



# Energy on the move

Individual Accounts Report 2014







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This translation of the Portuguese document was made only for the convenience of non-Portuguese speaking interested parties. For all intents and purposes, the Portuguese version shall prevail.

# Individual Accounts Report 2014

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## Galp Energia, SGPS, S.A.

## Statement of financial position as of 31 December 2014 and 2013

(Amounts stated in thousands euros – €k)

(Translation of statement of financial position originally issued in Portuguese – Note 37)

ASSETS	Notes	December 2014	December 2013
<b>Non-current assets:</b>			
Tangible assets	12	21	25
Intangible assets	12	-	-
Investments in subsidiaries	4	3,254,164	1,524,030
Investments in associates	4	201	151
Other receivables	14	1,697,560	3,405,333
Deferred tax assets	9	2,327	585
<b>Total non-current assets:</b>		<b>4,954,273</b>	<b>4,930,124</b>
<b>Current assets</b>			
Trade receivables	15	2,511	983
Other receivables	14	258,199	244,538
Current income tax receivable	9	104,570	96,339
Cash and cash equivalents	18	3,358	5,446
<b>Total current assets:</b>		<b>368,638</b>	<b>347,306</b>
<b>Total assets</b>		<b>5,322,911</b>	<b>5,277,430</b>
<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
<b>Equity:</b>			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Other reserves	20	193,827	193,827
Hedging reserves		-	(905)
Retained earnings		313,382	211,903
Net profit for the year		263,349	364,185
<b>Total equity:</b>		<b>1,681,815</b>	<b>1,680,267</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bank loans	22	763,341	1,032,061
Bonds	22	2,253,226	1,838,812
Other payables	24	3,000	1,000
Other financial instruments	27	-	1,241
Provisions	25	3,377	6,607
<b>Total non-current liabilities:</b>		<b>3,022,944</b>	<b>2,879,721</b>
<b>Current liabilities:</b>			
Bank loans and overdrafts	22	157,677	97,750
Bonds	22	-	146,778
Trade payables	26	277	1,073
Other payables	24	357,930	382,604
Current income tax payable	9	102,268	89,236
<b>Total current liabilities</b>		<b>618,152</b>	<b>717,442</b>
<b>Total liabilities</b>		<b>3,641,096</b>	<b>3,597,163</b>
<b>Total equity and liabilities</b>		<b>5,322,911</b>	<b>5,277,430</b>

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

## Galp Energia, SGPS, S.A.

## Income statement for the years ended 31 December 2014 and 2013

(Amounts stated in thousands euros – €k)

(Translation of statement of financial position originally issued in Portuguese – Note 37)

	Notes	2014	2013
<b>Operating income:</b>			
Services rendered	5	9,730	9,115
Other operating income	5	-	284
<b>Total operating income:</b>		<b>9,730</b>	<b>9,399</b>
<b>Operating costs:</b>			
External supplies and services	6	(5,099)	(6,445)
Employee costs	6	(9,633)	(7,636)
Amortisation, depreciation and impairment loss on fixed assets	6	(4)	(5)
Provision and impairment loss on receivables	6	-	25
Other operating costs	6	(716)	(1,619)
<b>Total operating costs:</b>		<b>(15,452)</b>	<b>(15,680)</b>
<b>Operating result:</b>		<b>(5,722)</b>	<b>(6,282)</b>
Financial income	8	131,035	137,977
Financial costs	8	(135,825)	(142,811)
Exchange gain (loss)		(17)	-
Results on investments in subsidiaries and associates	4	268,375	372,674
Income (loss) on financial instruments	27	-	(12)
<b>Profit before tax:</b>		<b>257,846</b>	<b>361,546</b>
Income tax	9	5,503	2,639
<b>Net profit</b>	<b>10</b>	<b>263,349</b>	<b>364,185</b>
<b>Earnings per share (in euros)</b>	<b>10</b>	<b>€0.32</b>	<b>€0.44</b>

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

## Galp Energia, SGPS, S.A.

## Statements of changes in equity for the years ended 31 December 2014 and 2013

(Amounts stated in thousands euros – €k)

(Translation of statement of financial position originally issued in Portuguese – Note 37)

Movements for the year	Notes	Share capital	Share premium	Other reserves (Note 20)	Hedging reserve	Retained Earnings	Net profit for the year	Total
<b>Balance as of 1 January 2013</b>		<b>829,251</b>	<b>82,006</b>	<b>193,827</b>	<b>(5,394)</b>	<b>403,274</b>	<b>27,552</b>	<b>1,530,515</b>
Net profit for the year	10	-	-	-	-	-	364,185	364,185
Other gains and losses recognised in equity		-	-	-	4,489	-	-	4,489
<b>Comprehensive income for the year</b>		-	-	-	<b>4,489</b>	-	<b>364,185</b>	<b>368,674</b>
Dividends distributed / interim dividends		-	-	-	-	(218,923)	-	(218,923)
Appropriation of profit to reserves		-	-	-	-	27,552	(27,552)	-
<b>Balance as of 31 December 2013</b>		<b>829,251</b>	<b>82,006</b>	<b>193,827</b>	<b>(905)</b>	<b>211,903</b>	<b>364,185</b>	<b>1,680,267</b>
<b>Balance as of 31 December 2013</b>		<b>829,251</b>	<b>82,006</b>	<b>193,827</b>	<b>(905)</b>	<b>211,903</b>	<b>364,185</b>	<b>1,680,266</b>
Net profit for the year	10	-	-	-	-	-	263,349	263,349
Other gains and losses recognised in Equity		-	-	-	905	-	-	905
<b>Comprehensive income for the year</b>		-	-	-	<b>905</b>	-	<b>263,349</b>	<b>264,254</b>
Dividends distributed / interim dividends	30	-	-	-	-	(262,706)	-	(262,706)
Appropriation of profit to reserves		-	-	-	-	364,185	(364,185)	-
<b>Balance as of 31 December 2014</b>		<b>829,251</b>	<b>82,006</b>	<b>193,827</b>	-	<b>313,382</b>	<b>263,349</b>	<b>1,681,815</b>

The accompanying notes form an integral part of the financial statements of changes in equity for the year ended 31 December 2014.

## Galp Energia, SGPS, S.A.

## Statements of comprehensive income for the years ended 31 December 2014 and 2013

(Amounts stated in thousands euros – €k)

(Translation of statement of financial position originally issued in Portuguese – Note 37)

	Notes	2014	2013
<b>Net profit for the year</b>	<b>10</b>	<b>263,349</b>	<b>364,185</b>
<b>Other income reclassified through profits (losses)</b>			
Increases / decreases in hedging reserves		1,241	6,357
Income tax related with gains and losses recognised in equity		(336)	(1,868)
		<b>905</b>	<b>4,489</b>
<b>Other gains and losses recognised in equity net of income tax</b>		<b>905</b>	<b>4,489</b>
<b>Comprehensive income</b>		<b>264,254</b>	<b>368,674</b>

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

## Galp Energia, SGPS, S.A.

## Statements of cash flows for the years ended 31 December 2014 and 2013

(Amounts stated in thousands euros – €k)

(Translation of statement of financial position originally issued in Portuguese – Note 37)

	Notes	2014	2013
<b>Operating activities:</b>			
Cash receipt from customers		13,593	14,686
Cash paid to suppliers		(7,686)	(7,103)
Cash paid to employees		(3,241)	(2,650)
Income tax received / (paid)		5,144	12,541
Other (payments) / receipts from operating activities		600	(8,718)
<b>Cash flow from operating activities (1)</b>		<b>8,409</b>	<b>8,756</b>
<b>Investing activities:</b>			
<b>Cash receipts related to:</b>			
Investments		270,053	29,875
Interests and similar income		151,529	117,453
Dividends	4	268,376	372,674
Loans granted		2,220,480	1,004,143
		<b>2,910,437</b>	<b>1,524,146</b>
<b>Cash payments related to:</b>			
Investments		(2,000,000)	(291,457)
Loans granted		(542,677)	(1,472,778)
		<b>(2,542,677)</b>	<b>(1,764,235)</b>
<b>Cash flow from investing activities (2)</b>		<b>367,760</b>	<b>(240,089)</b>
<b>Financing activities:</b>			
<b>Cash receipts related to:</b>			
Loans obtained		5,846,504	9,325,165
		<b>5,846,504</b>	<b>9,325,165</b>
<b>Cash payments related to:</b>			
Loans obtained		(5,838,841)	(8,603,824)
Interests and similar costs		(124,977)	(192,090)
Dividends	30	(262,707)	(218,923)
		<b>(6,226,525)</b>	<b>(9,014,836)</b>
<b>Cash flow from financing activities (3)</b>		<b>(380,020)</b>	<b>310,329</b>
Change in cash and cash equivalents (4) = (1) + (2) + (3)		(3,851)	78,995
Exchange rate differences' effects		(17)	-
Cash and cash equivalents at beginning of the year	18	324	(78,670)
Cash and cash equivalents at end of the year	18	(3,543)	324

The accompanying notes form an integral part of the statement of cash flows for the year ended 31 December 2014.



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## Galp Energia, SGPS, S.A.

### Notes to the financial statements 31 December 2014

(Amounts stated in thousands euros – €k)

(Translation of statement of financial position originally issued in Portuguese – Note 37)

#### 1. INTRODUCTION

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

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

During the previous years the Company shareholders positions suffered several changes and the Company shareholder position as of 31 December 2014 is stated in Note 19.

Part of the Company's shares, representing 46.66% of its capital, is listed on the NYSE Euronext Lisbon stock exchange.

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1. BASIS OF PRESENTATION

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

The IAS/IFRS standards approved and published in the Official Journal of the European Union (OJEU) during 2014, 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 19: Employee Benefits	9 January 2015	After 1 February 2015	2015	No relevant accounting impacts
IFRS annual improvements cycle 2010-2012	9 January 2015	After 1 February 2015	2015	No relevant accounting impacts
IFRS annual improvements cycle 2011-2013	19 December 2014	After 1 January 2015	2015	No relevant accounting impacts
IFRIC 21 Levies	14 June 2014	After 17 June 2014	2015	No relevant accounting impacts

The approved and published IAS/IFRS standards in the OJEU during 2013 and 2014, applicable to 2014 and subsequent years are as follows.

Standards and interpretations adopted, if applicable:

IAS Standard	Publication date in OJEU	Date of accounting application	Period to which it applies	Comments
Amendments to IAS 36: disclosures on recoverable amounts for non-financial assets	20 December 2013	After 1 January 2014	2014	Impact on disclosures. Explanation in (a)
Amendments to IAS 39: novation of derivatives and continuation of hedge accounting	20 December 2013	After 1 January 2014	2014	No accounting impacts
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
Amendments to IAS 32 Financial instruments: presentation – offsetting financial asset and financial liability	29 December 2012	After 1 January 2014	2014 Depending on the regulation articles	Not applicable
IFRS 10 Consolidated financial statements	29 December 2012	After 1 January 2014	2014	No accounting impacts
IFRS 11 Joint arrangements	29 December 2012	After 1 January 2014	2014	Without relevant accounting impacts
IFRS 12 Disclosure of interests in other entities	29 December 2012	After 1 January 2014	2014	Impact on disclosures. Explanation in (b)
IAS 27 Separate financial statements	29 December 2012	After 1 January 2014	2014	Without relevant accounting impacts
IAS 28 Investments in associates and joint ventures	29 December 2012	After 1 January 2014	2014	Without relevant accounting impacts

(a) Disclosure of the recoverable amount at the recognition of a loss or reversal of impairment.

(b) More detail in the disclosure of investments (Notes 3, 4 and 21).

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

The main accounting principles considered by the Company in the preparation of its separate financial statements are stated below. During the year ended 31 December 2014, there were no significant changes in accounting principles applied compared to those considered in the preparation of financial information for the previous year. Additionally, the company did not record material errors in respect of previous years.

The financial statements presented refer to the Company's separate financial statements and were prepared according to the legal terms so that they may be approved at the general shareholders meeting, considering that investments are recorded at acquisition cost as explained in note 2.2. The Company will prepare and separately present consolidated financial statements including the financial statements of the companies it controls.

## 2.2. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

The participation interests in other companies are presented in Note 4.

Dividends received from subsidiaries are recorded as "Results on investments in subsidiaries and associates".

## 2.3. TANGIBLE ASSETS

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

Depreciation is calculated on the acquisition cost, on a straight-line basis, as from the date it starts to be used or the assets are available for operating, at the rates considered most appropriate to depreciate the assets during their estimated economic useful life.

The average depreciation rates used were as follows:

	Useful life (in years)
Administrative equipment	5 to 8
Other tangible assets	8

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

## 2.4. IMPAIRMENT OF NON-CURRENT ASSETS, EXCEPT GOODWILL

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

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the

future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The discount rate used reflects the Weighted Average Cost of Capital (WACC) used by the Galp Energia Group, applicable to the business segment in which the asset or the cash generating unit is included.

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

## 2.5. PROVISIONS

Provisions are recorded when, and only when, the Company has a present 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 at each reporting date so as to reflect the best estimate at that date. Provisions for restructuring costs are recognised by the Company whenever there is a formal detailed restructuring plan.

During the year ended 31 December 2014, there were no transactions that should be classified as restructuring provisions.

## 2.6. FOREIGN CURRENCY BALANCES AND TRANSACTIONS

Transactions are recorded in the separate financial statements of the Company in its functional currency, at the exchange rates in force on the dates of the transactions.

Gains and losses resulting from differences between the 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 income statement caption "Exchange gain/(loss)".

As of 31 December 2014 and 2013, the Company had no balances denominated in foreign currency.

## 2.7. INCOME AND ACCRUAL BASIS

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

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

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

## 2.8. FINANCIAL COSTS ON LOANS OBTAINED

Financial costs on loans obtained are recorded in accordance with the effective interest rate method.

## 2.9. INCOME TAX

Since 2001, companies with head offices in Portugal in which the Company has a participation 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.

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 periodically 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 reporting 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.

## 2.10. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recorded on the statement of financial position when the Company becomes a contractual party to the financial instrument.

### a) Investments

Investments are classified as follows:

- investments held to maturity;
- investments measured at fair value through profit and loss;
- investments available for sale.

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

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

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

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

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

Investments held to maturity are recognised at amortised cost using the effective interest rate, net of capital repayments and interest received.

**b) Receivables**

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

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

**c) Equity or liability classification**

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

**d) Loans**

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

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

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

**e) Trade and other payables**

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

**f) Derivative instruments****Hedge accounting**

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

Derivative instruments used by the Company to hedge cash flows mainly relate to interest rate hedging instruments on loans obtained. The coefficients, calculation conventions, interest rate re-fixing dates and interest rate hedging instrument repayment schedules are in all ways identical to the conditions established in the underlying contracted loans, and as such represent perfect hedges.

The following criteria are used by the Company 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, if any, and subsequently re-valued to fair value, calculated by independent external entities using generally accepted methods (such as discounted cash flows, the Black-Scholes model, Binomial a Trinomial model, and Monte-Carlo simulations, among others, depending on the type and characteristics of the financial derivative). Changes in the fair value of these instruments are presented in the equity caption "Hedging reserves", being transferred to the income statement when the hedged instrument affects profit and loss.

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

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

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

In addition, in specific situations the Company 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.

**g) Cash and cash equivalents**

The amounts included in 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 caption "Cash and cash equivalents" also includes bank overdrafts included in the statement of financial position caption "Bank loans and overdrafts".

**2.11. STATEMENT OF THE FINANCIAL POSITION CLASSIFICATION**

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

**2.12. SUBSEQUENT EVENTS**

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

**2.13. JUDGMENTS AND ESTIMATES**

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

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

#### Provisions for contingencies

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

#### 2.14. RISK MANAGEMENT AND HEDGING

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

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

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

During the year ended 31 December 2014, only material changes required by IFRS 7 – Financial instruments were disclosed.

#### 2.15. SHARE CAPITAL

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

### 3. COMPANIES INCLUDED IN THE CONSOLIDATION

Not applicable.

### 4. INVESTMENTS IN OTHER COMPANIES

#### 4.1. INVESTMENTS IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Participation interests held as of 31 December 2014 and 2013 are as follows:

Company	Head Office		Percentage held		Main activity	Acquisition cost	
	City	Country	2014	2013		2014	2013
Galp Energia, S.A.	Lisbon	Portugal	100%	100%	Business management and consultancy services.	6,154	6,154
Next Priority, SGPS, S.A.	Lisbon	Portugal	100%	100%	Management of equity participations.	50	50
Petróleos de Portugal-Petrogal, S.A. (a)	Lisbon	Portugal	100%	100%	Refining crude oil and derivatives; transport, distribution and trading of crude oil and derivatives and natural gas; Research and Exploration of crude oil and natural gas; and any other industrial, commercial, research and related services.	3,063,556	1,063,556
GDP – Gás de Portugal, SGPS, S.A. (b)	Lisbon	Portugal	100%	100%	Management of equity investments	62,870	315,047
Galp Power, SGPS, S.A. (c)	Lisbon	Portugal	-	100%	Management of equity investments as an indirect way of exercising business activities.	-	12,376
Galp Energia E&P, 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 shareholdings of other companies and financing businesses and companies.	121,534	121,534
Enerfuel, S.A. (d)	Lisbon	Portugal	-	100%	Studies, projects, installation, production and marketing of biofuels, treatment and recovery of residues, equipment buy and sale.	-	5,313
						<b>3,254,164</b>	<b>1,524,030</b>

Company	31 December 2014				
	Head Office	Total assets	Total liabilities	Equity	Net profit
Galp Energia, S.A.	Lisbon	41,022	37,394	3,628	1,699
Next Priority SGPS, S.A.	Lisbon	398	374	24	(27)
Petróleos de Portugal-Petrogal, S.A.	Lisbon	5,380,585	2,877,601	2,502,984	(414,632)
GDP – Gás de Portugal, SGPS, S.A.	Lisbon	955,151	635,924	319,227	326,688
Galp Energia E&P, B.V.	Amsterdam	2,471,647	2,448,868	22,779	(105,379)
		<b>8,848,803</b>	<b>6,000,161</b>	<b>2,848,642</b>	<b>(191,651)</b>

(a) During the year ended 31 December 2014 the Company subscribed the amount of €2,000,000 k under the form of supplementary instalments to subsidiary Petróleos de Portugal – Petrogal, S.A.

(b) During the year ended 31 December 2014 the Company in a unanimous decision of 25 July 2014, reduced the share capital of the subsidiary GDP- Gás de Portugal, SGPS, S.A. in the amount of €264,553 k.

(c) During the year ended 31 December 2014 the Company merged Galp Power, SGPS, S.A., into the subsidiary GDP Gás de Portugal, S.A.

(d) During the year ended 31 December 2014 the Company made a capital increase in the amount of €850 k by the issuance of 170,000 new shares held by its subsidiary Petróleos de Portugal – Petrogal S.A. Herewith, now the Company owns 5.56% of the share capital of the subsidiary Enerfuel,S.A. Additionally, the Company was reimbursed for supplementary payments in the amount of €5,263 k.

During the years ended 31 December 2014 and 2013, the movements occurred in caption "Results on investments in subsidiaries and associates" refers to dividends attributed by the following subsidiaries:

	2014	2013
Galp Energia, S.A.	697	1,370
Galp Power, SGPS, S.A.	9,392	6,500
GDP – Gás de Portugal, SGPS, S.A.	254,929	364,803
Galp Energia E&P, B.V.	3,357	-
	<b>268,376</b>	<b>372,674</b>

#### 4.2. INVESTMENTS IN ASSOCIATES

Participations in associates and jointly controlled entities as of 31 December 2014 and 2013 were as follows:

Company	Head Office		Percentage held		Acquisition cost	
	City	Country	2014	2013	2014	2013
Adene – Agência para a Energia, S.A.	Lisbon	Portugal	10.98%	10.98%	114	114
OEINERGE – Agência Municipal de Energia e Ambiente	Oeiras	Portugal	1.45%	1.45%	1	1
Enerfuel, S.A. (a)	Lisbon	Portugal	5.56%	-	50	-
Omegas – Sociedade D'Etudedu du Gazoduc Magreb-Europe		Morocco	-	-	35	35
Galp Gâmbia		Gambia	-	-	1	1
Galp Swazilândia		Swaziland	-	-	-	-
					<b>201</b>	<b>151</b>

(a) During the year ended 31 December 2014, the Company decided to increase the capital in the amount of €850 k by the issuance of 170,000 new shares held by its subsidiary Petróleos de Portugal-Petrogal S.A. Herewith, the Company owns 5.56% of the share capital of the subsidiary Enerfuel, S.A.

#### 5. OPERATING INCOME

The operating income of the Company for the years ended 31 December 2014 and 2013 were as follows:

Captions	2014	2013
Services rendered	9,730	9,115
Other operating income:		
Supplementary income	-	284
	<b>9,730</b>	<b>9,399</b>

The services rendered in the amount of €9,730 k, are essentially related to management services provided to other Group companies.

The services rendered by the Company in 2014 and 2013 by geographical market are distributed as follows:

	2014	2013
Domestic market	8,800	6,940
Foreign market	930	2,175
	<b>9,730</b>	<b>9,115</b>

## 6. OPERATING COSTS

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

Captions	2014	2013
<b>External supplies and services</b>		
Other specialised services	3,666	4,480
Legal services	303	262
Travel and accommodation	453	479
Insurance	187	223
Rents	135	126
Communication	103	102
IT services	80	-
Representation costs	37	57
Fuel	36	44
Litigation and notaries	15	246
Office supplies	14	16
Studies and projects	8	264
Maintenance and repairs	4	4
Gifts	4	56
Books and technical documentation	1	-
Fees	-	1
Other costs	53	85
	<b>5,099</b>	<b>6,445</b>
<b>Employee costs</b>		
Remuneration of Statutory Board members (Note 29)	7,268	6,356
Remuneration of personnel	719	765
Indemnities to personnel	518	-
Social charges	985	320
Other insurance	63	116
Other costs	80	79
	<b>9,633</b>	<b>7,636</b>
<b>Amortisation, depreciation and impairment</b>		
Depreciation and impairment of tangible assets (Note 12)	4	5
	<b>4</b>	<b>5</b>
<b>Provisions and impairment of receivables</b>		
Provisions and reversals (Note 25)	-	(25)
	<b>-</b>	<b>(25)</b>
<b>Other operating costs</b>		
Other taxes	616	1,470
Other operating costs	100	149
	<b>716</b>	<b>1,619</b>
	<b>15,452</b>	<b>15,680</b>

Other specialised services mainly include remuneration costs of the Statutory Board members and other key management personnel, in the amount of €1,288 k (Note 29), and corporate services, including accounting services, personnel management, general services, financial services and audit services, invoiced by the subsidiary Galp Energia, S.A. (Note 28).

## 7. SEGMENT REPORTING

Not applicable.

## 8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the years ended 31 December 2014 and 2013 are detailed as follows:

Financial income and costs	2014	2013
<b>Financial income</b>		
Interest – related parties (Note 28)	130,784	137,809
Interest – other	251	168
	<b>131,035</b>	<b>137,977</b>
<b>Financial costs</b>		
Interest – related parties (Note 28)	9,654	26,205
Interest – other	120,402	114,843
Commissions	5,769	1,160
Other financial costs	-	603
	<b>135,825</b>	<b>142,811</b>

## 9. INCOME TAX

The company and several of its subsidiaries are taxed in accordance with the special regime for the taxation of groups of companies, taxable income being determined in Galp Energia, SGPS, S.A. However, estimated income tax of the Company and its subsidiaries is recorded based on their individual tax results which, for the year ended in 31 December 2014, amounted to an account payable and receivable from these Group companies of €98,134 k and €89,856 k (Note 28), respectively.



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

- (i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years (social security can be reviewed for five years), except when there are tax losses carried forward, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;
- (ii) Galp' tax returns for the years 2011 to 2014 are still subject to review. However, Galp' Board of Directors believes that any corrections arising from inspections by the tax authorities of these tax returns will not have a significant impact on the separate financial statements as of 31 December 2014 and 2013.

Income tax for the years ended 31 December 2014 and 2013 were as follows:

	Assets		Liabilities	
	2014	2013	2014	2013
<b>Group companies</b>				
Income tax receivable / payable (Note 28)	89,856	62,704	98,134	89,236
<b>State</b>				
Tax receivable / payable	14,714	33,635	4,134	-
	<b>104,570</b>	<b>96,339</b>	<b>102,268</b>	<b>89,236</b>

The estimated income tax of the Company based on its taxable income in the fiscal year ended 31 December 2014 represents a tax receivable in the amount of €5,503 k and was calculated as follows:

Income Taxes	2014	2013
Current tax	(1,440)	(2,654)
Insufficiency / (excess) of income tax estimated in previous years	1,244	(3)
Deferred tax	(2,077)	18
Provisions for taxes	(3,230)	-
	<b>(5,503)</b>	<b>(2,639)</b>

The reconciliation of the income tax for the years ended 31 December 2014 and 2013 is presented below:

	2014	Rate	Income tax	2013	Rate	Income tax
<b>Profit before income tax in accordance with the IFRS/IAS</b>	257,846	24.50%	63,172	361,546	26.50%	95,810
<b>Adjustments to income tax</b>						
Dividends received		(25.50%)	(65,752)		(27.32%)	(98,759)
Insufficiency / (excess) of income tax estimated in previous years		(0.48%)	1,244		0.00%	(3)
Autonomous taxation		0.02%	45		0.02%	67
Provisions for taxes		(1.25%)	(3,230)		-	-
Other increases and deductions		0.08%	200		0.07%	246
Deferred Taxes		(0.11%)	(1,182)		-	-
<b>Effective tax rate</b>		<b>(0.42%)</b>	<b>(5,503)</b>		<b>(0.73%)</b>	<b>(2,639)</b>

The amount of €1,182 k refers to deferred taxes on tax losses for 2013. The net effect on the 2014 results amounts to €215k.

#### Deferred taxes

The balance of deferred tax assets as of 31 December 2014 and 2013 was as follows:

	Assets	
	2014	2013
Tax losses carryforward	895	-
Financial Instruments	-	335
Adjustments to tangible and intangible assets	-	6
Others	1,432	244
	<b>2,327</b>	<b>585</b>

The movements occurred in deferred taxes for the years ended 31 December 2014 and 2013 were as follows:

	Assets	
	2014	2013
<b>Opening balance</b>	<b>585</b>	<b>2,472</b>
<b>Effect on results:</b>		
Tax losses carryforward	895	-
Others	1,182	(18)
<b>Effect on equity:</b>		
Financial derivatives	(335)	(1,868)
<b>Ending balance</b>	<b>2,327</b>	<b>585</b>

## 10. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2014 and 2013 were as follows:

	2014	2013
<b>Net income</b>		
Net income for purposes of calculating earnings per share	263,349	364,185
<b>Number of shares</b>		
Weighted average number of shares for purposes of calculation of net earnings per share (Note 19)	829,250,635	829,250,635
<b>Basic earnings per share (amounts in euros)</b>	<b>€0.32</b>	<b>€0.44</b>

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

## 11. GOODWILL

Not applicable.

## 12. TANGIBLE AND INTANGIBLE ASSETS

Tangible assets and depreciations are recorded in accordance with the accounting policies explained in Note 2.3. The depreciation rates being used are disclosed in the same note. In the years 2014 and 2013 tangible assets had the following changes:

	2014					2013				
	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total tangible assets	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total tangible assets
<b>Acquisition cost:</b>										
Balance as of 1 January	33	52	325	1,009	1,419	33	52	325	1,009	1,419
Additions	-	-	-	-	-	-	-	-	-	-
<b>Acquisition cost as of 31 December</b>	<b>33</b>	<b>52</b>	<b>325</b>	<b>1,009</b>	<b>1,419</b>	<b>33</b>	<b>52</b>	<b>325</b>	<b>1,009</b>	<b>1,419</b>
<b>Balance as of 31 December</b>	<b>33</b>	<b>52</b>	<b>325</b>	<b>1,009</b>	<b>1,419</b>	<b>33</b>	<b>52</b>	<b>325</b>	<b>1,009</b>	<b>1,419</b>
<b>Depreciations:</b>										
Balance as of 1 January	(33)	(52)	(300)	(1,009)	(1,394)	(33)	(52)	(294)	(1,009)	(1,388)
Depreciation for the year (Note 6)	-	-	(4)	-	(4)	-	-	(5)	-	(5)
<b>Balance as of 31 December</b>	<b>(33)</b>	<b>(52)</b>	<b>(304)</b>	<b>(1,009)</b>	<b>(1,398)</b>	<b>(33)</b>	<b>(52)</b>	<b>(300)</b>	<b>(1,009)</b>	<b>(1,394)</b>
<b>Accumulated Balance</b>	<b>(33)</b>	<b>(52)</b>	<b>(304)</b>	<b>(1,009)</b>	<b>(1,398)</b>	<b>(33)</b>	<b>(52)</b>	<b>(300)</b>	<b>(1,009)</b>	<b>(1,394)</b>
<b>Net amount:</b>										
Balance as of 31 December	-	-	21	-	21	-	-	25	-	25

As of 31 December 2014 and 2013 intangible assets had the following changes:

	2014		2013	
	Industrial property and other rights	Total intangible assets	Industrial property and other rights	Total intangible assets
<b>Acquisition cost:</b>				
Balance at 1 January	8	8	8	8
<b>Balance at 31 December</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Amortisation:</b>				
Balance at 1 January	(8)	(8)	(8)	(8)
Balance at 31 December	(8)	(8)	(8)	(8)
<b>Net amount</b>				
Balance at 31 December	-	-	-	-

## 13. GOVERNMENT GRANTS

Not applicable.

## 14. OTHER RECEIVABLES

The non-current and current caption "Other receivables" as of 31 December 2014 and 2013 had the following detail:

Captions	2014		2013	
	Current	Non-current	Current	Non-current
<b>State and other public entities</b>				
Value added tax – Reimbursement requested	46	-	46	-
Other receivables – associates, jointly controlled, related and participated companies (Note 28)	7,293	-	31,730	-
Loans to associates, jointly controlled, related and participated companies (Note 28)	242,096	1,697,560	198,892	3,405,333
Advances to suppliers	10	-	6	-
Personnel	111	-	111	-
Other receivables	459	-	850	-
	<b>250,015</b>	<b>1,697,560</b>	<b>231,635</b>	<b>3,405,333</b>
<b>Accrued income</b>				
Accrued interest (Note 28)	8,392	-	13,113	-
Other accrued income	9	-	7	-
	<b>8,401</b>	<b>-</b>	<b>13,120</b>	<b>-</b>
<b>Deferred costs</b>				
Interest and other financial costs	69	-	69	-
	<b>69</b>	<b>-</b>	<b>69</b>	<b>-</b>
	<b>258,485</b>	<b>1,697,560</b>	<b>244,824</b>	<b>3,405,333</b>
Impairment of other receivables	(286)	-	(286)	-
	<b>258,199</b>	<b>1,697,560</b>	<b>244,538</b>	<b>3,405,333</b>

## 15. TRADE RECEIVABLES

As of 31 December 2014 and 2013, caption "Trade Receivables" had balances in the amount of €2,511 k and €983 k, respectively, regarding exclusively to related parties (Note 28).

## 16. INVENTORIES

Not applicable.

## 17. OTHER INVESTMENTS

Not applicable.

## 18. CASH AND CASH EQUIVALENTS

Caption "Cash and cash equivalents" as of 31 December 2014 and 2013, had the following detail:

Captions	2014	2013
Cash	6	7
Bank deposits	3,352	5,439
<b>Cash and cash equivalents in the statement of financial position</b>	<b>3,358</b>	<b>5,446</b>
Bank overdrafts (Note 22)	(6,901)	(5,122)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>(3,543)</b>	<b>324</b>

## 19. SHARE CAPITAL

### Capital structure

In 28 March 2014, Eni placed on the market, shares representing approximately 7% of Galp Energia's share capital through an accelerated bookbuilding. Meanwhile, Eni decided to sell in stock market 0.34% of Galp Energia's share capital.

In 23 June 2014, Eni announced the completion of the sale of Galp Energia's shares in stock market. Eni sold shares representing approximately 1% of the share capital of Galp Energia. These shares correspond to the residual part of shares subject to the right of first offer of Amorim Energia under the agreement previously announced to the market, which was not exercised. Therefore, Eni now holds 66,337,592 shares representing approximately 8% of the share capital of Galp as underlying asset of exchangeable bonds issued by Eni on 30 November 2012.

Following these changes in Galp Energia's capital structure, free float went from 38.32% by the end of 2013 up to 46.66% by the end of 2014.

Under the agreements signed by the Parties which, under the terms in paragraph 1.c) of article 20 of the Portuguese Securities Code (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 2014, Eni held a qualified participation of 8.00% of Galp Energia's share capital, and the corresponding voting rights, while a total percentage of 46.34% of voting rights were allocable to Amorim Energia.

Capital Structure as of 31 December 2014:

	Nr. of shares	% of capital	% of voting rights
Amorim Energia, B.V.	317,934,693	38.34%	46.34%
Eni, S.p.A.	66,337,592	8.00%	8.00%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	386,898,836	46.66%	46.66%
<b>Total</b>	<b>829,250,635</b>	<b>100.00%</b>	<b>-</b>

## 20. OTHER RESERVES

In accordance with the Portuguese Commercial Company Code (CSC) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been used.

As of 31 December 2014 and 2013 these captions were as follows:

	2014	2013
Legal reserve	165,850	165,850
Free reserve	27,977	27,977
	<b>193,827</b>	<b>193,827</b>

On 31 December 2014 and 2013, the legal reserve is fully provided for in accordance with the commercial legislation.

## 21. NON-CONTROLLING INTERESTS

Not applicable.

## 22. LOANS

### Loans detail

Loans obtained as of 31 December 2014 and 2013 had the following detail:

	2014		2013	
	Current	Non-current	Current	Non-current
<b>Bank loans:</b>				
Domestic loans	100,000	290,000	65,000	505,000
Foreign loans	54,591	474,326	34,358	528,917
Bank overdrafts (Note 18)	6,901	-	5,122	-
	<b>161,492</b>	<b>764,326</b>	<b>104,480</b>	<b>1,033,917</b>
Origination fees	(3,815)	(985)	(6,730)	(1,856)
	<b>157,677</b>	<b>763,341</b>	<b>97,750</b>	<b>1,032,061</b>
<b>Notes and Bond loans</b>				
Bond loans	-	1,270,000	150,000	1,350,000
Notes	-	1,000,000	-	500,000
	-	<b>2,270,000</b>	<b>150,000</b>	<b>1,850,000</b>
Origination fees	-	(16,774)	(3,222)	(11,188)
	-	<b>2,253,226</b>	<b>146,778</b>	<b>1,838,812</b>
	<b>157,677</b>	<b>3,016,567</b>	<b>244,528</b>	<b>2,870,873</b>

### Description of the main loans

#### Underwriting of commercial paper

On 31 December 2014, the Group has contracted commercial paper underwritten totalling €965,000 k, which are divided into €865,000 k of medium and long term and €100,000 k of short term. Of these amounts, €290,000 k were used at medium and long term and €100,000k used at short term.

These underwritings bear interests at a Euribor rate for the respective period of issuance, plus variable spreads defined in the contractual terms of the commercial paper programmes underwritten by the Company. The specified interest rate refers to the amount of each issue and remains unchanged during the respective period of the issue.

#### Bank loans

As of 31 December 2014, loans contracted with European Investment Bank (EIB) have the following detail:

Entity	Amount due	Interest rate	Maturity	Reimbursement
BEI (Porto cogeneration)	50,000	Fixed rate	October 17	17 October
BEI (Installment A – Sines cogeneration)	25,678	Fixed rate	September 21	Semi-annual installments beginning on March 10
BEI (Installment B – Sines cogeneration)	13,239	Euribor 6m + spread	March 22	Semi-annual installments beginning on September 10
BEI (Installment A – Refinery conversion)	264,000	Revisable fixed rate	February 25	Semi-annual installments beginning on August 12
BEI (Installment B – Refinery conversion)	176,000	Fixed rate	February 25	Semi-annual installments beginning on August 12

These loans with European Investment Bank (EIB), with the exception of instalment B of the conversion project of the refineries of Sines and Porto which is guaranteed by Bank Syndicate, are granted under a signed contract with Petrogal, S.A.

#### Bonds

As of 31 December 2014, issued bonds have the following detail:

Issue	Amount due	Interest rate	Maturity	Reimbursement
GALP ENERGIA / 2013 – €600 m. FRN-2017	600,000	Euribor 6m + spread	May 17	50% @ May 16 50% @ May 17
GALP ENERGIA / 2012 – FRN 2018	260,000	Euribor 3m + spread	February 18	February 18
GALP ENERGIA / 2013 – 2018	110,000	Euribor 3m + spread	March 18	March 18
GALP ENERGIA / 2013 – €200 m. – 2018	200,000	Euribor 6m + spread	April 18	April 18
GALP ENERGIA / 2012-2020	100,000	Euribor 6m + spread	June 20	June 20

#### Issue of notes

Galp Energia established, under its financing plan, an Euro Medium Term Note Programme (€5,000,000,000 EMTN).

On 25 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.

On 7 July 2014, under the EMTN Programme, Galp Energia issued notes in the amount of €500,000 k, due on 14 January 2021 with a coupon of 3%, which are admitted for negotiation at the London Stock Exchange.

The following acted as joint-bookrunners in this transaction: Bank of America Merrill Lynch, ING, Millennium BCP, Santander and Société Générale.

## 23. POST EMPLOYMENT AND OTHER EMPLOYEE LIABILITIES

Not applicable.

## 24. OTHER PAYABLES

The non-current and current caption "Other payables" as of 31 December 2014 and 2013, have the following detail:

Captions	Current		Non-current	
	2014	2013	2014	2013
<b>State and other public entities</b>				
Value added tax	469	520	-	-
Social security contributions	118	24	-	-
Personnel and corporate income tax withheld	152	136	-	-
Personnel	55	123	-	-
Other payables – Associates, participated and related parties	2,243	-	-	-
Loans – associates, participated and related companies (Note 28)	312,996	361,307	-	-
Other creditors	25	27	-	-
	<b>316,058</b>	<b>362,137</b>	-	-
<b>Accrued costs</b>				
Holiday pay, holiday subsidy and corresponding personnel costs	689	644	-	-
External supplies and services	150	69	-	-
Productivity bonus	976	930	-	-
Medium and long term incentives	-	-	3,000	1,000
Accrued interest	39,781	18,673	-	-
Financial costs	14	40	-	-
Other accrued costs	261	111	-	-
	<b>41,872</b>	<b>20,467</b>	<b>3,000</b>	<b>1,000</b>
	<b>357,930</b>	<b>382,604</b>	<b>3,000</b>	<b>1,000</b>

## 25. PROVISIONS

The changes in provisions in the periods ended 31 December 2014 and 2013 were as follows:

Captions	2014		
	Opening balance	Decreases (Note 9)	Ending balance
Taxes	6,607	(3,230)	3,377
	<b>6,607</b>	<b>(3,230)</b>	<b>3,377</b>

  

Rubricas	2013		
	Opening balance	Decreases (Note 6)	Ending balance
Legal actions	25	(25)	-
Taxes	6,607	-	6,607
	<b>6,632</b>	<b>(25)</b>	<b>6,607</b>

The reduction in the provision for taxes was recorded in the caption "Income Tax".

Caption "Taxes" in the amount of €3,377 k was recognised due to the fiscal risk associated with the participation in ONI, SGPS, S.A. sold to Galp Energia, SGPS, S.A.

## 26. TRADE PAYABLES

As of 31 December 2014 and 2013, caption "Trade payables" had the following detail:

Captions	2014	2013
Trade payables – current account	226	1,050
Trade payables – invoices pending	51	23
	<b>277</b>	<b>1,073</b>

## 27. OTHER FINANCIAL INSTRUMENTS – DERIVATIVES

### Swaps over Interest Rate:

In 31 December 2014, Galp Energia, SGPS, S.A. does not hold open financial derivatives, given the fact that closed all their positions (see table below):

2014				2013			
Asset		Liabilities		Asset		Liabilities	
Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
-	-	-	-	-	-	-	(1,241)
-	-	-	-	-	-	-	<b>(1,241)</b>

The impact of derivatives on the income statement is presented below:

2014			
Income Statement			Equity
Potencial (MTM)	Real	MTM+Real	Potencial (MTM)
-	(1,953)	(1,953)	1,241
-	<b>(1,953)</b>	<b>(1,953)</b>	<b>1,241</b>

Financial derivatives are defined in accordance with IAS/IFRS, as "financial assets at fair value through profit and loss" or "financial liabilities at fair value through profit and loss". The interest rate financial derivatives that are contracted to hedge the 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".

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) in active markets 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).

## 28. RELATED PARTIES

Balances and transactions with related parties in the years ended 31 December 2014 and 2013 were as follows:

### Receivables:

Company	2014					
	Total related parties	Non-current	Current			
		Loans granted (Note 14)	Trade Receivables (Note 15)	Loans Granted (Note 14)	Other receivables (Note 9 and 14)	Accrued income (Note 14)
Petrogal, S.A.	1,225,609	1,129,450	495	81,837	6,693	7,134
GDP Gás de Portugal, SGPS, S.A.	632,624	568,019	-	61,882	1,465	1,258
Galp Gás Natural, S.A.	62,343	-	-	-	62,343	-
Galp Power, S.A.	31,918	-	-	31,918	-	-
Galp Gás Natural Distribuição, S.A.	21,671	-	-	20,704	967	-
Galp Exploração	20,461	-	131	19,348	982	-
Transgás, S.A.	16,231	-	-	15,362	869	-
Lisboagás, S.A.	13,089	-	-	-	13,089	-
Portocogeração, S.A.	12,378	-	-	10,420	1,958	-
Lusitaniagás, S.A.	1,903	-	-	-	1,903	-
Petrogal Sucursal Espanha	1,604	-	1,550	-	54	-
Galp Açores, Lda.	1,349	-	13	221	1,115	-
Galpgeste, S.A.	1,273	-	-	404	869	-
Galp Energia, S.A.	1,255	-	(14)	-	1,269	-
GDP Serviços, S.A.	1,227	-	279	-	948	-
Transgás Armazenagem, S.A.	795	-	-	-	795	-
Duriensegás, S.A.	427	-	-	-	427	-
Sempre a Postos, Lda	397	-	-	-	397	-
Tanquisado, S.A.	214	-	-	-	214	-
Medigás, S.A.	171	-	-	-	171	-
Dianagás, S.A.	165	-	-	-	165	-
Next Priority, S.A.	137	-	(21)	-	158	-
Paxgás, S.A.	117	-	-	-	117	-
Adene-Agência para a Energia, S.A.	90	90	-	-	-	-
Petrogal Moçambique, Lda.	58	-	39	-	19	-
Gasinsular, S.A.	37	-	-	-	37	-
Petrogás Guiné-Bissau, Lda.	33	-	16	-	17	-
Lusitaniagás Comercialização, S.A.	26	-	-	-	26	-
Agroger, S.A.	23	-	-	-	23	-
Tagusgás, S.A.	19	-	8	-	11	-
Galp Madeira, Lda.	14	-	14	-	-	-
Galp Energia Rovuma, B.V.	14	-	-	-	14	-
Sacor Marítima	12	-	(2)	-	14	-
Galp Energia E&P, B.V.	9	-	9	-	-	-
Petrogal Angola, Lda.	7	-	-	-	7	-
Petromar, Lda.	6	-	-	-	6	-
Petrogal Cabo Verde, Lda.	4	-	-	-	4	-
Beiragás	3	-	-	-	3	-
CLC, S.A.	1	-	1	-	-	-
Petrogal Brasil	(7)	-	(7)	-	-	-
	<b>2,047,708</b>	<b>1,697,560</b>	<b>2,511</b>	<b>242,096</b>	<b>97,149</b>	<b>8,392</b>

The amount of €1,697,560 k recorded in non-current loans granted, essentially respects to shareholder loans granted to related parties which bear market interests rates and do not have a defined repayment plan. According to the Board of Directors' expectations, the loans will not be received in the short term.

The amount of €242,096 k recorded as current loans granted, respect to cash pooling loans granted to Group companies.

The amount of €97,149 k recorded in current – other receivables, includes €89,856 k which relate to income tax receivable from companies under the special taxation regime for groups of companies (Note 9), and €7,293 k which relate to other accounts receivable from Group companies (Note 14).

The amount of €8,392 k recorded in accruals and deferrals, in current assets, refers to accrued interest on loans granted, on 31 December 2014, to other Group companies.



Company	2013					
	Total related parties	Non-current		Current		Accrued income (Note 14)
		Loans granted (Note 14)	Trade Receivables (Note 15)	Loans Granted (Note 14)	Other receivables (Note 9 and 14)	
Petrogal, S.A.	2,439,714	2,290,000	373	117,214	21,521	10,606
Petrogal Sucursal Espanha	616,554	611,613	57	-	4,235	649
GDP Gás de Portugal, SGPS, S.A.	298,592	279,240	-	12,608	6,094	650
GALP Power, SGPS, S.A.	226,989	224,390	-	477	914	1,208
Lusitaniagás, S.A.	44,000	-	-	44,000	-	-
Galp Gás Natural, S.A.	34,654	-	12	-	34,642	-
Lisboagás, S.A.	18,281	-	-	10,854	7,427	-
Lisboagás CUR, S.A.	6,769	-	-	4,889	1,880	-
Galp Açores, Lda.	4,814	-	32	4,782	-	-
Enerfuel, S.A.	3,020	-	-	-	3,020	-
Sinecogeração, S.A.	2,654	-	-	728	1,926	-
Galp Madeira, Lda.	2,301	-	14	-	2,287	-
Galpgeste, S.A.	2,133	-	-	1,332	801	-
GDP Serviços, S.A.	1,636	-	226	-	1,410	-
Portocogeração, S.A.	3,476	-	-	1,360	2,116	-
Transgás, S.A.	1,232	-	-	-	1,232	-
Galp Energia, S.A.	983	-	-	-	983	-
Next Priority, S.A.	812	-	-	-	812	-
Galp Power, S.A.	755	-	-	-	755	-
Tanquisado, S.A.	655	-	-	-	655	-
Lusitaniagás Comercialização, S.A.	537	-	-	479	58	-
Duriensegás, S.A.	528	-	-	-	528	-
Transgás Armazenagem, S.A.	445	-	-	-	445	-
Dianagás, S.A.	290	-	-	164	126	-
CLT, Lda.	114	-	-	-	114	-
Tagus Re, S.A.	106	-	-	-	106	-
Paxgás, S.A.	96	-	-	-	96	-
Petrogal Brasil	95	-	95	-	-	-
Adene-Agência para a Energia, S.A.	90	90	-	-	-	-
Gasinsular-Combustíveis do Atlântico	83	-	-	-	83	-
Galp Exploração	149	-	77	-	72	-
Petrogal Moçambique, Lda.	58	-	39	-	19	-
Petogás Guiné-Bissau, Lda.	33	-	16	-	17	-
Fast Access, S.A.	26	-	22	-	4	-
Tagusgás, S.A.	19	-	8	-	11	-
Soturís, S.A.	18	-	-	5	13	-
Numero Um	15	-	4	-	11	-
Galp Energia E&P, B.V.	9	-	9	-	-	-
Petrogal Angola, Lda.	7	-	-	-	7	-
Petromar, Lda.	6	-	-	-	6	-
Petrogal Cabo Verde, Lda.	4	-	-	-	4	-
Beiragás	3	-	-	-	3	-
Medigás, S.A.	1	-	-	-	1	-
CLC, S.A.	1	-	1	-	-	-
Sacor Marítima	(2)	-	(2)	-	-	-
Galp Logística de Aviação, S.A.	-	-	-	-	-	-
	<b>3,712,755</b>	<b>3,405,333</b>	<b>983</b>	<b>198,892</b>	<b>94,434</b>	<b>13,113</b>

The amount of €3,405,333 k recorded in non-current loans granted, essentially respects to shareholder loans granted to related parties which bear market interests rates and do not have a defined repayment plan. According to the Board of Directors' expectations, the loans will not be received in the short term.

The amount of €198,892 k recorded as current loans granted, includes €154,892 k which respect to cash pooling loans granted to Group companies, and €44,000 k which respect to loans granted to Group companies to reimburse during 2014. These loans bear normal market interest rates.

The amount of €94,434 k recorded in current – other receivables, includes €62,704 k which relate to income tax receivable from companies under the special taxation regime for groups of companies (Note 9), and €31,730 k which relate to other accounts receivable from Group companies (Note 14).

The amount of €13,113 k recorded in accruals and deferrals, in current assets, refers to accrued interest on loans granted, on 31 December 2013, to other Group companies.

## Payables:

Company	2014				Other Payables (Note 24)
	Total related parties	Trade payables	Loans obtained (Note 24)	Income tax payable (Note 9)	
Galp Energia E&P, B.V.	178,000	-	178,000	-	-
Petrogal, S.A.	89,206	56	-	89,150	-
Galp Gás Natural, S.A.	98,966	3	96,918	12	2,033
Galp Marketing Internacional, S.A.	9,900	-	9,900	-	-
GDP Gás de Portugal, SGPS, S.A.	6,576	-	-	6,576	-
Galp Madeira, S.A.	6,659	-	6,659	-	-
Sacor Marítima, S.A.	6.176	-	6.176	-	-
GDP Serviços	4,918	-	4,918	-	-
Galp Exploração Timor Leste, S.A.	3,444	-	3,438	6	-
Tanquisado, S.A.	3,197	-	3,196	1	-
Galp Power, S.A.	999	-	-	999	-
Lusitaniagás Comercialização S.A.	1,284	-	1,284	-	-
Galp Energia, S.A.	1,118	178	759	181	-
CLT, S.A.	887	-	673	214	-
Lisboagás Comercial, S.A.	915	-	904	11	-
Transgás, S.A.	305	-	-	305	-
Duriensegás, S.A.	291	-	-	291	-
Galpgeste, S.A.	168	-	-	168	-
Dianagás, S.A.	115	-	-	115	-
Agroger, S.A.	105	-	105	-	-
Transgás Armazenagem, S.A.	89	-	66	23	-
Sempre a Postos, Lda.	68	-	-	68	210
Enerfuel, S.A.	210	-	-	-	-
Mediagás, S.A.	6	-	-	6	-
Lisboagás, S.A.	6	-	-	6	-
Portocogeração, S.A.	2	-	-	2	-
	<b>413,610</b>	<b>237</b>	<b>312,996</b>	<b>98,134</b>	<b>2,243</b>

The amount of €312,996 k recorded as current – loans obtained includes €187,900 k related with loans obtained from Galp Energia E&P, B.V. and Galp Marketing Internacional, S.A., and €125,096 k from cash pooling obtained from related parties. These loans bear normal market interest rates.

The amount of €147,728 k recorded in current – income tax payable, respects to income tax payable to companies under the special taxation regime for groups of companies (Note 9).

Company	2013			
	Total related parties	Trade payables	Loans obtained (Note 24)	Income tax payable (Note 9)
Galp Energia E&P, B.V.	270,075	-	270,075	-
Petrogal, S.A.	84,016	213	-	83,803
Galp Gás Natural, S.A.	49,234	3	49,231	-
Sacor Marítima, S.A.	6,352	2	6,350	-
Tanquisado, S.A.	6,217	-	6,217	-
Transgás, S.A.	5,478	-	5,478	-
CLT, Lda.	5,273	-	5,273	-
Transgás Armazenagem, S.A.	5,061	-	5,038	23
Galp Madeira, S.A.	4,249	-	4,249	-
Galp Power, S.A.	4,073	-	4,072	1
Galp Exploração Timor Leste, S.A.	3,641	-	8	3,633
GDP Serviços	2,548	-	2,548	-
Galp Exploração, S.A.	1,530	-	1,530	-
GALP Power, SGPS, S.A.	1,439	-	-	1,439
Galp Energia, S.A.	672	284	387	1
Medigás, S.A.	510	-	455	55
Galpgeste, S.A.	168	-	-	168
Duriensegás, S.A.	164	-	164	-
Paxgás	137	-	137	-
Tripul, S.A.	95	-	95	-
Sinecogeração, S.A.	55	-	-	55
Soturis, S.A.	34	-	-	34
Galp Logística de Aviação, S.A.	16	-	-	16
Galp Gás Natural Distribuição, SGPS, S.A.	8	-	-	8
	<b>451,045</b>	<b>502</b>	<b>361,307</b>	<b>89,236</b>

The amount of €361,307 k recorded as current – loans obtained includes €270,075 k related with loans obtained from Galp Energia E&P, B.V., and €91,232 k from cash pooling obtained from related parties. These loans bear normal market interest rates.

The amount of €89,236 k recorded in current – income tax payables, respects to income tax payable to companies under the special taxation regime for groups of companies (Note 9).

**Transactions:**

Company	2014			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Agroger, S.A.	-	-	1	(6)
Amorim, B.V.	1,288	-	-	-
CLT, Lda	-	-	6	(6)
Dianagás, S.A.	-	-	-	(12)
Duriensegás, S.A.	-	-	2	-
Galp Exploração Timor Leste, S.A.	-	-	-	(2)
Galp Açores, Lda.	-	(115)	-	(77)
Galp Energia E&P, B.V.	-	(103)	9,093	-
Galp Energia Portugal Holding, B.V.	-	-	273	-
Galp Energia, S.A.	1,664	(654)	1	(109)
Galp ER BV-Suc Moçambique	-	(14)	-	-
Galp Exploração, S.A.	-	(1,279)	35	(371)
Galp Gás Natural Distribuição, S.A.	-	-	-	(4)
Galp Gás Natural, S.A.	-	-	136	(110)
Galp Madeira, Lda.	-	(140)	11	-
Galp Marketing Internacional	-	-	6	-
Galp Power, S.A.	-	-	6	(278)
Galpgeste, S.A.	-	(3)	1	(10)
GDP Gás de Portugal, SGPS, S.A.	-	-	28	(27,301)
GDP Serviços, S.A.	-	(2,740)	7	(18)
Lisboagás CUR, S.A.	-	-	-	(188)
Lisboagás, S.A.	-	(9)	8	(49)
Lusitaniagás CUR	-	-	1	(8)
Lusitaniagás, S.A.	-	-	-	(1,202)
Medigás, S.A.	-	-	1	-
Petrogal, S.A.	718	(4,688)	1	(87,413)
Petrogal, Sucursal España	-	(827)	-	(13,225)
PortCogeração, S.A.	-	-	-	(276)
Sacor Marítima, S.A.	-	(17)	3	(4)
Setgás, S.A.	-	(1)	-	-
Tagus Re, S.A.	-	(31)	-	-
Tanquisado S.A.	-	(1)	1	(4)
Transgás Armazenagem, S.A.	-	-	8	-
Transgás, S.A.	-	-	26	(111)
	<b>3,670</b>	<b>(10,622)</b>	<b>9,654</b>	<b>(130,784)</b>

The amount of €2,645 k recorded as operating costs, includes the amount of €1,046 k related with Board costs charged by shareholder Amorim, B.V., and the amount of €1,564 k related with services rendered by subsidiary Galp Energia, S.A., namely, consulting services and management support in the areas of accounting, treasury, financial management, administrative and logistics, purchasing and procurement, fixed assets, auditing, information systems, human resources and training.

The amount of €10,622 k recorded as operating income includes the amount of de €9,730 k related with management services and €892 k of recharged expenses paid on behalf of other Group companies.

Company	2013			
	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Amorim, B.V.	1,503	-	-	-
CLT, Lda	-	-	2	(12)
Dianagás, S.A.	-	-	-	(46)
Duriensegás, S.A.	-	-	1	(2)
Eni, S.p.A.	(90)	-	-	-
Galp Exploração Timor Leste, S.A.	-	-	1	-
Galp Açores, Lda.	-	(115)	-	(173)
Galp Sinopec Brasil Serviços, B.V.	-	(152)	-	-
Galp Energia E&P, B.V.	-	(100)	26,008	-
Galp Bioenergy, B.V.	-	-	-	(31)
Galp Energia, S.A.	1,710	(4)	4	(70)
Galp Exploração, S.A.	-	(793)	40	(11)
Galp Gás Natural, S.A.	-	(114)	75	(157)
Galp Madeira, Lda.	-	(140)	4	(126)
Galp Power, S.A.	-	-	-	(1,608)
GALP Power, SGPS, S.A.	-	-	-	(8,062)
Galpgeste, S.A.	-	-	-	(59)
GásInsular, Lda.	-	-	-	(3)
GDP Gás de Portugal, SGPS, S.A.	-	-	1	(8,377)
GDP Serviços, S.A.	-	(2,204)	2	(5)
Lisboagás CUR, S.A.	-	-	1	(74)
Lisboagás, S.A.	-	-	17	(24)
Medigás, S.A.	-	-	-	(14)
Lusitaniagás, S.A.	-	-	-	(933)
Lusitaniagás CUR	-	-	-	(50)
Paxgás, S.A.	-	-	1	-
Petrogal Brasil	-	(1,237)	-	-
Petrogal, S.A.	886	(3,636)	4	(111,218)
Petrogal, Sucursal España	-	(688)	-	(5,807)
PortCogeração, S.A.	-	-	-	(218)
Sacor Marítima, S.A.	-	-	23	-
Sinecogeração, S.A.	-	-	2	(151)
Soturis, S.A.	-	-	-	(26)
Tagus Re, S.A.	-	(213)	-	-
Tanquisado, S.A.	-	-	10	(1)
Transgás Armazenagem, S.A.	-	-	-	(479)
Transgás, S.A.	-	-	9	(72)
	<b>4,009</b>	<b>(9,396)</b>	<b>26,205</b>	<b>(137,809)</b>

The amount of €4,009 k recorded as operating costs, includes the amount of €1,503 k related with Board costs charged by shareholder Amorim, B.V., and the amount of €1,710 k related with services rendered by subsidiary Galp Energia, S.A., namely, consulting services and management support in the areas of accounting, treasury, financial management, administrative and logistics, purchasing and procurement, fixed assets, auditing, information systems, human resources and training.

The amount of €9,396 k recorded as operating income includes the amount of de €9,115 k related with management services and €284 k of recharged expenses paid on behalf of other Group companies.

The amount of €137,809 k refers to accrued interest on loans granted to related parties during 2014.

## 29. REMUNERATION OF THE BOARD

The remuneration of Galp Energia Corporate Board members for the years ended 31 December 2014 and 2013, had the following detail:

	December 2014						December 2013					
	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total
<b>Corporate Boards</b>												
<b>of Galp Energia, SGPS, S.A.</b>												
Executive management	3,711	803	292	2,783	178	7,767	3,482	810	149	2,020	23	6,484
Non-executive management	695	-	-	-	-	695	733	-	-	-	-	733
Supervisory Board	92	-	-	-	-	92	92	-	-	-	-	92
General shareholders	2	-	-	-	-	2	2	-	-	-	-	2
	<b>4,500</b>	<b>803</b>	<b>292</b>	<b>2,783</b>	<b>178</b>	<b>8,556</b>	<b>4,309</b>	<b>810</b>	<b>149</b>	<b>2,020</b>	<b>23</b>	<b>7,311</b>

The amounts of €8,556 k and €7,311 k, recorded in the years ended 31 December 2014 and 2013, respectively, include €7,268 k and €6,355 k recorded as employee costs (Note 6) and €1,288 k and €956 k recorded as "External supplies and services".

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.

During the year of 2014, the charged fees by the statutory auditor amounted € 120 k.

### 30. DIVIDENDS

Dividends attributed to the Company's shareholders amounted to €238,824 k, in accordance with the decision of the general shareholders meeting of 28 April 2014, relating to net profit for 2013. From this amount, €119,412 k was paid in advance in October 2013.

Additionally, the Board of Directors approved the payment of an interim dividend, in the amount of €143,295 k. The amount was fully paid on 18 September 2014.

### 31. OIL AND GAS RESERVES

Not applicable.

### 32. FINANCIAL RISK MANAGEMENT

#### Risk management

Galp Energia is exposed to several types of risks, market (interest rate), liquidity and credit risks, inherent to the oil and natural gas industries, which affect its results.

#### Market risks

##### Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to bank loans. Exposure to interest rate is mostly related with interest bearing bank debt. 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.

##### Liquidity risk

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

Galp Energia Group finances itself through cash flows generated by its operations, and also 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-long term lines of credit that are not being used are sufficient to meet any immediate demand.

##### Credit risk

Credit risk results from potential non-compliance by one of the parties, of contractual obligations to pay and so the risk level depends on the financial credibility of the counterparty. In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Galp Energia and are implemented in the various business segments. The credit risk limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk.

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

### 33. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

#### Pledged guarantees

As of 31 December 2014, responsibilities with pledged guarantees amounted to €51,687 k being constituted essentially by:

- guarantees of €49,980 k in benefit of the tax administration;
- guarantees of €3 k in benefit of the Lisbon port authority;
- guarantees of €1,000 k in benefit of REN – Rede Eléctrica Nacional, S.A.

As of 31 December 2014, there were standby letters unused import credits totalling \$13,605 k related to insurance premiums.

### 34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

Not applicable.

### 35. SUBSEQUENT EVENTS

There were no subsequent events after 31 December 2014 with relevant material impact.

### 36. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved by the Board of Directors on 20 March 2015.

#### THE ACCOUNTANT

Carlos Alberto Nunes Barata

#### THE BOARD OF DIRECTORS

##### Chairman:

Américo Amorim

##### Vice-Chairmen:

Manuel Ferreira De Oliveira

Luís Palha da Silva

##### Members:

Paula Amorim

Filipe Crisóstomo Silva

Carlos Gomes da Silva

Sérgio Gabrielli de Azevedo

Thore E. Kristiansen

Abdul Magid Osman

Luís Manuel Moreira de Campos e Cunha

Raquel Rute da Costa David Vunge

Miguel Athayde Marques

Carlos Costa Pina

Rui Paulo Gonçalves

Luís Manuel Todo Bom

Fernando Gomes

Diogo Mendonça Tavares

Joaquim José Borges Gouveia

José Carlos da Silva Costa

Jorge Manuel Seabra de Freitas

### 37. EXPLANATION ADDED FOR TRANSLATION

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

## AUDIT REPORT FOR STOCK EXCHANGE REGULATORY PURPOSES ON THE INDIVIDUAL FINANCIAL INFORMATION

(Free translation from the original in Portuguese)

### Introduction

1. As required by law, we present the Audit Report for Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached financial statements of Galp Energia, SGPS, S.A., comprising the statement of financial position as at December 31, 2014 (which shows total assets of Euro 5,322,911 thousand and total shareholder's equity of Euro 1,681,815 thousand including a net profit of Euro 263,349 thousand), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the corresponding notes to the accounts.

### Responsibilities

2. It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the financial statements which present fairly, in all material respects, the financial position of the Company, the results and the comprehensive income of its operations, the changes in equity and the cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an appropriate system of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company.
3. Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

### Scope

4. We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgments and criteria of the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.
5. Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451.º of the Companies Code.
6. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

7. In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Galp Energia, SGPS, S.A. as at December 31, 2014, the results and the comprehensive income of its operations, the changes in equity and the cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

### Report on other legal requirements

8. It is also our opinion that the information included in the Directors' Report is consistent with the financial statements for the year and that the Corporate Governance Report includes the information required under Article 245.º-A of the Portuguese Securities Market Code.

March 20, 2015

PricewaterhouseCoopers & Associados  
 – Sociedade de Revisores Oficiais de Contas, Lda.  
 Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077  
 represented by:

António Joaquim Brochado Correia, R.O.C.

(This is a translation, not to be signed)

## STATUTORY AUDITORS' OPINION ON THE INDIVIDUAL FINANCIAL STATEMENTS

(Free translation from the original in Portuguese)

### Introduction

1. We have examined the stand alone financial statements of Galp Energia, SGPS, S.A. (the "Company") for the fiscal year 2014, comprising the statement of financial position as of December 31, 2014 (which reflect total assets of 5.322.911 thousand euros and a total equity of 1.681.815 thousand euros, including a net income for the year of 263.349 thousand euros), the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and the related notes to the stand alone financial statements. These financial statements relate to the standing alone activity of the Company and have been prepared in accordance with the International Financial Reporting Standards ("International Financial Reporting Standards") as adopted by the European Union.

### Responsibilities

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

### Scope

4. Our examination was made in accordance with generally accepted Portuguese Statutory Auditing Standards, which require our audit to be planned and performed in order to provide reasonable assurance that the stand alone financial statements are free from material misstatements. Therefore, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and assessment of the significant estimates, which were based on judgements and criteria defined by the Board of Directors, used in the preparation of the financial statements, assessment of the adequacy of the accounting policies adopted and related disclosures, in the circumstances, examination of the adequacy of the going concern basis of preparation of the financial statements, and evaluation of the overall adequacy of the presentation of the financial statements.
5. Our examination also included verifying that the financial information included in the Board of Directors' Report is consistent with the stand alone financial statements, as well as the verification of the matters mentioned in paragraphs 4. and 5. of article 451<sup>o</sup> of the Portuguese Companies Code.
6. We consider that the audit that we performed provides a reasonable basis for the expression of our opinion.

### Opinion

7. In our opinion, the stand alone financial statements mentioned above, present fairly, in all material respects, the stand alone financial position of Galp Energia, SGPS, S.A. as of December 31, 2014, its stand alone results of operations, changes in shareholders' equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union.

### Reporting on other legal requirements

8. It is also our opinion that the information included in the Board of Directors' Report is consistent with the stand alone financial statements and that the Company's Corporate Governance Report includes the information required by article 245<sup>o</sup>-A of the Portuguese Securities Market Code.

March 20, 2015

P. Matos Silva, Garcia Jr., P. Caiado & Associados,  
Sociedade de Revisores Oficiais de Contas, Lda.  
represented by

Pedro Matos Silva, R.O.C.



## SUPERVISORY BOARD'S REPORT AND OPINION

### Dear shareholders,

According to the legislation in force and the Company's articles of association, and under our mandate, we hereby present our opinion on the management report, the individual and consolidated financial statements and the proposed allocation of net profit presented by the Board of Directors of Galp Energia SGPS, S.A., with regards to the year ended 31 December 2014.

We have met several times both with the statutory auditor and with the external auditor, monitoring both the audit activities and the legal certification of the accounts, as well as supervising their independence and competence. We have reviewed both the legal certification of the accounts as well as the audit report of the individual and consolidated accounts, which deserve our agreement.

Under the scope of our mandate, we have verified and we hereby declare to the extent of our knowledge that:

- a) the individual and consolidated financial statements and their corresponding notes allow for an adequate understanding of the Company's financial position and results, as well as that of the subsidiaries which are included in the consolidation perimeter;
- b) the accounting principles and the metrical criteria used follow the IFRS, as adopted by the EU, and are adequate as to guarantee an appropriate representation of both the Company's and the Group's assets and results;
- c) the management accounts includes a fair view of the business development and of the position of the Company and other companies included in the consolidation, highlighting in a clear manner the most significant aspects of the business, as well as a description of the main risks the Company and the other companies are exposed to in their operations;
- d) the corporate governance report includes all the information required by article 245-A of the CVM.

Accordingly, taking into consideration the information received from the Board of Directors and other Company departments, as well as the conclusions set out in the legal certification of the accounts and the audit report about the individual and consolidated financial statements, we express our agreement to the management report, to the individual and consolidated financial statements and to the proposal of application of net profit for the financial year 2014 and we are of the opinion that those documents should be approved by the General Shareholders Meeting.

Lastly, the Supervisory Board wishes to express its gratitude to the Board of Directors and to the Executive Committee of Galp Energia, SGPS, S.A., whose cooperation greatly simplified, at all times, the exercise of the Supervisory Board's duties.

Lisbon, 20 March 2015

Daniel Bessa Fernandes Coelho

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

### Declaration

Chairman of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the CVM, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and give a true and fair view of the assets, liabilities, financial position and results of Galp Energia and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the principal risks and uncertainties faced by Galp Energia's operations.

Lisbon, 20 March 2015

Daniel Bessa Fernandes Coelho

### Declaration

Gracinda Augusta Figueiras Raposo, member of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the CVM, to the best of her knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and gives a true and fair view of the assets, liabilities, financial position and results of Galp Energia and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the main risks and uncertainties faced by Galp Energia's operations.

Lisbon, 20 March 2015

Gracinda Augusta Figueiras Raposo

### Declaration

Pedro Antunes de Almeida, member of the Supervisory Board of Galp Energia, SGPS, S.A., hereby declares that, under terms and the purposes of paragraph 1 c) of article 245 of the CVM, to the best of his knowledge, the accounts report, the financial statements, legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting requirements, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp Energia and the companies included in the consolidation as a whole, and the accounts report includes a fair review of the development of the business and the performance and position of Galp Energia and the undertakings included in the consolidation taken as a whole; and includes an accurate description of the main risks and uncertainties faced by Galp Energia's operations.

Lisbon, 20 March 2015

Pedro Antunes de Almeida

## ANNUAL ACTIVITY REPORT OF THE SUPERVISORY BOARD FOR THE FINANCIAL YEAR 2014

In accordance with article paragraph 1 g) of article 420 of the CSC and of paragraph 1 g) of article 8 of the Supervisory Board regulations of Galp Energia, SGPS, S.A. (hereinafter referred to as Galp Energia or Company), the Board hereby presents its report on the supervisory activities performed during 2014.

### I. Introduction

According to the corporate governance model implemented by Galp Energia, which consists in the Latin model set out in paragraph 1 a) of article 278 and paragraph 1 b) of article 413, both from the Companies Code, the Supervisory Board is responsible for supervising the Company's activities.

The Supervisory Board in office was elected at the general shareholders meeting held on 30 May 2011, for the 2011-2013 term of office, a term that was extended to four years (2011 to 2014) by a resolution passed at the general shareholders meeting of 24 April 2012, and comprises three independent members, in accordance with the criteria set out in paragraph 5 of article 414 of the Companies Code.

All members of the Supervisory Board meet the compatibility criteria for the performance of their duties as laid down in paragraph 1 of article 414-A of the Companies Code.

The main duties of the Supervisory Board, as described in the respective regulation which is available via the Company's website, refer to the following key areas:

- a) Permanently monitoring the Company's activities, monitoring compliance with the law and articles of association, and overseeing the Company's management;
- b) Monitoring compliance with accounting policies and practices, as well as the preparation and disclosure of financial information, and supervising the audit of the accounts included in the Company's accounting documents;
- c) Monitoring the effectiveness of the risk-management and internal-control systems, annually assessing with the Executive Committee the internal-control and audit procedures and any issues raised about the accounting practices adopted by the Company, addressing to that Committee such recommendations as it may deem fit;
- d) Overseeing the adoption by the Company of the principles and policies for the identification and management of the key risks of a financial and operational nature related to the Company's business, and monitoring and performing adequate and timely control and disclosure of such risks;
- e) Receiving reports of irregularities made by shareholders, Company employees or others;
- f) Proposing to the general shareholders meeting the appointment of the Statutory Auditor and monitoring its independence, notably as regards the provision of additional services;
- g) Appointing or dismissing the Company's External Auditor and assessing its activity each year through a critical appraisal of the reports and documentation that it draws up in the performance of its duties.

### II. Activity performed by the Supervisory Board concerning the financial year 2014

During 2014 the Supervisory Board held 12 meetings and implemented several measures within the scope of its duties, of which the following are highlighted:

#### 1. Permanently monitoring the Company's activity, monitoring compliance with the law and articles of association, and overseeing the Company's management

Ongoing monitoring of the Company during 2014 was undertaken, in particular, through regular meetings with the heads of the Internal Auditing division, of the Risk-Management Committee, the Investor Relations Division, the Statutory Auditor and the External Auditor, as well as the Executive Director responsible for the area of finance, the Company Secretary and the heads of Accounts and of Planning and Corporate Control.

During 2014, the Supervisory Board also monitored Galp Energia's corporate governance system and its compliance with legal and statutory requirements, as well as legislative and regulatory developments in the field of corporate governance, in particular those issued by the CMVM, including recommendations relevant to the performance of its duties, having accompanied the process of corporate governance improvement.

Also within the context of monitoring corporate governance matters, the Supervisory Board has reviewed the corporate governance report for 2014, and confirmed that the report includes the information required by article 245-A of the CVM and by the CMVM regulation no. 4/2013.

#### 2. Monitoring compliance with the accounting policies and practices and with the process of preparation and disclosure of financial information and of the legal audit of the accounts

The Supervisory Board has monitored the accounting policies, criteria and practices and the reliability of the financial information through a review of the reports of the Statutory Auditor and External Auditor, and through an appraisal of the findings of the audits and of the procedure evaluations performed during the year by the Statutory Auditor and the External Auditor.

In fact, the Supervisory Board has reviewed the 2014 audit and legal certification of the accounts, having issued a favourable opinion thereon.

Access to the financial information by the Supervisory Board was conducted on a regular and adequate basis, and there were no constraints to its duties.

### 3. Monitoring and overseeing the effectiveness of the internal-control and risk-management systems, and annual review of the working of the systems and internal procedures

The Supervisory Board monitors the effectiveness of the risk-management, internal-control and internal-audit systems, the creation and implementation of which are the responsibility of the Executive Committee, as well as assesses on annual basis the working of the systems and respective internal procedures.

During 2014 the Supervisory Board performed several measures directed at monitoring, supervising and evaluating the working and adequacy of Galp Energia's internal-control, risk-management and internal-audit systems, having submitted recommendations and proposed amendments to the working of those systems as deemed justified and necessary.

Within the scope of its supervisory duties, the Supervisory Board was also charged with supervising the implementation by the Company of principles and policies for the identification and management of key financial and operational risks associated with Galp Energia's business, having supervised the measures to monitor, control and disclose the risks.

The Supervisory Board's understanding is that the Executive Committee and the Board of Directors have attributed increasing importance to the development and improvement of the risk-management, internal-control and internal-audit systems, in line with CMVM recommendations in relation to the Corporate Governance Code.

### 4. Supervision of the activity of the Internal Auditing division

The Supervisory Board has supervised the activity of the Internal Auditing division during 2014, which reports functionally to this Board, through regular monitoring of the implementation of the respective annual plan of activities for the assessment of the risks of the processes and systems of the business units and of the conclusions as to how risks are managed and resources allocated, having received from the division periodic reports and information concerning matters related to the submission of accounts, identification or resolution of conflicts of interest and the identification of potential illegalities.

Evaluation of the proper working of the risk-management and internal-control systems, and assessment of the effectiveness and efficiency of the implementation of controls and mitigation systems were performed by the Internal Auditing division, independently and systematically, having regularly informed and drawn the attention of the Supervisory Board to the more relevant comments and recommendations, detailing opportunities for improvement and corrective measures.

The Supervisory Board further considers that, in implementing the established work plan, the assessment of the internal control systems and of compliance with established procedures, as well as the use of the resources allocated, were performed efficiently.

### 5. Annual assessment of the activity of the Company's External Auditor

The Supervisory Board performed its duties as the Company's interlocutor with the External Auditor and as the first recipient of the information it draws up, having provided the External Auditor with the information and other appropriate conditions required for the effective performance of its activity.

During 2014 the Supervisory Board assessed the activity of the External Auditor, having monitored its activity on a regular basis, in particular through critical appraisal of the reports and documentation that it produced in the performance of its duties, and also appraised the procedure-alteration recommendations made by the External Auditor.

In its annual assessment, the Supervisory Board considers that the External Auditor provided its services in a satisfactory manner in accordance with the defined work plan, having complied with the applicable rules and regulations, revealed technical rigour in its activities, quality in its conclusions – particularly with regard to the legal audit of the accounts – timeliness and efficiency in the recommendations presented and competence in its procedures.

Considering the assessment of the External Auditor's activity, as well as the interest in ensuring the continuity of external audit services, the Supervisory Board in its meeting held on March 6, 2014 proposed to the Company the extension of the external audit agreement for an additional period of two years

Within the scope of its verification of compliance by the External Auditor with the rules of independence, the Supervisory Board accompanied, during 2014, the provision of services other than audit services, which depends of a prior appraisal by the Supervisory Board, having confirmed the independence of the External Auditor. The Supervisory Board notes that the amount of services other than assurance corresponds to 31,2% of the total of services provided by the External Auditor, exceeding the reference amount set out in recommendation IV.2 of the CMVM Corporate Governance Code approved in 2013. external auditor for services other than audit services is currently in progress.

### 6. Company business with related parties

The corporate governance report for 2014 contains information on significant relations of a commercial nature between the Company and holders of qualifying holdings, as well as on related-party transactions subject to the prior opinion of the Supervisory Board, in respect of 2014.

## 7. Reporting irregularities

In accordance with best corporate governance practices and applicable market rules, as well as in line with the principles of fairness, correctness, honesty, transparency and integrity on the basis of which Galp Energia conducts its business, the Galp Energia policy governing the reporting of irregularities, available on its official website, governs the mechanism for reporting to the body responsible, the Supervisory Board, irregularities occurring at Galp Energia Group companies.

The irregularities-reporting policy aims to allow any shareholder, employee, customer or supplier to report freely any irregularities they detect or of which they take cognisance or have reasoned suspicion, occurring at Galp Energia or its subsidiaries, in particular as regards compliance with current legislation, standards and internal regulations, the code of ethics and the anti-corruption policy, and ancillary procedures.

To support the work of the Supervisory Board in the matter reporting irregularities, the Supervisory Boards' support office was set up in 2013, on which it has delegated the operational management and smooth operation of the mechanism for reporting irregularities under the terms of the respective regulation.

The Supervisory Board has prepared a report in relation to the irregularities notified and the procedures resulting therefrom during 2014, in accordance to the information duty set out in item 2 of the policy on communication of irregularities and has made such report available to the Board of Directors. Considering the communications received, the conclusion was that they did not have impact regarding matters related with accounting, financial, internal control and audit. On the other hand, there was a small number of irregularities communicated through the respective mechanism.

Lastly, the Supervisory Board would like to express its thanks to the Board of Directors and to the Executive Committee of Galp Energia, SGPS, S.A. for the co-operation provided in the performance of their duties.

Lisbon, 20 March 2015

Chair – Daniel Bessa Fernandes Coelho

Member – Gracinda Augusta Figueiras Raposo

Member – Pedro Antunes de Almeida



EDITION



COVER PHOTOGRAPH  
**Manuel Aguiar**

DESIGN AND CONCEPTION  
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**Galp Energia, SGPS, S.A.**

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