Increase/(decrease) in fair value reflected in the income statement	(1,191)	-	-	-
Fair value on 31 December 2012	**2,557**	**-**	**-**	**-**
Fair value on 1 January 2013	**2,557**	**-**	**-**	**-**
Purchased during the year	6,661	-	-	-
Sold during the year	-	-	-	-
Increase/(decrease) in sales reflected in cost of sales	(4,167)	-	-	-
Increase/(decrease) on the sale reflected in the income statement	(29)	-	-	-
Fair value on 31 December 2013 (Note 18)	**5,022**	**-**	**-**	**-**

As of 31 December 2013, Galp Power, S.A., holds 1,900 CO_2 lot futures with maturity in December 2014. These futures represent 1,900,000 ton/CO_2 with a value of €1,710 k recorded as of 31 December 2013, and classified as financial assets at fair value through profit and loss – held for sale. Gains and losses are continuously recorded in the income statement under "Operating profit", and fair value fluctuations are recorded under financial results, as follows:

CO_2 futures	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Fair value on 1 January 2012	**122**	**-**	**-**	**-**
Purchased during the year	3,329	-	-	-
Sold during the year	(493)	-	-	-
Increase/(decrease) in fair value reflected in financial results	(1,607)	-	-	-
Fair value on 31 December 2012	**1,351**	**-**	**-**	**-**
Fair value on 1 January 2013	**1,351**	**-**	**-**	**-**
Purchased during the year	11,466	-	-	-
Sold during the year	-	-	-	-
Increase/(decrease) on the sale reflected in operational results	(10,379)	-	-	-
Increase/(decrease) in fair value reflected in financial results	(728)	-	-	-
Fair value on 31 December 2013 (Note 18)	**1,710**	**-**	**-**	**-**

28. RELATED PARTIES

Balances and transactions with related parties in 2013 and of 2012 were as follows:

Receivables

	December 2013						
		Non-current		Current			
	Total of related parties	Granted loans (Note 14)	Other receivables (Note 14)	Trade receivables	Granted loans (Note 14)	Other receivables (Note 14)	Accruals and deferrals
Associated companies							
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	7,409	4,350	-	612	-	2,030	417
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	4,330	-	-	4,223	-	107	-
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	2,753	2,753	-	-	-	-	-
Gasoduto Extremadura, S.A.	885	-	-	-	-	-	885
Gasoduto Al-Andaluz, S.A.	643	-	-	-	-	-	643
Metragaz, S.A.	516	-	-	(3)	-	121	398
Terparque – Armazenagem de Combustíveis, Lda.	215	-	-	215	-	-	-
EMPL – Europe Magreb Pipeline, Ltd.	154	-	-	(3)	-	4	153
Gásfomento – Sistemas e Instalações de Gás, S.A.	142	-	-	142	-	-	-
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	62	-	-	-	-	62	-
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	43	-	-	6	-	37	-
Tagusgás Propano, S.A.	22	-	-	22	-	-	-
	17,174	**7,103**	**-**	**5,214**	**-**	**2,361**	**2,496**
Jointly controlled entities							
Ventinveste, S.A.	19,987	19,955	-	-	-	-	32
Sigás – Armazenagem de Gás, A.C.E.	8,273	-	7,873	46	-	337	17
CLC – Companhia Logística de Combustíveis, S.A.	1,395	-	-	112	-	251	1,032
Parque Eólico da Penha da Gardunha, Lda.	821	820	-	-	-	-	1
Moçamgalp Agroenergias de Moçambique, S.A.	690	-	-	2	-	688	-
Caiageste – Gestão de Áreas de Serviço, Lda.	99	-	-	74	-	23	2
Galpbúzi – Agro-Energia, S.A.	90	-	-	-	-	90	-
Ventinveste Eólica, SGPS, S.A.	34	-	-	34	-	-	-
Parque Eólico do Douro Sul, S.A.	8	-	-	8	-	-	-
Parque Eólico do Pinhal Oeste, S.A.	2	-	-	2	-	-	-
Parque Eólico da Serra do Oeste, S.A.	2	-	-	2	-	-	-
Parque Eólico do Planalto, S.A.	1	-	-	1	-	-	-
Parque Eólico de Vale do Chão, S.A.	1	-	-	1	-	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
Tupi, B.V.	1	-	-	1	-	-	-
	31,405	**20,775**	**7,873**	**283**	**-**	**1,390**	**1,084**
Related parties and participated entities							
Tip Top Energy, SARL	871,493	706,993	-	-	164,500	-	-
Adene – Agência para a Energia, S.A.	94	-	90	3	-	1	-
Eni, S.p.A.	81	-	-	143	-	11	(73)
Cooperativa de Habitação da Petrogal , CRL	53	-	53	-	-	-	-
SABA – Sociedade Abastecedora de Aeronaves, Lda.	24	-	-	24	-	-	-
InovCapital – Sociedade de Capital de Risco, S.A.	2	-	-	2	-	-	-
PME Investimentos – Sociedade de Investimento, S.A.	1	-	-	1	-	-	-
Fundação Galp Energia	1	-	-	1	-	-	-
Other related parties and participated entities	7,594	-	4,995	1	-	2,598	-
	879,343	**706,993**	**5,138**	**175**	**164,500**	**2,610**	**(73)**
	927,922	**734,871**	**13,011**	**5,672**	**164,500**	**6,361**	**3,507**

	December 2012						
		Non-current		Current			
	Total of related parties	Granted loans (Note 14)	Other receivables (Note 14)	Trade receivables	Granted loans (Note 14)	Other receivables (Note 14)	Accruals and deferrals
Associated companies							
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	8,012	4,054	-	931	-	2,566	461
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	5,312	-	-	5,270	-	42	-
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	3,670	3,670	-	-	-	-	-
Gasoduto Al-Andaluz, S.A.	2,835	2,214	-	-	-	-	621
Gasoduto Extremadura, S.A.	855	-	-	-	-	-	855
Gásfomento – Sistemas e Instalações de Gás, S.A.	384	-	-	389	-	(5)	-
Metragaz, S.A.	331	-	-	-	-	303	28
EMPL – Europe Magreb Pipeline, Ltd.	238	-	-	(3)	-	-	241
Terparque – Armazenagem de Combustíveis, Lda.	238	-	-	238	-	-	-
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	155	-	-	2	-	153	-
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	22	-	-	-	-	22	-
Tagusgás Propano, S.A.	18	-	-	18	-	-	-
	22,070	**9,938**	**-**	**6,845**	**-**	**3,081**	**2,206**
Jointly controlled entities							
Ventinveste, S.A.	18,492	18,460	-	1	-	2	29
Sigás – Armazenagem de Gás, A.C.E.	8,772	-	8,389	163	-	190	30
Parque Eólico da Penha da Gardunha, Lda.	868	867	-	-	-	-	1
CLC – Companhia Logística de Combustíveis, S.A.	649	-	-	115	-	322	212
Ventinveste Eólica, SGPS, S.A.	115	-	-	115	-	-	-
Caiageste – Gestão de Áreas de Serviço, Lda.	64	-	-	38	-	23	3
Asa – Abastecimento e Serviços de Aviação, Lda.	13	-	-	12	-	1	-
Multiservícios Galp Barcelona	12	-	-	12	-	-	-
Parque Eólico do Douro Sul, S.A.	8	-	-	8	-	-	-
Parque Eólico do Pinhal Oeste, S.A.	4	-	-	4	-	-	-
Parque Eólico da Serra do Oeste, S.A.	3	-	-	3	-	-	-
Parque Eólico do Planalto, S.A.	2	-	-	2	-	-	-
Parque Eólico de Vale do Chão, S.A.	1	-	-	1	-	-	-
Parque Eólico de Vale Grande, S.A.	1	-	-	1	-	-	-
	29,004	**19,327**	**8,389**	**475**	**-**	**538**	**275**
Related parties and participated entities							
Tip Top Energy, SARL	945,136	917,558	-	-	13,643	-	13,935
Adene – Agência para a Energia, S.A.	92	-	90	2	-	-	-
Eni, S.p.A.	73	-	-	146	-	-	(73)
Cooperativa de Habitação da Petrogal , CRL	53	-	53	-	-	-	-
SABA – Sociedade Abastecedora de Aeronaves, Lda.	23	-	-	23	-	-	-
Fundação Galp Energia	5	-	-	5	-	-	-
InovCapital – Sociedade de Capital de Risco, S.A.	2	-	-	2	-	-	-
PME Investimentos – Sociedade de Investimento, S.A.	1	-	-	1	-	-	-
Other related parties and participated entities	192	-	-	-	-	192	-
	945,577	**917,558**	**143**	**179**	**13,643**	**192**	**13,862**
	996,651	**946,823**	**8,532**	**7,499**	**13,643**	**3,811**	**16,343**

Current and non-current loans granted as of 31 December 2013, to associated, jointly controlled, participated companies and related parties refer essentially to the following loans:

	Current assets – granted loans (Note 14)	Non-current assets – granted loans (Note 14)	Interest from granted loans (Note 8)
Gasoduto Al-Andaluz, S.A.	-	-	25
through Galp Gás Natural, S.A.	**-**	**-**	**25**
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	-	2,753	64
Parque Eólico da Penha da Gardunha, Lda.	-	820	28
Ventinveste, S.A.	-	19,955	646
through GDP – Gás de Portugal, SGPS, S.A.	**-**	**23,528**	**738**
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	-	4,350	296
through Galp Sinopec Brazil Services (Cyprus), Ltd.	**-**	**4,350**	**296**
Tip Top Energy, SARL	164,500	706,993	16,565
through Galp Sinopec Brazil Services (Cyprus), Ltd.	**164,500**	**706,993**	**16,565**
	164,500	**734,871**	**17,624**

The loan that Galp Energies Brazil Service (Cyprus), Ltd. granted to Tip Top Energy, SARL on 28 March 2012, bears interest at three months LIBOR rate plus spread for a maturity period of four years. In the year ended 31 December 2013, an amount of €16,565 k was recorded in caption interest on loans granted to related companies (Note 14).

The remaining loans bear interests at market rates and do not have a defined repayment plan.

Payables

	December 2013					
		Non-current	Current			
	Total of related parties	Loans obtained (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associated companies						
EMPL – Europe Magreb Pipeline, Ltd.	5,945	-	-	5,945	-	-
Gasoduto Extremadura, S.A.	1,963	-	-	1,963	-	-
Gasoduto Al-Andaluz, S.A.	1,626	-	-	909	-	717
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	2,007	-	-	2,007	-	-
Gásfomento – Sistemas e Instalações de Gás, S.A.	1,100	-	-	124	976	-
Terparque – Armazenagem de Combustíveis, Lda.	47	-	-	47	-	-
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	27	-	-	-	27	-
	12,715	**-**	**-**	**10,995**	**1,003**	**717**
Jointly controlled entities						
CLC – Companhia Logística de Combustíveis, S.A.	38,987	-	-	38,987	-	-
Sigás – Armazenagem de Gás, A.C.E.	426	-	-	426	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	218	-	-	218	-	-
	39,631	**-**	**-**	**39,631**	**-**	**-**
Related parties and participated entities						
Winland International Petroleum, SARL (WIP)	139,765	135,319	-	-	-	4,446
Eni, S.p.A.	137	-	-	26	-	111
SABA – Sociedade Abastecedora de Aeronaves, Lda.	63	-	-	63	-	-
Other related parties and participated entities	1,600	-	365	-	1,235	-
	141,565	**135,319**	**365**	**89**	**1,235**	**4,557**
	193,911	**135,319**	**365**	**50,715**	**2,238**	**5,274**

	December 2012					
		Non-current	Current			
	Total of related parties	Loans obtained (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associated companies						
EMPL – Europe Magreb Pipeline, Ltd.	6,017	-	-	6,017	-	-
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	2,165	-	-	1,582	-	583
Gasoduto Extremadura, S.A.	1,910	-	-	1,910	-	-
Gasoduto Al-Andaluz, S.A.	1,869	-	-	1,869	-	-
Gásfomento – Sistemas e Instalações de Gás, S.A.	927	-	-	236	691	-
Terparque – Armazenagem de Combustíveis, Lda.	3			3	-	-
CLC Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	(12)	-	-	-	(12)	-
	12,879	**-**	**-**	**11,617**	**679**	**583**
Jointly controlled entities						
CLC – Companhia Logística de Combustíveis, S.A.	73,572	-	-	73,572	-	-
Sigás – Armazenagem de Gás, A.C.E.	431	-	-	431	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	227	-	-	227	-	-
	74,230	**-**	**-**	**74,230**	**-**	**-**
Related parties and participated entities						
Winland International Petroleum, SARL (WIP)	146,969	142,229	-	-	-	4,740
Eni, S.p.A.	332	-	-	82	(11)	261
SABA – Sociedade Abastecedora de Aeronaves, Lda.	46	-	-	46	-	-
Central-E, S.A.	27	-	-	27	-	-
Adene – Agência para a Energia, S.A.	1	-	-	1	-	-
	147,375	**142,229**	**-**	**156**	**(11)**	**5,001**
	234,484	**142,229**	**-**	**86,003**	**668**	**5,584**

The amount of €135,319 k recorded as non-current payable to WIP is a loan obtained by subsidiary Petrogal Brasil, S.A. (Note 24), which bears interests at market rates with a defined 10-year repayment plan.

Transactions

	2013			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associated companies				
Terparque – Armazenagem de Combustíveis, Lda.	2,253	(776)	-	-
Metragaz, S.A.	-	(650)	-	-
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	4,986	(648)	-	(296)
Gásfomento – Sistemas e Instalações de Gás, S.A.	1,099	(364)	-	-
EMPL – Europe Magreb Pipeline, Ltd.	65,552	(310)	-	-
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	(98)	-	-
Tagusgás Propano, S.A.	-	(61)	-	-
Gasoduto Extremadura, S.A.	12,326	(30)	-	-
Gasoduto Al-Andaluz, S.A.	12,056	(22)	-	(25)
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	-	(1)	-	(64)
	98,272	**(2,960)**	**-**	**(385)**
Jointly controlled entities				
Sigás – Armazenagem de Gás, A.C.E.	3,003	(3,357)	-	-
CLC – Companhia Logística de Combustíveis, S.A.	15,566	(1,500)	-	-
Caiageste – Gestão de Áreas de Serviço, Lda.	1	(308)	-	-
Ventinveste Eólica, SGPS, S.A.	-	(98)	-	-
Moçamgalp Agroenergias de Moçambique, S.A.	5	(90)	-	-
Parque Eólico do Douro Sul, S.A.	-	(41)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	(21)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	(17)	-	-
Parque Eólico do Planalto, S.A.	-	(9)	-	-
Ventinveste, S.A.	-	(8)	-	(646)
Parque Eólico de Vale do Chão, S.A.	-	(6)		-
Parque Eólico de Vale Grande, S.A.	-	(3)		-
Multiservícios Galp Barcelona	-	(2)	-	-
Parque Eólico do Cabeço Norte, S.A.	-	(1)	-	-
Parque Eólico de Torrinheiras, S.A.	-	(1)	-	-
Galpbúzi – Agro-Energia, S.A.	3	-	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	970	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	(28)
	19,548	**(5,462)**	**-**	**(674)**
Related parties and participated entities				
Eni, S.p.A.	470	(50,578)	-	-
SABA – Sociedade Abastecedora de Aeronaves, Lda.	522	(193)	-	-
Fundação Galp Energia	-	(136)	-	-
InovCapital – Sociedade de Capital de Risco, S.A.	-	(32)	-	-
Adene – Agência para a Energia, S.A.	1	(21)	-	-
PME Investimentos – Sociedade de Investimento, S.A.	-	(12)	-	-
Central-E, S.A.	166	-	-	-
Winland International Petroleum, SARL (WIP)	-	-	7,042	-
Amorim Energia, B.V.	1,503	-	-	-
Tip Top Energy, SARL	-	-	-	(16,565)
	2,662	**(50,972)**	**7,042**	**(16,565)**
	120,482	**(59,394)**	**7,042**	**(17,624)**

	2012			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associated companies				
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	4,407	(2,329)	-	(277)
Terparque – Armazenagem de Combustíveis, Lda.	2,412	(836)	-	-
Metragaz, S.A.	-	(623)	-	-
EMPL – Europe Magreb Pipeline, Ltd.	64,951	(491)	-	-
Gásfomento – Sistemas e Instalações de Gás, S.A.	286	(251)	-	-
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	(62)	-	-
Tagusgás Propano, S.A.	-	(35)	-	-
Gasoduto Al-Andaluz, S.A.	11,212	(22)	-	(84)
Energin – Sociedade de Produção de Electricidade e Calor, S.A.	-	(1)	-	(124)
Gasoduto Extremadura, S.A.	11,460	53	-	-
	94,728	**(4,597)**	**-**	**(485)**
Jointly controlled entities				
Sigás – Armazenagem de Gás, A.C.E.	3,760	(3,387)	-	-
CLC – Companhia Logística de Combustíveis, S.A.	15,675	(1,488)	-	-
Caiageste – Gestão de Áreas de Serviço, Lda.	3	(220)	-	-
Ventinveste Eólica, SGPS, S.A.	-	(102)	-	-
Parque Eólico do Douro Sul, S.A.	-	(41)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	(21)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	(17)	-	-
Asa – Abastecimento e Serviços de Aviação, Lda.	947	(15)	-	-
Multiservícios Galp Barcelona	-	(12)	-	-
Parque Eólico do Planalto, S.A.	-	(9)	-	-
Ventinveste, S.A.	-	(7)	-	(721)
Parque Eólico de Vale do Chão, S.A.	-	(6)	-	-
Parque Eólico de Vale Grande, S.A.	-	(4)	-	-
Parque Eólico do Cabeço Norte, S.A.	-	(1)	-	-
Parque Eólico de Torrinheiras, S.A.	-	(1)	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	(34)
	20,385	**(5,331)**	**-**	**(755)**
Related parties and participated entities				
Eni, S.p.A.	219,561	(118,178)	(108)	-
SABA – Sociedade Abastecedora de Aeronaves, Lda.	624	(217)	-	-
Fundação Galp Energia	-	(117)	-	-
InovCapital – Sociedade de Capital de Risco, S.A.	-	(27)	-	-
Adene – Agência para a Energia, S.A.	4	(17)	-	-
PME Investimentos – Sociedade de Investimento, S.A.	-	(14)	-	-
Central-E, S.A.	163	-	-	-
Winland International Petroleum, SARL (WIP)	-	-	5,909	-
Amorim Energia, B.V.	779	-	-	-
Tip Top Energy, SARL	-	-	-	(14,310)
	221,131	**(118,570)**	**5,801**	**(14,310)**
	336,244	**(128,498)**	**5,801**	**(15,550)**

29. REMUNERATION OF THE BOARD

The remuneration of Galp Energia corporate Board members for the years ended 31 December 2013 and of 2012, had the following detail:

	December 2013						December 2012					
	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total
Corporate Boards of Galp Energia, SGPS, S.A.												
Executive management	3,482	810	149	2,020	23	6,484	3,547	822	158	1,179	575	6,281
Non-executive management	733	-	-	-	-	733	1,169	145	31	-	-	1,345
Supervisory Board	92	-	-	-	-	92	93	-	-	-	-	93
General shareholders assembly	2	-	-	-	-	2	6	-	-	-	-	6
	4,309	**810**	**149**	**2,020**	**23**	**7,311**	**4,815**	**967**	**189**	**1,179**	**575**	**7,725**
Corporate Boards of associate companies												
Executive management	2,345	-	7	13	-	2,365	1,791	-	31	34	-	1,856
General shareholders assembly	16	-	-	-	-	16	17	-	-	-	-	17
	2,361	**-**	**7**	**13**	**-**	**2,381**	**1,808**	**-**	**31**	**34**	**-**	**1,873**
	6,670	**810**	**156**	**2,033**	**23**	**9,692**	**6,623**	**967**	**220**	**1,213**	**575**	**9,598**

The amounts of €9,692 k and €9,598 k, recorded in the years ended 31 December 2013 and of 2012, respectively, include €8,736 k and €7,576 k recorded as employee costs (Note 6) and €956 k and €2,022 k recorded as "External supplies and services".

Caption bonuses in 2013 include the amount of €1,000 k referring to the multi-annual management premium accrual payable in the year 2015.

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

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity. According to Galp Energia's interpretation, only the members of the Board of Directors meet these features.

Information related to charged fees by the statutory and external auditor is disclosed in the Group governance report.

30. DIVIDENDS

Dividends attributed to the Group's shareholders amounted to €199,020 k, in accordance with the decision of the general shareholders meeting of 22 April 2013, relating to net profit for 2012 and retained earnings, from which €99,510 k were paid in advance during the year ended 31 December 2012, and the remaining €99,510 k were paid on 16 May 2013.

Additionally, the Board of Directors approved the payment of an interim dividend, in the amount of €119,412 k. The amount was fully paid on 18 September 2013.

During the year ended 31 December 2013 dividends were paid in the amount of €3,034 k to minority shareholders (Note 21. h), regarding Galp Energia Group subsidiaries.

As such, the Group paid a total amount of €221,956 k in dividends during the year ended 31 December 2013.

31. OIL AND GAS RESERVES

Information regarding oil and gas reserves in Galp Energia is subject to independent assessment by a suitably qualified company with the methodology established in accordance with the Petroleum Resources Management System (PRMS), approved in March 2007 by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

Information on reserves is in the attached document entitled "Supplementary Information on oil and gas (unaudited)".

32. FINANCIAL RISK MANAGEMENT

Risk management

Galp Energia is exposed to several types of market risks (price risk, exchange rate risk and interest rate risk) inherent to the oil and natural gas industries, which affect the Group's results. The main market risks result from fluctuation of the crude oil price, its derivatives and the exchange rate.

Market risks

a) Commodities price risk

Due to the nature of its business, Galp Energia is exposed to the risk of volatility of the international price of crude oil, of its derivatives and of natural gas. The frequent fluctuations in the price of crude oil and refined products generate uncertainty and have a significant impact on operating results.

The Company controls and manages this risk through the derivative market for oil and natural gas, to protect the refining margin and inventories from adverse market changes.

In respect of the natural gas market, the Group controls and manages this risk through the establishment of purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

b) Exchange rate risk

The US Dollar is the currency used as reference price in the oil and natural gas markets. Since Galp Energia's financial statements have the Euro as functional currency, this factor, among others, exposes its operations to exchange rate risk. Given that the operating margin is mainly related to US dollars, the Company is exposed to fluctuations in the exchange rates, which can contribute positively or negatively to income and margins.

Since this is a currency risk associated to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the balance sheet and cash flows. The level of exposure of cash flows is mainly in the balance sheet and results from the prices of oil and natural gas.

Therefore, Galp Energia controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The objective of risk management is to limit the uncertainty resulting from variations in exchange rates. Hedging debits and credits based on market speculation is not allowed.
As of 31 December 2013, Galp Energia Group contracted derivatives to hedge the exchange rate risk (Note 27).

c) Interest rate risk

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

Sensitivity analysis is performed to market risks resulting from financial instruments, as required by IFRS 13.

The analysis prepared by the Group in accordance with IFRS 7 is intended to illustrate the sensitivity of profit before taxes and of equity to potential variations in the price of Brent or natural gas, exchange rates and interest rates of financial instruments, defined in IAS 32, such as financial assets and liabilities and financial derivatives reflected on the balance sheet as of 31 December 2013 and of 2012. The financial instruments affected by the above mentioned market risks include trade receivables, other receivables, trade payables, other payables, loans, cash and financial derivatives. When cash flow hedges are applied, fair value is recorded in the equity caption "Hedging reserves" only if it is shown that the hedge is efficient.

There may be financial instruments with more than one market risk, in which case the sensitivity analysis is performed for a variable at a time, the others remaining constant, therefore ignoring any correlation between them, which is unlikely to occur.

Sensitivity analysis do not include the impact of current or deferred taxes, which could reduce the presented variations, depending on the tax laws in the various geographic areas where the Group operates, as well as fiscal conditions for each company. Foreign currency investments were not included in the analysis as the Group does not record them at fair value as defined in IAS 39.

Fluctuations of cash balances in foreign currencies may directly affect the caption "Translation reserves" comprised in share capital in Galp Energia Group's consolidated accounts, if those cash balances are stated in the same functional currency of the individual company under analysis.

Therefore, the sensitivity analysis is illustrative and does not represent actual current loss or gain, or other current variations in equity.

The following assumptions were considered in the sensitivity analysis of exchange rates:

- Exchange rate of +/- 1%
- The sensitivity analysis includes significant balances in foreign currency in trade receivables, other receivables, trade payables, other payables, loans, financial derivatives and cash

The exchange rate table with the sensitivity analysis is as follows:

			2013					2012				
				Income statement		Equity			Income statement		Equity	
			Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests	Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests
Investments – depreciation/(appreciation) of x% of the EUR versus USD	+1% -1%	€k	1,285,776	993 (993)	- -	11,754 (11,754)	111 (111)	1,344,662	261 (261)	- -	13,030 (13,030)	155 (155)
Investments – depreciation/(appreciation) of x% of the BRL versus USD and versus EUR (a)	+1% -1%	€k	65,079	272 (272)	117 (117)	456 (456)	195 (195)	404,212	3,056 (3,056)	1,310 (1,310)	(2,829) 2,829	(1,213) 1,213
Loans – depreciation/(appreciation) of x% of the EUR versus USD	+1% -1%	€k	331,000	- -	- -	(3,310) 3,310	- -	98,485	(985) 985	- -	- -	- -
Derivatives – depreciation/(appreciation) of x% of the EUR versis USD (a)	+1% -1%	€k	5,217	152 (152)	- -	(100) 100	- -	-	- -	- -	- -	- -
Trade payables – depreciation/(appreciation) of x% of the EUR versus USD	+1% -1%	€k	1,757	18 (18)	- -	- -	- -	473,979	(4,740) 4,740	- -	- -	- -
Trade receivables – depreciation/(appreciation) of x% of the EUR versus USD	+1% -1%	€k	953,263	976 (976)	- -	5,989 (5,989)	2,751 (2,751)	1,043,228	1,261 (1,261)	- -	6,420 (6,420)	2,751 (2,751)
Trade payables – depreciation/(appreciation) of x% of the BRL versus USD and versus EUR (b)	+1% -1%	€k	136,321	- -	- -	(954) 954	(409) 409	271,614	- -	- -	(3,955) 3,955	(1,695) 1,695

(a) Includes deriviatives drawn in USD. Exposure over exchange rate variability of Mark-to-Market.
(b) Includes 1% variation in the exchange rate of BRL to USD, and 1% variation in the exchange rate of USD to EUR.

The following assumptions were considered in the sensitivity analysis of commodity prices:

- Price variation of +/- 1% of the price of the commodity;
- Correlation between market risks was ignored;
- A sensitivity analysis was made for balances relating to financial derivatives over commodities.

The effect of changes in the proved petroleum reserves as a result of changes in the price of Brent was not calculated.

Commodity "Prices on brent futures" were not considered in the sensitivity analysis performed on the commodity price derivatives, as these have monthly maturity.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

			2013					2012				
				Income statement		Equity			Income statement		Equity	
			Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests	Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests
Variation in the derivatives over commodities underlying price of natural gas	+1% -1%	€k	(254)	645 (455)	- -	- -	- -	172	839 (562)	- -	- -	- -
Variation in the derivatives over commodities underlying price of oil	+1% -1%	€k	20,497	(70) 70	- -	- -	- -	1,351	14 (14)	- -	- -	- -
Variation in the derivatives over other commodities underlying price	+1% -1%	€k	6,511	67 (67)	- -	- -	- -	4,347	49 (49)	- -	- -	- -

The following assumptions were considered in the sensitivity analysis of interest rates:

- parallel shift of 0.5% in the time structure of interest rates;
- analysis of interest rate risk includes variable interest rate loans and interest rate financial derivative;
- the income before taxes is affected by the interest rate risk sensitivity analysis, except for interest rate financial derivatives classified as cash flow hedges, in which the sensitivity analysis, if within the required efficiency parameters, affects equity.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

			2013					2012				
				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 (a)	+0.5%	€k 2,722,512	(13,039)	(258)	11	-	2,718,000	(10,100)	(420)	291	-
	-0.5%		13,039	258	(11)	-		10,100	420	(291)	-
Investments – parallel shift in interest rate (a)	+0.5%	€k 2,312,075	8,550	1,388	-	-	3,187,000	7,283	1,431	-	-
	-0.5%		(8,550)	(1,388)	-	-		(7,283)	(1,431)	-	-

(a) Includes outstanding balances with entity Tip Top (Sinopec).

Liquidity Risk

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

The Galp Energia Group finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans. The Group has access to credit amounts that are not fully used but that are at its disposal. These credits can cover all loans that are repayable in 12 months. The available short and medium and long term lines of credit that are not being used, that amount to €1.2 bn as of 31 December 2013, and €1.37 bn as of 31 December 2012, are sufficient to meet any immediate demand. In addition to these credits, the Group has, as of 31 December 2013, cash and cash equivalents in an approximate amount of €1.5 bn, and as of 31 December 2012, that amount was €1.9 bn, which combined with the credits amount to €2.7 bn of liquidity as of 31 December 2013, and €3.27 bn of liquidity, as of 31 December 2012.

Credit Risk

Credit risk results from potential non-compliance by third parties of contractual obligations to pay and so the risk level depends on the financial credibility of the counterparty. In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Galp Energia and are implemented in the various business segments. The credit risk limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk.

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

Accident Risk

The Galp Energia Group has insurance contracts in place to reduce its exposure to various risks resulting from accidents that may occur during the pursuit of its activities, as follows:

- property insurance – covers risks of material damages, machinery breakdown, loss on exploration and construction;
- general liability insurance – covers risks of general activity (on shore), risks related to maritime activities (off shore), aviation risks, environmental risks and management risks (Directors & Officers);
- people insurance – covers risks of work accidents, personal accidents, life and health;
- financial insurance – covers credit risk, collateral and theft;
- transportation insurance – covers all risks related to cargo and hull;
- other insurances – covers automobile, travel, etc.

33. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets

(i) Following the sale in 1999 of 40% of OPTEP SGPS, S.A.'s share capital, corresponding to 440,000 shares with a nominal value of €5 per share, the base selling price of €189,544 k was contractually established, of which €74,818 k was attributed to the 093X segment and €114,726 k to the E3G/Edinet segment.

The sale by GDP, SGPS, S.A. (currently designated Galp Energia, SGPS, S.A. for purposes of the merger carried out in 2008) and Transgás, S.A. (currently designated Galp Gás Natural, S.A.) to EDP, S.A. was established with the condition that if OPTEP SGPS, S.A., 093X or any other entity directly or indirectly controlled or participated in by EDP sells or in any other way disposes of, to a third party, a participation equivalent to 5% of Optimus, being 450,000 shares with a nominal value of €5 per share, during a period of three years as from the date of signature of the agreement (24 June 1999), the difference between the amount of €74,818 k and the sale price would be divided between the parties, as follows:

€k for each 220.000 shares	EDP	GDP Group
Between 37,409 and 42,397	0%	100%
Between 42,397 and 52,373	25%	75%
More than 52,373	75%	25%

On 28 September 2000, GDP SGPS, S.A., Transgás SGPS, S.A., (currently designated GDP Distribuição, SGPS, S.A. for purposes of the merger carried out in 2006), Transgás, S.A. and EDP, S.A. made an amendment to the agreement, under which the deadline for dividing any potential gain on the future sale of Optimus shares was extended until 31 December 2003.

On 22 March 2002, EDP announced the sale of the participation in OPTEP SGPS, S.A., the company that holds a 25.49% participation in Optimus, to Thorn Finance, S.A. The sales price was fixed at €315,000 k, which means that Thorn Finance valued Optimus at €1,235,779 k, which is higher than the value established between the parties of €748,197 k. Therefore, an upside of €30,253 k payable by EDP, S.A., to be divided equally between GDP SGPS, S.A. (merged into Galp Energia SGPS, S.A. effective as of 1 January 2008) and Transgás SGPS, S.A. (currently called GDP Distribuição SGPS, S.A. as a result of the merger in 2006).

In December 2012, Galp Energia, SGPS, S.A. and GDP Gás de Portugal, SGPS, S.A., filed a request for arbitration relating to the sale of an indirect interest in Optimus, which is pending new developments.

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

(ii) Regarding the contract termination process related to the construction of the Sacor II ship and following the decision of the arbitral tribunal, 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 2013, the effective liquidation from assets sale is pending. Due to uncertainty regarding the amount receivable resulting from liquidation, the amount receivable has not recorded in the financial statements for the year ended 31 December 2013.

Contingent liabilities

As of 31 December 2013, the Company and its subsidiaries had the following contingent liabilities:

(i) Several municipal councils are demanding payments (liquidations and executions) amounting to €13,012 k, relating to licences for occupying the public thoroughfare with underground gas pipes (subsoil occupation) by the natural gas distribution and marketing concessions. As the Group companies do not agree with the municipal councils, they have contested the settlements required by municipal councils at the Fiscal Administrative Court, having the requests for suspension of the execution deferred, the execution is suspended until a final and unappealable decision is given. Guarantees have been provided for these processes.

In the course of negotiating the concession contract between the General Directorate of Energy and Geology (GDEG) and concessionary companies of the Group, it was agreed, among other matters, that the concessionaire has the right to reflect, on the entities marketing natural gas and on the final consumers, the full amount of the subsoil occupation rates assessed by the municipalities in the areas conceded under the previous concession contract but not yet paid or contested legally by the concessionaire if such payment is considered to be mandatory by the competent authority, after issuance of the sentence, or after express prior consent of the conceding entity. The subsoil occupation rates paid each year will be reflected on the entities marketing gas that use the infrastructures or on the final consumers served by them, during the subsequent years, under the conditions to be defined by ERSE. The subsoil occupation rates will be assessed for each municipality, based on the amount charged by it.

Given the fact that eventual taxes to be paid and interests to be paid can be passed on to customers, the Group has decided not to recognise liabilities concerning this issue.

As of 31 December 2013 the amounts paid to Municipal Councils related in respect of subsoil occupation taxes totalled €74,391 k and only €22,688 k were charged to clients (the transfer conditions, including the amount to be recovered each year, the number of years of transfer and unit values for customers are governed by ERSE).

(ii) As of 31 December 2013, a judicial action concerning contractual breach has been filed by Dourogás Propano, S.A. against the Group, asking for compensation in the amount of approximately €1,576 k. The Board of Directors, supported by its legal advisors, believes that the process will not result in any liability for the Group, which is the reason why no provisions were recorded. It should be noted that favourable decisions made in the lower court, as well as after appeal, reinforce probability of success.

(iii) As of 31 December 2013, a judicial action was filed concerning unfair competition in natural gas in the amount of €4,008 k. The Board of Directors, supported by its legal advisors, believes that the process will not result in any liability for the Group.

(iv) As of 31 December 2013 a judicial action concerning the licencing process for the Sines combined cycle central of natural gas has been filed by Endesa Generación Portugal, S.A. against the Ministry of Economy and Innovation, against the best interests of Galp Power, SGPS, S.A. Galp Power, SGPS, S.A. has requested the impeachment of this lawsuit. The Board of Directors, supported by its legal advisors, believes that no liabilities will result from this process nor is the legitimacy of the investment already incurred undermined.

(v) Judicial action which was brought against the Group by a subcontractor in relation to the construction of ship Sacor II in total amount of €2,274 k, is currently suspended at the Lisbon Maritime Court, due to declaration of insolvency by the manufacturer on 6 February 2013. The Board of Directors, supported by its legal advisors believes that the process will not result in any liability for the Group.

(vi) Additional corporate income tax assessments total €35,962 for which there are provisions of €32,890 (Note 9 and 25).

Other financial commitments

The Group's financial commitments not included in the statement of financial position as of 31 December 2013 are:

(i) €306,893 k, €7,218 k and €24,624 k related to the liability covered by the Petrogal, Sacor Marítima and GDP Group Pension Funds, respectively (Note 23)

(ii) €13,986 k related to purchase orders for tangible assets that have not yet been received;

(iii) €5,024 k related to notes to be received, discounted in the bank but not yet due;

(iv) Galp Power, SGPS, S.A., as shareholder of Ventinveste, S.A. has the commitment and responsibility under the contract and other agreements made with GDEG to fully comply and on a timely basis with 1/3 of the obligations of the wind farm project, consisting of the promotion, construction and operation of the Wind Farms.

The contractual obligations are safeguarded by an autonomous, unconditional first demand bank guarantee amounting to €25,332 k and by a pledge given by the shareholders, Galp Power, SGPS, S.A., Martifer SGPS S.A. and Martifer Renewables, SGPS, S.A. divided in equal parts, corresponding to approximately 10% of the total Direct Investment, amounting to €50,665 k. The amount of the guarantee will be reduced in each semester based on the contracted investment in the preceding semester.

(v) As a guarantee of the loan obtained by Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A. – fully repaid in the meantime – the surface rights over a plot of land acquired from Renoeste, where the cogeneration central was built, in the municipality of Pombal, were mortgaged in favour of BES Investimento and BES, up to a maximum of €28,237. This mortgage is in process of formal cancelation which is expected to end soon. The surface rights were acquired by the Company for a period of 15 years.

Galp Power SGPS, S.A. acts as guarantor and principal payer of a loan of the subsidiary Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A. The guarantee is limited to 65% which corresponds to the shares owned in the company, up to a maximum of €11,700 k;

(vi) The Galp Energia Group has bank loans that in some cases have covenants that can, if triggered by banks, lead to early repayment of the borrowed amounts. As of 31 December 2013, the medium/long term debt totalled €3.3 bn. From this total, the contracts concerning "covenants" correspond to €1.5 bn. The existing covenants in the Galp Energia Group embody essentially in compliance with financial ratios that monitor the financial position of the Company, including its ability to repay the debt service. Total net debt to consolidated Ebtida ratio is the most frequently used and was 1.9x as of 31 December 2013. The ratio amount reached is a lower value than the one stipulated by all contracts, which in general terms is 3.5 – 3.75 x Ebtida;

(vii) The Galp Energia Group has non-current contracts with natural gas suppliers and gas clients, which guarantee a minimum of acquisitions and sales, guaranteeing a good operational performance.

Pledged guarantees

As of 31 December 2013, responsibilities with pledged guarantees amounted to €207,451 k being constituted essentially by:

(i) Guarantees of €56,080 k in benefit of the tax administration;

(ii) Guarantees of 18,369 k in benefit of city councils regarding subsoil occupation taxes;

(iii) Guarantees of €6,108 k in benefit of general customs;

(iv) Guarantees of €7,000 k in benefit of the Portuguese State with respect to the obligations and duties resulting from the concession contract to operate the natural gas regional distribution networks of Lisboagás, GDL – Sociedade Distribuidora de Gás Natural de Lisboa S.A., Lusitaniagás – Companhia de Gás do Centro, S.A. and Beiragás – Companhia de Gás das Beiras, S.A.;

(v) Guarantee of €5,000 k given to the Portuguese Government for the obligations and duties resulting from the Concession of public service of underground storage of natural gas allocated by the Portuguese Government to Transgás Armazenagem, S.A.;

(vi) Guarantees of €4,261 k in benefit of the Sines Port authority;

(vii) Guarantees of €3,054 k given to GDEG in guarantee of full compliance with the obligations assumed by the Group under the plan to construct the infrastructures relating to operation of the natural gas local networks and allocation of power injection in the network of the public electrical system;

(viii) Guarantees of €3,200 k in benefit of Tribunal Judicial de Oeiras;

(ix) Guarantees of €2,117 k in benefit of Instituto de Estradas de Portugal based on paragraph a) of article 15 of the Law-Decree No.13/71 to licence the installation of natural gas conducts, parallels and road crossings;

(x) Guarantee of €634 k in benefit; EDP – Energias de Portugal, S.A. to guarantee diesel supply to thermoelectric stations of the Islands of Santa Maria islands, S. Miguel, Terceira, Faial, Pico and Flores

(xi) Guarantee of €15,000 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;

(xii) Guarantees of €100 k and €229 k, in benefit of Transport et Infrastructures Gaz France and GRT GAS, S.A., to guarantee contractual usage of the natural gas transportation infrastructure in France;

(xiii) Guarantee of €4,700 k in benefit of REN – Atlântico, S.A. to guarantee contractual usage of LNG infrastructure;

(xiv) Guarantee of €6,100 k in benefit of REN – Armazenagem, S.A. to guarantee contractual usage of natural gas storage infrastructure;

(xv) Guarantee of €950 k, in benefit of REN – Atlântico, S.A, REN – Gasodutos, S.A. and REN – Armazenagem, S.A, to guarantee contractual usage of LNG infrastructure in Portugal;

(xvi) As of 31 December 2013, the Group had also assumed liabilities with a bank guarantee provided to Api Parques totalling €697 k for purposes of good performance of contract related to the Surface Rights;

(xvii) As of 31 December 2013, guarantees to the Brazilian National Oil, Natural Gas and Biofuels Agency totalling €61,861 k (R$199,595 k) resulting from a contractual imposition of the concession contract signed between Brazilian Government and its partners, in which the Group is included, where they commit to invest in seismic acquisitions and drilling wells during the exploration period. The amount of guarantees relating to the liability of the Group equals its percentage of ownership in the consortium;

(xviii) As of 31 December 2013, bank guarantees of €558 k ($770 k) to the National Oil Authority on behalf of the Government of East Timor as a result of the concession agreement signed between the Government of East Timor and partners of five blocks in East Timor in which the Group participates, where they commit to invest in seismic acquisition and drilling during the exploration period. The amount of guarantees relating to the liability of the Group equals its percentage of ownership in the consortium;

(xix) As of 31 December 2013, there were still other guarantees in the amount of €11,433 k in benefit of third parties as guarantee of fulfilment of obligations occurring from signed contracts between parties.

34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

The main challenges facing refining operations are the compliance with the objectives of reducing greenhouse gas emissions as defined in the Kyoto Protocol, the reduction of the proportion of sulphur in fuel consumed in the facilities and increasing energy efficiency.

In 2013, the Galp Energia Group was informed by the Portuguese Environmental Agency, by means of publication of the National Allocation Table for the period 2013-2020, of the definitive emission licences to be granted to the following facilities:

Company	Petrogal		Carriço	Powercer
Facilities	**Sines refinery**	**Porto refinery**	**Cogeneration**	**Cogeneration**
2013	1,187,801	494,967	65,341	22,384
2014	1,167,170	486,370	64,204	20,601
2015	1,146,296	477,672	63,067	18,865
2016	1,125,205	468,883	61,930	17,181
2017	1,103,886	460,000	60,793	15,545
2018	1,082,361	451,030	59,656	13,959
2019	1,060,567	441,948	58,519	12,421
2020	1,038,697	432,834	57,382	10,934
Total by facility	**8,911,983**	**3,713,704**	**490,892**	**131,890**

The following tables show the facilities currently operated by the Group, its annual emission licences – EUA's, emission reduction certificates – ERU's, as well as the quantities of greenhouse gases (ton/CO_2) per installation/company.

EUA's

Company	Facilities	EUA licences held ton/CO_2 on 01/01/2013	Free licences attributed ton/CO_2	Licences ton/CO_2 used	Licences ton/CO_2 transferred	Licences ton/CO_2 purchased	Licences ton/CO_2 sold	EUA licences held ton/CO_2 on 31/12/2013
Petrogal	Sines refinery (a)	1,074,523	1,746,916	(781,033)	-	748,000	(111,800)	2,676,606
	Porto refinery (b)	358,684	526,947	(257,270)	-	752,000	(56,200)	1,324,161
		1,433,207	**2,273,863**	**(1,038,303)**	**-**	**1,500,000**	(168,000)	4,000,767
Carriço Cogeração	Cogeneration	166,119	65,341	(55,253)	-	-	(8,000)	118,207
Powercer	Cogeneration	35,483	22,384	(10,295)	-	-	(2,000)	45,572
		151,602	**87,725**	**(65,548)**	**-**	**-**	**(10,000)**	**163,779**
Galp Power	n. a.	-	-	-	-	-	-	-
		1,584,809	**2,361,588**	**(1,103,851)**	**-**	**1,500,000**	**(178,000)**	**4,164,546**

(a) Includes under column "licences attributed" (in accordance with National Allocation Table for 2013), licence estimate for conversion of Sines in the amount of 559,115 ton/CO_2.
(b) Includes under column "licences attributed" (in accordance with National Allocation Table for 2013), licences for the Porto refinery reconversion project in the amount of 31,980 ton/CO_2.
These additional licences refer to 2012 and were used in 2013.

ERU's

Company	Facilities	ERU certificates held ton/CO_2 on 31/12/2012	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 31/12/2013
Petrogal	Sines refinery (a)	1,118,761	(1,118,761)	-	111,800	-	111,800
	Porto refinery (b)	564,966	(564,966)	-	56,200	-	56,200
		1,683,727	**(1,683,727)**	**-**	**168,000**	**-**	168,000
Carriço Cogeração	Cogeneration	80,769	(80,769)	-	8,000	-	8,000
Powercer	Cogeneration	23,596	(23,596)	-	2,000	-	2,000
		104,365	**(104,365)**	**-**	**10,000**	**-**	**10,000**
Galp Power	n. a.	-	-	-	-	-	-
		1,788,092	**(1,788,092)**	**-**	**178,000**	**-**	**178,000**

Held certificates and licences

Company	Facilities	EUA's held ton/CO_2 on 31/12/2013	ERU's held ton/CO_2 on 31/12/2013	EUA's and ERU's held ton/CO_2 on 31/12/2013	CO_2 emissions up to December 2013 (a)	Excess/(insufficiency) of licences and certificates
Petrogal	Sines refinery (a)	2,676,606	111,800	2,788,406	2,700,157	88,249
	Porto refinery (b)	1,324,161	56,200	1,380,361	1,001,226	379,135
		4,000,767	**168,000**	**4,168,767**	**3,701,383**	**467,384**
Carriço Cogeração	Cogeneration	118,207	8,000	126,207	144,483	(18,276)
Powercer	Cogeneration	45,572	2,000	47,572	33,208	14,364
		163,779	**10,000**	**173,779**	**177,691**	**(3,912)**
Galp Power	n. d.	-	-	-	-	-
		4,164,546	**178,000**	**4,342,546**	**3,879,074**	**463,472**

(a) CO_2 emissions values are proforma and will be subject to environmental audits.

In December 2013, the Galp Energia Group bought and sold licences for GGE (EUA) and certificates of ERU, totalling 178,000 ton/CO_2 in both sales and purchases. Net sales and purchases amounted to positive €888 k, and this been included in "Other operating income".

During December 2013, the Galp Energia Group physically acquired EUA licences in the amount of 1,500,000 ton/CO2 for €10,379 k, with €7,289 k expensed under other operational costs, and the remaining amount, relating to acquired licences expected to be used only in 2014 deferred in financial position.

As of 31 December 2013, the *pro forma* values of GEE were below assigned and acquired licences. Thus, no accruals were made to the additional costs mentioned above.

As of 31 December 2013, Galp Power, S.A. holds a portfolio of 1,900 lots of CO_2 futures, due in December 2014 (Note 27). These CO_2 futures represent 1,900,000 ton/CO_2.

35. SUBSEQUENT EVENTS

Não existem eventos subsequentes para fins de divulgação.There are no subsequent events for disclosure purposes

36. FINANCIAL STATEMENTS APPROVAL

The consolidated financial statements were approved by the Board of Directors on 14 March 2014.

However, they are still subject to approval by the general meeting of shareholders, under the commercial code in place in Portugal. The Board of Directors believes that these financial statements fairly reflect the Group's operations, financial performance and cash flows.

37. EXPLANATION ADDED FOR TRANSLATION

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

THE ACCOUNTANT:
Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS:
Chairman:
Américo Amorim
Vice-Chairmen:
Manuel Ferreira De Oliveira
Luís Palha da Silva
Members:
Paula Amorim
Filipe Crisóstomo Silva
Carlos Gomes da Silva
Sérgio Gabrielli de Azevedo
Stephen Whyte
Vítor Bento
Abdul Magid Osman
Luís Manuel Moreira de Campos e Cunha
Miguel Athayde Marques
Carlos Costa Pina
Rui Paulo Gonçalves
Luís Manuel Todo Bom
Fernando Gomes
Diogo Mendonça Rodrigues Tavares
Joaquim José Borges Gouveia
José Carlos da Silva Costa
Jorge Manuel Seabra de Freitas

Supplementary oil and gas information (unaudited)

The following information is presented in accordance with Extractive Activities – Oil & Gas (Topic 932) of the Financial Accounting Standards Board (FASB).

Results of operations from exploration and production activities

Results of operations from exploration and production by geographical area, for the years 2013, 2012 and 2011 are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2013				
Consolidated total contributions				
Sales	243,816	333,565	-	577,382
Production costs	(45,860)	(23,226)	-	(69,086)
Royalties	-	(38,765)	-	(38,765)
Other operating costs	(2,338)	(57,722)	4	(60,056)
Exploration costs	(61,528)	(24,778)	(2,186)	(88,492)
Depreciation, amortisation and provisions for the period	(113,727)	(51,944)	-	(165,671)
Operating profit before tax for the E&P activities	**20,364**	**137,130**	**(2,182)**	**155,312**
Income tax	(18,946)	(66,360)	(137)	(85,442)
Operating income for the E&P activities	**1,418**	**70,771**	**(2,319)**	**69,870**
31 December 2012				
Consolidated total contributions				
Sales	243,694	277,589	-	521,283
Production costs	(45,159)	(23,110)	-	(68,269)
Royalties	-	(28,033)	-	(28,033)
Other operating costs	(1,489)	(35,599)	(29)	(37,117)
Exploration costs	-	(28,106)	(16,670)	(44,776)
Depreciation, amortisation and provisions for the period	(98,440)	(31,654)	-	(130,094)
Operating profit before tax for the E&P activities	**98,606**	**131,088**	**(16,699)**	**212,994**
Income tax	(48,734)	(58,101)	2,663	(104,172)
Operating income for the E&P activities	**49,872**	**72,987**	**(14,037)**	**108,823**
31 December 2011				
Consolidated total contributions				
Sales	228,241	112,236	-	340,477
Production costs	(37,413)	(16,859)	-	(54,272)
Royalties	-	(11,029)	-	(11,029)
Other operating costs	(12,080)	(16,939)	(63)	(29,082)
Exploration costs	-	(36,601)	(8,449)	(45,050)
Depreciation, amortisation and provisions for the period	(103,456)	(19,344)	-	(122,799)
Operating profit before tax for the E&P activities	**75,292**	**11,464**	**(8,512)**	**78,244**
Income tax	(24,455)	(8,318)	2,243	(30,530)
Operating income for the E&P activities	**50,837**	**3,145**	**(6,269)**	**47,713**

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: €9,159 k in 2013, €1,210 k in 2012 and €1,022 k in 2011.

Other operating costs include overhead costs pertaining to areas directly related to exploration and production activities. It excludes general corporate overhead costs related to Group companies, in accordance with FASB Topic 932 and includes costs recorded in companies that are not fully consolidated in the amount of €3,262 k in 2013, €116 k in 2012 and €9,003 k in 2011.

Exploration costs corresponds to exploration impairments (costs of dry wells or historical costs of blocks returned in the year).

Amortisation, depreciation and provisions for the period include costs recorded in companies that are not consolidated by the full consolidation method in the amount €1,811 k in 2013, €726 k in 2012 and €522 k in 2011.

Operating income does not include corporate costs and financial costs, in accordance with FASB Topic 932.

The caption “Income taxes” includes: IRP applicable to blocks in Africa, the Special Participation Tax (SPT) applicable to blocks in Brazil, and income tax in accordance the applicable tax laws applicable in each country. The amount of income tax has been adjusted to exclude the effect of management and financial costs that were excluded from operating income.

Capital expenditure in exploration and production activities

Capitalised costs during the year, that represent expenditures made in exploration and production activities, by geographical area for the years 2013, 2012 and 2011 are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2013				
Consolidated total contributions				
Acquisitions with proved reserves	-	-	-	-
Acquisitions with unproved reserves	10,191	11,619	-	21,810
Exploration	112,433	143,388	2,789	258,610
Development	90,179	352,753	-	442,933
Total incurred in the period	**212,803**	**507,761**	**2,789**	**723,353**
31 December 2012				
Consolidated total contributions				
Acquisitions with proved reserves	-	-	-	-
Acquisitions with unproved reserves	2,188	-	3,316	5,504
Exploration	86,138	154,427	15,609	256,174
Development	61,903	289,806	-	351,709
Total incurred in the period	**150,229**	**444,232**	**18,925**	**613,387**
31 December 2011				
Consolidated total contributions				
Acquisitions with proved reserves	-	-	-	-
Acquisitions with unproved reserves	-	-	-	-
Exploration	13,635	100,096	17,954	131,685
Development	41,100	125,845	-	166,945
Total incurred in the period	**54,735**	**225,941**	**17,954**	**298,630**

The amounts invested in the table above differ from the value reported for investment in the E&P business segment, since it excludes includes investments which are not directly related to exploration and production activities.

The amounts in the caption “Development” include assets which are related to transport and production equipment for block BM-S-11 in Brazil, recorded in companies consolidated by the equity method, in the amount of €155,203 k in 2013, €115,546 k in 2012 and €25,188 k in 2011.

In the table above, investments are stated in the Galp Energia Group’s functional currency. For companies where the functional currency is not the Euro, assets were updated at the corresponding year end exchange rate, in accordance with the accounting policy defined in paragraph 2.12 of the notes to the consolidated financial statements, namely in Brazil, at the exchange rate of 3.2576 BRL/EUR and companies in Africa, at the exchange rate of 1.3791 USD/EUR.

Cumulative investments in exploration and production activities

Cumulative investments represent the total expenditures incurred in the acquisition of proved or unproved reserves and in exploration and development activities of blocks in which Galp Energia holds a participation.

Cumulative costs are fully capitalised. Dry wells are recognised as costs and reflected in the table below, together with impairments. Returned blocks are written-off from assets, and consequently, are not included in this information.

Cumulative investments in production and exploration activities which are reflected in Galp Energia Group's financial position are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2013				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	818,637	307,589	-	1,126,226
Incomplete wells (assets in progress)	64,365	607,130	-	671,495
Assets without proved reserves	462,128	421,227	53,082	936,438
Support equipment	4,663	11,394	-	16,056
Gross cumulative investment	**1,349,793**	**1,347,340**	**53,082**	**2,750,216**
Cumulative amortisations, depreciations and impairments	(687,514)	(99,260)	(10,768)	(797,541)
Net cumulative investments	**662,280**	**1,248,080**	**42,315**	**1,952,675**
31 December 2012				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	716,479	284,580	-	1,001,059
Incomplete wells (assets in progress)	143,102	415,547	-	558,649
Assets without proved reserves	226,411	363,379	67,712	657,501
Support equipment	4,096	3,674	-	7,770
Gross cumulative investment	**1,090,088**	**1,067,179**	**67,712**	**2,224,979**
Cumulative amortisations, depreciations and impairments	(521,323)	(106,715)	(25,124)	(653,162)
Net cumulative investments	**568,765**	**960,465**	**42,588**	**1,571,817**
31 December 2011				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	674,459	215,155	-	889,615
Incomplete wells (assets in progress)	110,379	78,876	-	189,256
Assets without proved reserves	154,283	390,099	49,303	593,686
Support equipment	2,636	2,931	-	5,567
Gross cumulative investment	**941,758**	**687,062**	**49,303**	**1,678,123**
Cumulative amortisations, depreciations and impairments	(440,336)	(52,124)	(8,971)	(501,431)
Net cumulative investments	**501,422**	**634,938**	**40,333**	**1,176,692**

Investments were classified in accordance to the following assumptions:

1) Assets with Proved Reserves (PR or 1P): assets related to fields which hold PR at the end of each year.

1.1) Assets with PR – Fixed: assets related with fields which hold PR at the end of each year, in production and under depreciation;

1.2) Assets with PR – Incomplete wells (assets in progress): assets related with fields with PR at the end of each year, which are not yet in production.

2) Assets without PR: assets related with fields without proved PR, at the end of each year.

3) Support equipment: office equipment allocated to exploration and production activities.

The amounts contained in the following captions include assets relating to transportation and production equipment for block BM-S-11 in Brazil, recorded in consolidated companies using the equity method. In "Fixed assets with Proved Reserves" are recorded €70,539 k in 2013, €76,014 k in 2012 and €15,406 k in 2011. In "Incomplete wells (assets in progress)", are recorded €248,461 k in 2013, €100,843 k in 2012 and €45,905 k in 2011. In "Cumulative amortisations, depreciations and impairments" are recorded €3,482 k in 2013, €17,766 k in 2012 and €6,082 k in 2011.

In the above table, cumulative investments are stated in the Galp Energia Group's functional currency. For companies where the functional currency is not the Euro, assets were updated at the corresponding year end exchange rate, in accordance with the accounting policy defined in paragraph 2.12 of notes to the consolidated financial statements, namely in Brazil, at the exchange rate of 3.2576 BRL/EUR and companies in Africa, at the exchange rate of 1.3791 USD/EUR.

Oil and gas reserves

Total PR (1P) on 31 December 2013, 2012 and 2011 which are presented in the below tables, include developed and undeveloped PR, and were used for depreciation of tangible assets and recognition of provisions for abandonment costs, based in the UOP method. These reserves were determined by an independent entity, whose methodology is in accordance with the PMRS, approved in March 2007 by the SPE, the WPC, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The reference price used to determine the Company's reserves, under a net entitlement point of view, which are the reserves to be extracted as defined in signed agreements for the exploration and production activity, was $108.66/bbl, $111.63/bbl, and $111.00/bbl, and corresponds to the average market price of Brent for 2013, 2012 and 2011, respectively.

Reserves associated with blocks in Brazil correspond to 100% of the percentage held by Petrogal, Brazil in those blocks, since this company is consolidated using the full consolidation method in the Galp Energia Group.

The impacts of PS.A. (price effect and/or change in recoverable costs) in reserves associated with this type of agreements are reflected in the caption "Revisions of previous estimates".

Oil reserves (1P proved reserves)

unit: kbbl	Africa	Latin America	Total
2013			
Reserves on 31 December 2012	**9,609**	**113,773**	**123,382**
Developed	7,011	15,925	22,936
Undeveloped	2,598	97,848	100,446
Extensions and discoveries	-	21,830	21,830
Acquisitions and sales	-	-	-
Revisions of previous estimates	2,244	15,132	17,376
Production	(3,039)	(3,805)	(6,844)
Reserves on 31 December 2013	**8,814**	**146,930**	**155,744**
Developed	7,124	19,294	26,418
Undeveloped	1,690	127,636	129,326
2012			
Reserves on 31 December 2011	**10,306**	**108,836**	**119,142**
Developed	8,391	11,944	20,335
Undeveloped	1,915	96,892	98,807
Extensions and discoveries	1,264	88	1,352
Acquisitions and sales	-	-	-
Revisions of previous estimates	885	7,710	8,595
Production	(2,846)	(2,860)	(5,706)
Reserves on 31 December 2012	**9,609**	**113,773**	**123,382**
Developed	7,011	15,925	22,936
Undeveloped	2,598	97,848	100,446
2011			
Reserves on 31 December 2010	**13,521**	**99,230**	**112,751**
Developed	9,988	8,181	18,169
Undeveloped	3,533	91,049	94,582
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	50	10,670	10,720
Production	(3,265)	(1,064)	(4,329)
Reserves on 31 December 2011	**10,306**	**108,836**	**119,142**
Developed	8,391	11,944	20,335
Undeveloped	1,915	96,892	98,807

Gas reserves (1P proved reserves)

Gas reserves are presented in millions of cubic feet, with 1 barrel of oil equivalent (boe) corresponding to 6,000 cubic feet of gas.

unit: millions of cubic feet	Africa	Latin America	Total
2013			
Reserves on 31 December 2012		**184,281**	**184,281**
Developed		24,749	24,749
Undeveloped		159,532	159,532
Extensions and discoveries		14,189	14,189
Acquisitions and sales		-	-
Revisions of previous estimates		(64,133)	(64,133)
Sales		(3,402)	(3,402)
Reserves on 31 December 2013		**130,935**	**130,935**
Developed		21,081	21,081
Undeveloped		109,854	109,854
2012			
Reserves on 31 December 2011		**154,997**	**154,997**
Developed		11,588	11,588
Undeveloped		143,409	143,409
Extensions and discoveries		69	69
Acquisitions and sales		-	-
Revisions of previous estimates		32,680	32,680
Sales		(3,465)	(3,465)
Reserves on 31 December 2012		**184,281**	**184,281**
Developed		24,749	24,749
Undeveloped		159,532	159,532
2011			
Reserves on 31 December 2010		**82,224**	**82,224**
Developed		-	-
Undeveloped		82,224	82,224
Extensions and discoveries		-	-
Acquisitions and sales		-	-
Revisions of previous estimates		73,321	73,321
Sales		(548)	(548)
Reserves on 31 December 2011		**154,997**	**154,997**
Developed		11,588	11,588
Undeveloped		143,409	143,409

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 prior 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 2013: $108.66/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 2013 (1.3281 USD/EUR).

unit: €k	Africa	Latin America	Total
31 December 2013			
Future cash inflows	721,270	12,161,670	12,882,940
Future production costs	(141,548)	(1,837,700)	(1,979,248)
Future royalties	-	(1,366,389)	(1,366,389)
Future development and abandonment costs	(141,101)	(893,006)	(1,034,107)
Future net cash flow before tax	**438,621**	**8,064,575**	**8,503,196**
Future income tax	(110,837)	(4,557,233)	(4,668,070)
Future net cash flows	**327,784**	**3,507,343**	**3,835,127**
Discount factor (10%)	(63,781)	(1,684,250)	(1,748,031)
Standard measure of discounted future cash flows on 31 December 2013	**264,003**	**1,823,092**	**2,087,095**

6.4 Reports and opinions

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

(Free translation from the original in Portuguese)

Introduction

1. As required by law, we present the audit report for stock exchange regulatory purposes on the financial information included in the consolidated accounts report and in the attached consolidated financial statements of Galp Energia, SGPS, S.A., comprising the consolidated statement of financial position as at 31 December 2013 (which shows total assets of €13,717,324 k and total shareholder's equity of €6,415,800 k including non-controlling interests of €1,254,894 k and a net profit of €188,661 k), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2. It is the responsibility of the Company's Board of Directors (i) to prepare the consolidated accounts report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with IFRS as adopted by the EU and which is complete, true, up-to-date, clear, objective and lawful, as required by the CVM; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

3. Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the CVM, for the purpose of issuing an independent and professional report based on our audit.

Scope

4. We conducted our audit in accordance with the Portuguese Statutory Auditing Standards, which requires that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilisation of the equity method; (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5. Our audit also covered the verification that the information included in the consolidated accounts report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of article 451 of the CSC.

6. We believe that our audit provides a reasonable basis for our opinion.

Opinion

7. In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Galp Energia, SGPS, S.A. as at 31 December 2013, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with IFRS as adopted by the EU and the information included is complete, true, up-to-date, clear, objective and lawful.

Report on other legal requirements

8. It is also our opinion that the information included in the consolidated accounts report is consistent with the consolidated financial statements for the year and that the corporate governance report includes the information required under article 245-A of the CVM.

18 March 2014

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
Represented by:

António Joaquim Brochado Correia, ROC

Statutory auditors' opinion on the consolidated financial statements

(Free translation from the original in Portuguese)

Introduction

1. We have examined the consolidated financial statements of Galp Energia, SGPS, S.A. for the fiscal year ended on 31 December 2013, comprising the consolidated statement of financial position as of 31 December 2013 (which reflect total assets of €13,717,324 k and a shareholder's equity of €6,415,800 k, including a net income attributable to the shareholders of the Company and recognised in the consolidated income statement of €188,661 k and a total of non-controlling interests of €1,245,894 k), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended, and the corresponding notes to the consolidated financial statements. These consolidated financial statements have been prepared in accordance with IFRS, as adopted by the EU.

Responsibilities

2. The Company's Board of Directors is responsible for the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, of the consolidated results of their operations, of their consolidated comprehensive income, of their consolidated changes in equity and of their consolidated cash flows, for the adoption of adequate accounting policies and criteria and for the maintenance of an appropriate system of internal control, as well as for the disclosure of any relevant facts that have influenced the operations, the financial position or the results of operations of the companies included in the consolidation perimeter.

Scope

3. It is our responsibility to report our independent professional opinion, based on our audit of such financial statements.

4. The audit was performed in accordance with generally accepted Portuguese Statutory Auditing Standards under the guidelines of the Statutory Auditors Association, which require the audit to be planned and performed in order to provide reasonable assurance that the consolidated financial statements are free from material misstatements. Therefore, the audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and assessment of the significant estimates, which were based on judgements and criteria defined by the Board of Directors, used in the preparation of the consolidated financial statements, the checking of the consolidation procedures, and that the financial statements of the companies included in the consolidation have been properly examined, assessment of the adequacy and consistency of the accounting policies adopted and related disclosures, in the circumstances, examination of the adequacy of the going concern basis of preparation of the consolidated financial statements, and evaluation of the overall adequacy of the presentation of the consolidated financial statements.

5. Our examination also included verifying that the financial information included in the Board of Directors' report is consistent with the consolidated financial statements, as well as the verification of the matters mentioned in paragraphs 4 and 5 of article 451 of the CSC.

6. We consider that the audit that we performed provides a reasonable basis for the expression of our opinion.

Opinion

7. In our opinion, the consolidated financial statements mentioned above, present fairly, in all material respects, the consolidated financial position of Galp Energia, SGPS, S.A. and subsidiaries as of 31 December 2013, and of the consolidated results of their operations, of their consolidated comprehensive income, of their consolidated changes in equity and of their consolidated cash flows for the year then ended, in accordance with the IAS/IFRS, as adopted in the EU, applied on a consistent basis with the previous year.

Report on other legal requirements

8. It is also our opinion that the information included in the Board of accounts report is consistent with the consolidated financial statements and the Company's corporate governance report includes the disclosures required by article 245-A of the CVM.

Lisbon, 18 March 2014

P. Matos Silva, Garcia Jr., P. Caiado & Associados
Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Pedro Matos Silva

Statement of compliance by the Board of Directors

According to article 245, first paragraph c) of the CVM.

The Board of Directors declares that, to the best of their knowledge, the accounts report, financial statements, legal certification of the accounts and further accounting documents was prepared in compliance with the applicable accounting requirements and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole; and (iii) includes an accurate description of the principal risks faced by Galp Energia's operations.

The Board of Directors

Chairman:
Américo Amorim

Vice-Chairman:
Manuel Ferreira De Oliveira

Vice-Chairman:
Luís Palha da Silva

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

Supervisory Board's report and opinion

(Free translation from the original in Portuguese)

Dear shareholders,

According to the current legislation and the Company's articles of association, and under our mandate, we hereby present our opinion on the accounts report, the individual and consolidated financial statements, as well as the proposed allocation of net profit presented by the Board of Directors of Galp Energia SGPS, S.A., with regards to the year ended 31 December 2013.

We have met several times both with the statutory auditor and with the external auditor, monitoring both the audit activities and the legal certification of the accounts, as well as supervising their independence and competence. We have reviewed and agreed with both the legal certification of the accounts as well as the audit report of the individual and consolidated accounts.

Under the scope of our mandate, we have verified and we hereby declare to the best of our knowledge that:

a) the individual and consolidated financial statements and their corresponding notes allow for an adequate understanding of the Company's financial position and results, as well as of the subsidiaries which are included in the consolidation remit;

b) the accounting principles and the metrical criteria used follow the IFRS, as adopted by the EU, and are adequate as to guarantee a correct representation of both the Company's and the Group's assets and results;

c) the accounts report includes a fair review of the business development just as of the position of the Company and other companies included in the consolidation, clearly highlighting the most significant aspects of the business, as well as a description of the main risks that Galp Energia is exposed to in its operations;

Accordingly, taking into consideration the information received by the Board of Directors and other Company departments, as well as the conclusions set out in the legal certification of the accounts and the audit report about the individual and consolidated financial statements, we hereby express our agreement with the accounts report, the individual and consolidated financial statements, as well as the proposed allocation of net profit for the financial year 2013, and we are of the opinion that these should be approved in 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, 24 March 2014

Daniel Bessa Fernandes Coelho

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

Enclosed: declarations endorsed by the Supervisory Board for the purposes of paragraph 1 c) of article 245 of the CVM.

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 CVM, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the principal risks faced by Galp Energia's operations.

Lisbon, 24 de March 2014

Daniel Bessa Fernandes Coelho

Declaration

Gracinda Augusta Figueiras Raposo, member of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the CVM, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the principal risks faced by Galp Energia's operations.

Lisbon, 24 de March 2014

Gracinda Augusta Figueiras Raposo

Declaration

Pedro Antunes de Almeida, member of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the CVM, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the principal risks faced by Galp Energia's operations.

Lisbon, 24 de March 2014

Pedro Antunes de Almeida

Annual activity report of the Supervisory Board for the financial year 2013

In accordance with article paragraph 1 g) of article 420 of the CSC and of paragraph 1 g) of article 8 of the the Supervisory Board regulations of Galp Energia, SGPS, S.A. (hereinafter referred to as Galp Energia or Company), the Board hereby presents its report on the supervisory activities performed in 2013.

I. Introduction

In keeping with the corporate governance model implemented by Galp Energia, the Latin model laid down in paragraph 1 a) of article 278 and paragraph 1 b) of article 278, both from the CSC, the Supervisory Board is responsible for supervising the Company's activities.

The Supervisory Board in office was elected at the general shareholders meeting held on 30 May 2011, for the 2011-2013 term of office, a term that was extended to four years (2011 to 2014) by a resolution passed at the general shareholders meeting of 24 April 2012, and comprises three independent members, in accordance with the criteria set out in paragraph 5 of article 414 of the CSC.

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 CSC.

The main duties of the Supervisory Board, as described in the respective regulation which is available via the Company's website, lie within 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 such recommendations as it may deem fit to that Committee;

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 or firm of auditors and monitoring their 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 2013

During 2013 the Supervisory Board held 12 meetings and implemented several measures within the scope of its duties, of which the following are highlighted:

1. Permanently monitoring the Company's activity, monitoring compliance with the law and articles of association, and overseeing the Company's management

Ongoing monitoring of the Company during 2013 was undertaken, in particular, through regular meetings with the heads of the Internal Auditing division, of the Risk-Management Committee, the Investor Relations Division, the Statutory Auditor and the External Auditor, as well as the Executive Director responsible for the area of finance, the Company Secretary and the heads of Accounts and of Planning and Corporate Control.

On the other hand, Supervisory Board members were present in meetings with the Board of Directors in which quarterly, half-year and annual accounts were approved, as well as the annual plan and budget.

During 2013, the Supervisory Board also monitored the working of Galp Energia's corporate governance system and its compliance with legal and statutory requirements, as well as legislative and regulatory developments in the field of corporate governance, in particular those issued by the CMVM, including recommendations relevant to the performance of its duties, having submitted proposals for the improvement of corporate governance, notably through internal-procedure proposals.

Also within the context of monitoring corporate governance matters, the Supervisory Board has reviewed the corporate governance report for 2013, and confirmed that the report includes the information required by article 245-A of the CVM and by the CMVM regulation no. 4/2013.

2. Monitoring compliance with the accounting policies and practices and with the process of preparation and disclosure of the 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 2013 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

It is of the Supervisory Boards to monitor 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 with an annual assessment of the working of the systems and respective internal procedures.

During 2013 the Supervisory Board performed several measures directed at the monitoring, supervision and evaluation of the working and adequacy of Galp Energia's internal-control, risk-management and internal-audit systems, having submitted to the Executive Committee recommendations and proposed amendments to the working of those systems as deemed justified and necessary.

Within the scope of its supervisory duties, the Supervisory Board was also charged with supervising the implementation by the Company of principles and policies for the identification and management of key financial and operational risks associated with Galp Energia's business, having supervised the measures to monitor, control and disclose the risks.

The Supervisory Board believes 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 the 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 2013, 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 sundry processes and systems of the business units, and 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 detection 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 Central Management of Internal Auditing independently and systematically, having regularly informed and drawn the attention of the Supervisory Board to the more relevant observations 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 2013 the Supervisory Board assessed the activity of the External Auditor, having monitored it 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 monitored, during 2013, the provision of services not related with audits, for which the prior opinion of this Board is required, and confirmed that the independence of the External Auditor had been safeguarded.

As such, CMVM recommendation IV.2 was complied with, in that the 30% limit for the provision by the External Auditor to the Company, or to any entity in a controlling relationship with it, of services other than audit services has not been exceeded, to the extent that they amounted to 15.1% of the total value of the services rendered.

The process of approval of internal regulations governing the procedures for hiring an external auditor for services other than audit services is currently in progress.

6. Company business with related parties

The corporate governance report for 2013 contains information on significant relations of a commercial nature between the Company and holders of qualifying holdings, as well as on related-party transactions subject to the prior opinion of the Supervisory Board, in respect of 2013.

In fact, the Supervisory Board undertook prior verification of one such deal in respect of which there was a need for such intervention, having issued its favourable opinion on 7 November 2013.

The process of approval of the regulation on procedures for related-party transactions is under way.

7. Reporting irregularities

In accordance with best corporate governance practices and applicable market rules, as well as in line with the principles of fairness, correctness, honesty, transparency and integrity on the basis of which Galp Energia conducts its business, the Galp Energia policy governing the reporting of irregularities, available on its official website, governs the mechanism for reporting to the body responsible, the Supervisory Board, irregularities occurring at Galp Energia Group companies.

The irregularities-reporting policy aims to allow any shareholder, employee, customer or supplier to report freely any irregularities they detect or of which they take cognisance or have reasoned suspicion, occurring at Galp Energia or its subsidiaries, in particular as regards compliance with current legislation, standards and internal regulations, the code of ethics and the anti-corruption policy, and ancillary procedures.

To support the work of the Supervisory Board in the matter reporting irregularities, the Supervisory Boards' support office was set up in 2013, on which it has delegated the operational management and smooth operation of the mechanism for reporting irregularities under the terms of the respective regulation.

No potential cases of irregularities within the Galp Energia Group were reported to the Supervisory Board in 2013.

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, 24 March 2014

Chairman – Daniel Bessa Fernandes Coelho

Member – Gracinda Augusta Figueiras Raposo

Member – Pedro Antunes de Almeida

6.5 Glossary and acronyms

Glossary

API GRAVITY
Gravity expressed in API, defined by the American Petroleum Institute as the following formula: °API = (141.5/g) – 131.5, where g is the density of the crude oil at 60°F (15.6°C). It is used worldwide to refer to the density of crude oil. The higher the API gravity, the lighter the crude oil.

ATMOSPHERIC DISTILLATION
Crude oil distillation at atmospheric pressure. Through this process, oil components are separated into fractions such as light gasoline, heavy gasoline, gas oil and heavy products. After receiving adequate treatment, these fractions become the components of finished refined products.

BARREL OF OIL (BBL)
A unit volume measurement used for oil, based on the volume of one barrel, equal to 0.15891m^3 for a crude oil barrel at 60°F (15.6°C).

CO_2
Carbon dioxide, a colourless gas, heavier than air, and one of its natural components. It is produced through natural processes such as the carbon cycle and by the combustion of fossil fuels.

COGENERATION
A generation technique for combined electricity and heat production. The advantage of cogeneration is the ability to capture the heat produced by the fuel which is lost in traditional electricity generation. This process also allows the same facility to meet the heating (hot water or steam) and electricity needs of both industrial and local authority customers. This system improves the energy efficiency of the generation process and reduces fuel use.

COMMODITY
A largely homogeneous product, produced in large quantities by many different producers, where items from different producers are considered interchangeable and of more or less undifferentiated quality. Oil, cereals and metals are examples of commodities.

COMPLEXITY
The complexity of a refinery is measured by a complexity index, which is calculated separately for different sector organisations, such as consultants to the energy sector Solomon Associates and Nelson. The complexity index of a refinery is calculated by assigning a complexity factor to each of the units in the refinery, which is mainly based on the technology level used in the construction of the unit and by reference to one facility of primary distillation of crude to which is assigned a complexity factor of 1.0. The index of complexity of each unit is calculated by multiplying the complexity factor by the unit capacity. The complexity of a refinery is equivalent to the weighted average of the index of complexity of each of its units, including the distillation unit. A refinery with a complexity index of 10.0 is considered ten times more complex than just a refinery equipped with atmospheric distillation of crude oil, for the same amount of product processed.

CONDENSATES
Hydrocarbons which, stored in the respective fields, are in the gaseous state, but on the surface become liquid under normal temperature and pressure. Condensates are mainly composed of pentane and other heavier products.

CONTINGENT RESOURCES
These are quantities of oil that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of reasons. For example, maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan); technological issues (new technology needs to be developed and tested in order to produce the volumes commercially); or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market). 2C contingent resources are those that are calculated based on the higher estimate (best estimate), while 3C resources correspond to the highest estimate (high estimate), thus reflecting a larger level of uncertainty. Volumes that fall into this category cannot be referred to as reserves.

CONVERSION
Refers to various treatments (catalytic or thermal) whose main impact is on carbon bonds. It can be more or less intense depending on the conditions. This process is usually associated with the conversion of fuel oil into lighter and more valuable fractions (gasoil, gasoline and oil gases). These processes are increasingly important in a modern refinery.

CRACKING
The refining process of breaking down larger, heavier, lower-value and more complex hydrocarbon molecules into simpler, lighter and higher-value molecules. A distinction should be made between thermal cracking and catalytic cracking. Thermal cracking is performed only by the action of heat and pressure. Catalytic cracking utilises catalysts that allow the same temperature, deeper transformation and more selective fractions that may be heavier.

CRUDE UTILISATION RATE
The ratio of the total amount of crude oil processed through crude oil distillation units compared to the operable capacity of these units.

DATED BRENT
The price for prompt shipments of Brent crude as reported by price agencies. It is the benchmark price for the vast majority of crude oils sold in Europe, Africa and the Middle East and one of the most important benchmarks for spot market prices. Brent is a light North Sea crude oil that has incorporated Forties and Oseberg grades since July 2006. This basket of crudes has an average API of 38.9°API.

DIESEL
A blend of hydrocarbons used as a fuel for ignition by compression engines that use the diesel cycle. The behaviour of diesel depends on the temperatures at which it is used.

DISTILLATION
A method for separating (liquid or solid) substances by evaporation followed by condensation. Distillation may take place under atmospheric pressure or in a vacuum, depending on what products are desired. Distillates result from this process.

EFFECTIVE INSTALLED CAPACITY
The OPEP production capacity that can be reached in 30 days and is maintained for a period of 90 days, excluding Iraq, Libya, Nigeria and Iran.

EMISSIONS
The release of gases into the atmosphere. In the context of global climate change, gases released include gases which can alter the climate, the so-called greenhouse gases. A typical example is the release of carbon dioxide during the burning of fuel.

EXPLORATION (OFFSHORE AND ONSHORE)
Offshore exploration is carried out in shallow water (less than 1,000 feet), deep water (between 1,000 and 5,000 feet) or ultra-deep water (more than 5,000 feet). Onshore exploration. Offshore exploration takes place on land.

EXPLORATION RESOURCES
Quantities of petroleum that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations through future development projects. The estimation of a prospect's resources is subject to both commercial and technological uncertainties. Mean estimate risked exploration resources have a higher implied recoverable probability than mean estimate unrisked resources. The quantities classified as exploration resources cannot be classified as contingent resources or reserves.

FREE FLOAT
The percentage of the shares in a listed company that are freely traded on the market – i.e. those not held by reference investors.

FUEL OIL
A blend of hydrocarbons mainly used for heat production in thermal installations. There are several types of fuel oil with different viscosity levels that limit the uses of each type.

GASOLINE
Fuel for internal combustion engines that use the Otto cycle. It must comply with specifications regarding its physical and chemical characteristics, the most important of which is resistance to self-inflammation.

HYDROCRACKING
Process of cracking with the use of hydrogen and under the action of catalysts that can convert oil fractions with high boiling points and undervalued in light fractions and more valued. Hydrogen allows you to work at lower temperatures and with greater selectivity and is thus better performing. The reaction products are saturated compounds, which confers important characteristics of stability.

ICE
Intercontinental Exchange Inc., or ICE, is an American financial company that operates Internet-based marketplaces which trade futures and OTC energy and commodity contracts, as well as derivative financial products.

JET FUEL
Fuel for jet engines used in aviation.

LIQUEFIED PETROLEUM GAS (LPG)
A mixture of hydrocarbons that is gaseous under normal temperature and atmospheric conditions but can be liquefied by increasing the pressure or lowering the temperature for transportation and storage. The most common types are propane and butane.

LIQUEFIED NATURAL GAS (LNG)
The liquid that results when natural gas is cooled to approximately -160°C at atmospheric pressure. LNG's volume is approximately 1/600 of the volume of natural gas, making it more efficient for transportation.

LUBRICANTS
Products obtained by mixing one or more base oils and additives. This process complies with specific formulations, depending on the use of the lubricant. The proportion of additives in lubricants can reach 40%. Lubricating oils have three main uses: automotive, industrial and marine.

NAPHTHA
A light fraction of refined crude oil between gases and petroleum. It is used as feedstock by the petrochemical industry, as its cracking supplies several products. It can also be used as a component in petrol (light naphtha) or to produce reformate (heavy naphtha).

NATIONAL BALANCING POINT (NBP)
The National Balancing Point, commonly referred to as NBP, is a virtual trading location for the sale, purchase and exchange of UK natural gas, and it is the pricing and delivery point for the ICE. The NBP price is reference for the current prices currently in Europe. It differs from Henry Hub because it is not delivered in an actual physical location.

NATURAL GAS
A naturally-occurring mixture of light hydrocarbons found in the subsoil, comprising over 70% methane by volume. The composition of natural gas changes according to the production field, the production process, the conditioning, the processing and the transportation.

NET ENTITLEMENT PRODUCTION
The production percentage of the rights for the exploration and production of hydrocarbons in a concession following production-sharing agreements.

PROVED RESERVES (1P)
Under the definitions approved by the SPE and the WPC, proved reserves are those quantities of oil which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
The definition of current economic conditions should include relevant historical oil prices and associated costs. In general, reserves are considered proven if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term "proven" refers to the actual quantities of oil reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proven includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proven if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

PROVED AND PROBABLE RESERVES (2P)
2P reserves correspond to the addition of proved (1P) and probable reserves. Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to those used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Proved reserves are those quantities of oil which, by analysis of geological and engineering data, have 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 addition of proved, probable and possible reserves. Under the definition approved by the SPE and the WPC, the possible reserves are a category of unproved reserves. Unproved reserves are based on geological or engineering data similar to those used in estimates of proved reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. The possible reserves have lower probability of being recovered than the probable reserves. If probability methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

REFINERY
An industrial facility used to process crude oil in order to transform it into the products needed by end consumers (fuels, lubricants, bitumen etc.) or feedstock for other industries (such as the petrochemical industry).

RENEWABLE ENERGY
Energy available from natural and sustainable sources that can be exploited economically in present conditions or in the near future.

REPLACEMENT COST ADJUSTED (RCA)
In addition to using the replacement cost method, adjusted profit excludes non-recurrent events such as capital gains or losses on the disposal of assets, impairment or reinstatement of fixed assets and environmental or restructuring charges which may affect the analysis of the Company's profit and do not reflect its operational performance.

REPLACEMENT COST RESULTS (RC)
As the financial statements have been prepared according to IFRS, the cost of goods sold is valued at weighted average cost (WAC). This may, however, lead to substantial volatility in results when commodities and goods prices fluctuate sharply leading to gains or losses in inventory, which may not reflect operational performance. In this document, we call this impact the inventory effect. According to this method, the cost of goods sold is valued at replacement cost, i.e. at the average cost of the raw materials in the month when the sales were made and irrespective of the inventories held at the start or end of that period. The replacement cost method is not accepted by either Portuguese GAAP or IFRS and is therefore not used to value inventories. The method does not reflect the replacement cost of other assets.

SPOT MARKET
With respect to commodities such as oil, this is a term used to describe the international trade in one-off cargoes or shipments of commodities such as crude oil in which prices closely follow demand and availability.

TANK FARM
An installation used by trunk and gathering pipeline companies, crude oil producers and terminal operators (except refineries) to store crude and oil products.

WIND FARM
A group of wind turbines interconnected to a common utility system through a system of transformers, distribution lines and (usually) one substation. The functions of operation, control and maintenance are centralised through a computer monitoring system, supplemented by visual inspection.

WIND POWER
Kinetic energy – that is, energy generated by movement – which is obtained from air circulation or wind. Can be converted into mechanical energy to drive pumps, mills and power generators.

WORKING INTEREST PRODUCTION
The production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Acronyms

AGU: autonomous gas unit.
Amorim Energia: Amorim Energia, B.V.
Anadarko: Anadarko Petroleum Corporation.
ANP: Agência Nacional do Petróleo, Gás Natural e Biocombustível (Brazilian national agency for oil, natural gas and biofuels).
API: American Petroleum Institute.
bbl: oil barrel.
BBLT: Benguela-Belize-Lobito-Tomboco.
bcIMC: British Columbia Management Corporation.
bcm: billion cubic metres.
BG Group: BG Group, p.l.c.
bn: billion.
bn bbl: billion barrels.
bn boe: billion barrels of oil equivalent.
boe: barrel of oil equivalent.
BP: BP, p.l.c.
b.p.: basis points.
BRL (or R$): Brazilian Real.
BSR: Buoyancy Supported Risers.
CDLI: Carbon Disclosure Leadership Index.
CDP: Carbon Disclosure Project.
CEO: chief executive officer.
CFO: chief financial officer.
CGD: Caixa Geral de Depósitos, S.A.
CLH: Compañia Logística de Hidrocarburos CLH, S.A.
CMVM: Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission).
CO_2: carbon dioxide.
CONCAWE: Conservation of Clean Air and Water in Europe.
CoSO: Committee of Sponsoring Organisations.
CPT: Compliant Piled Tower.
CSC: Código das Sociedades Comerciais (Portuguese Commercial Companies).
CVM: Código dos Valores Mobiliários (Portuguese Securities Code).
DeMaC: DeGolyer and Macnaughton.
DJSI: Dow Jones Sustainability Index.
DoC: Declaration of Commerciality.
DST: Drill Stem Test.
E&P: Exploration & Production.
Ebit: earnings before interest and taxes.
Ebitda: earnings before interest, taxes, depreciation and amortisation.
EIB: European Investment Bank.
EGREP: Entidade Gestora de Reservas Estratégicas de Produtos Petrolíferos, EPE.
EMPL: Europe Maghreb Pipeline, Ltd.
EMTN: Euro Medium Term Note.
EMV: expected monetary value.
ENH: National Hydrocarbon Company of Mozambique.
Eni: Eni, S.p.A.
ERSE: Entidade Reguladora dos Serviços Energéticos (Portuguese energy market regulator).
ERU: Emission Reduction Units.
EU: European Union.
EUA: Emission Unit Allowances.
EUR (or €): Euro.
EWT: extended well test.
FASB: Financial Accounting Standards Board.
FCC: fluid catalytic cracking.
FEED: front end engineering design.
FID: final investment decision.
FLNG: floating liquefied natural gas.
FPSO: floating, production, storage and offloading.
Foundation: Fundação Galp Energia.
G&P: Gas & Power.
Galp Energia: Galp Energia, SGPS, S.A., Group or Company.
GDEG: General Directorate of Energy and Geology.
GDL: Lisboagás GDL – Socieade Distribuidora de Gás Natural de Lisboa, S.A.
GDP: gross domestic product.
GGE: greenhouse gas emissions.
GIIP: gas initially in place.
GITE: Galp International Trading Establishment.
GTL: gas-to-liquids.
GWh: Gigawatt per hour.
HH: Henry Hub.
HRT: HRT Participações em Petróleo, S.A.
HRU: Heriot-Watt University.
HSE: health, safety and environment.
IAS: International Accounting Standards.
IASB: International Accounting Standard Board.
IASC: International Accounting Standards Committee.
ICE: Intercontinental Exchange.
IEA: International Energy Agency.
IFRS: International Financial Reporting Standards.
IFRIC: International Financing Reporting Interpretation Committee.
IMO: International Maritime Organisation.
ISIN: International Securities Identification Number.
ISO: International Organization for Standardization.
ISP: imposto sobre produtos petrolíferos (Portuguese Tax on Oil Products).
IsPG: Instituto do Petróleo e Gás (Brazilian Institute of Oil and Gas).
k: thousand.
kbbl: thousand barrels.
kboe: thousand barrels of oil equivalent.
kboepd: thousand barrels of oil equivalent per day.
kbopd: thousand barrels of oil.
km: kilometre.
km²: square kilometres.
kton: thousand tonnes.
LNG: liquefied natural gas.
LPG: liquefied petroleum gas.
LTIFR: lost time injury frequency rate.
m: million.
m³: cubic metres.
mbbl: millions of barrels.
mbbl/d: million barrels per day.
mboe: million barrels of oil equivalent.
mboepd: million barrels of oil equivalent per day.
mbopd: million barrels of oil per day.
MIBEL: Iberian Electricity Market.
mm³: million cubic metres.
mmbtu: million british thermal units.
mscf: million standard cubic feet.
mton: million tonnes.
mtpa: million tonnes per annum.
MW: megawatt.
MWh: megawatt per hour.
NBP: National Balancing Point.
NE: Northeast.
NGO: non-governmental organisation.
NWE: North West Europe.
NYSE: New York Stock Exchange.
OECD: Organisation for Economic Cooperation and Development.
OJEU: Official Journal of the European Union.
OPEC: Organisation of the Petroleum Exporting Countries.
OTC: over-the-counter.
Parpública: Parpública – Participações Públicas, SGPS, S.A.
p.p.: percentage points.
PEL: petroleum exploration licence.
Petrobras: Petróleo Brasileiro, S.A.
Petrogal: Petróleos de Portugal – Petrogal, S.A.
PIT: Petroleum Income Tax.
PR: proved reserves.
PRMS: Petroleum Resources Management System.
PSA: production-sharing agreement.
PUCM: projected unit credit method.
R&D: research and development.
R&M: Refining & Marketing.
R&T: research and technology.
RDA: reservoir data acquisition.
RC: replacement cost.
RCA: replacement cost adjusted.
RED: renewable energy directive.
Repsol: Repsol YPF, S.A.
ROACE: return on average capital employed.
ROC: statutory auditor.
SCR: Steel Catenary Riser.
Shell: Royal Dutch Shell, plc.
SPE: Society of Petroleum Engineers.
SPT: Special Participation Tax.
SROC: firm of statutory auditors.
SW: South West.
tcf: trillion cubic feet.
ton: tonne.
Total: Total, S.A.
UK: United Kingdom.
UN: United Nations.
UNO: United Nations Organisation.
UOP: unit of production.
USA: United States of America.

USD (or $): US Dollar.
USSR: Union of Soviet Socialist Republics.
VAT: valued added tax.
WAC: weighted average cost.
WACC: weighted average cost of capital.
WAG: water alternating gas.
WIP: Winland International Petroleum, SARL.
WPC: World Petroleum Council.
YPF: Yacimientos Petrolíferos Fiscales, S.A.
yoy: year-on-year.

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EDITION

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TEXT REVISION
Stratton Craig, Ltd.

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374215/14

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