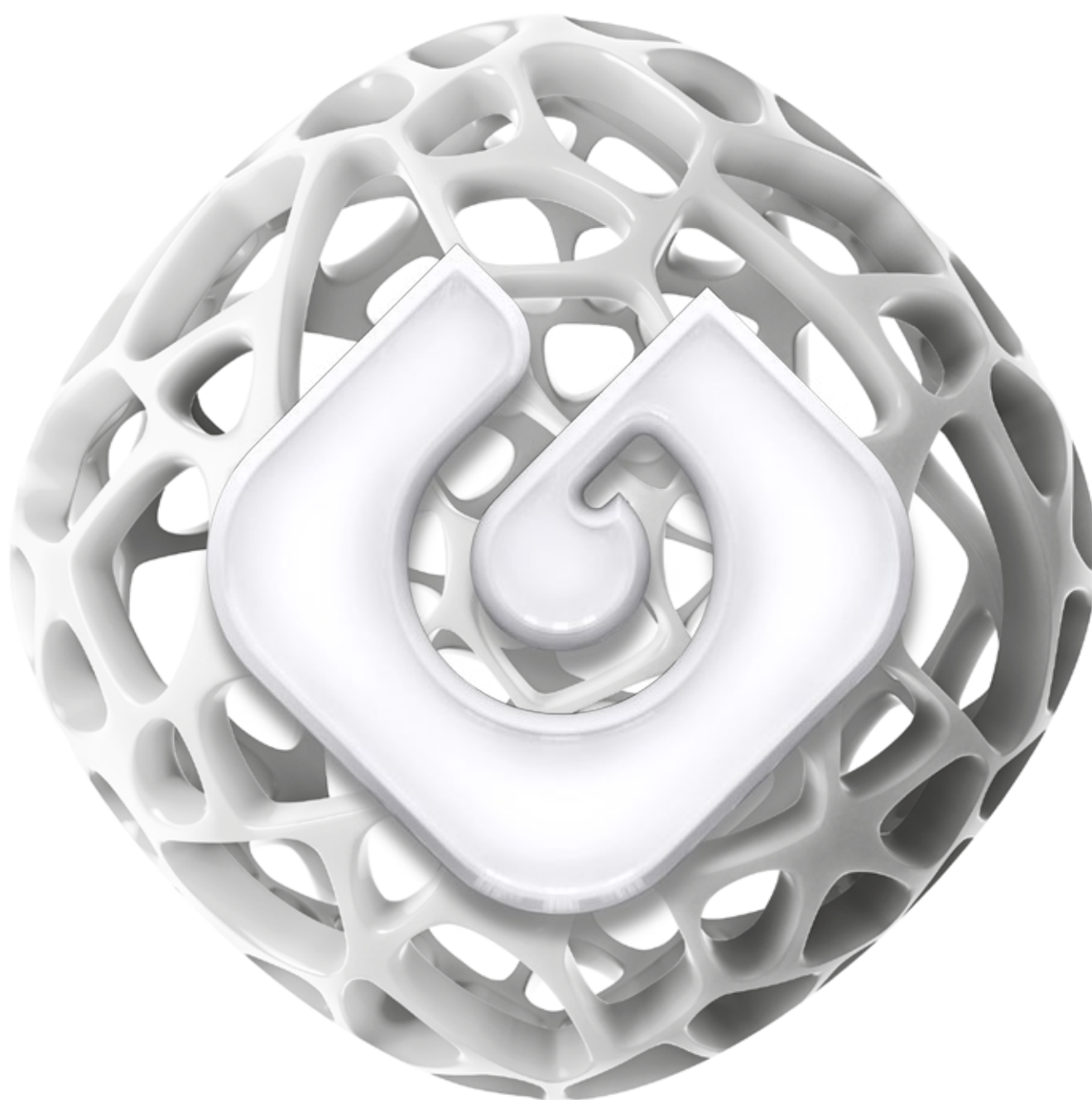
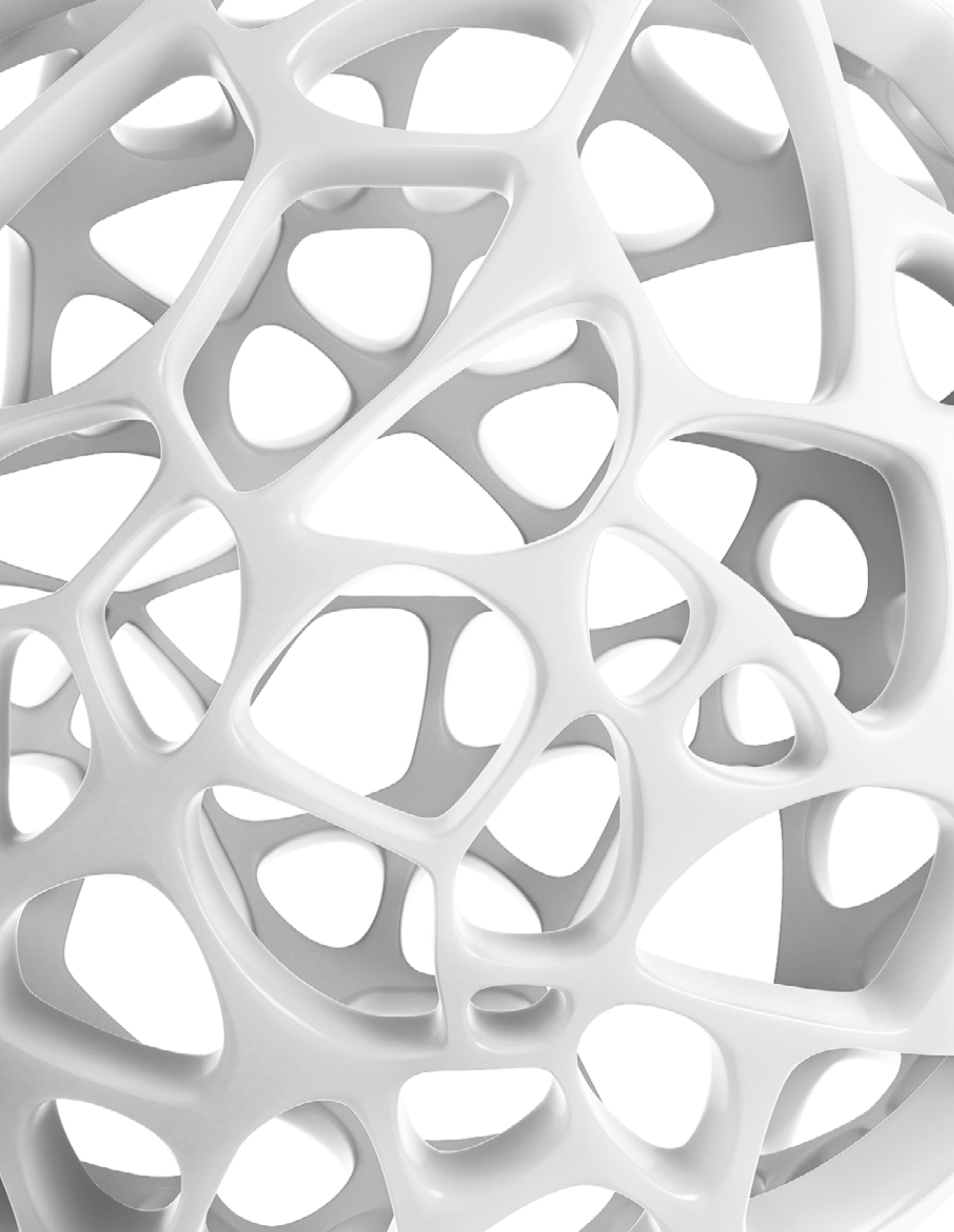


Shaping Energy

Individual accounts
report 2016







Shaping Energy

Individual accounts report 2016



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PART I Individual Accounts

Statement of financial position as of 31 december 2016 and 2015

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros – €k)

Assets	Notes	2016	2015
Tangible assets			
Intangible assets	12	13	17
Investments in subsidiaries and associates	12	-	-
Investments in affiliates	4	2,514,262	3,341,510
Assets held for sale	4	350	201
Other receivables	4	1	-
Deferred tax assets	14	1,660,090	1,253,109
Ativos por impostos diferidos	9	245	404
Total non-current assets:		4,174,961	4,595,241
Current assets			
Trade receivables	15	208	1,579
Other receivables	14	629,384	507,900
Current income tax receivable	9	116,962	199,949
Cash and cash equivalents	18	8,882	25,031
Total current assets:		755,436	734,459
Total assets:		4,930,397	5,329,700
Equity and liabilities	Notes	2016	2015
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Other reserves	20	193,827	193,827
Retained earnings		261,840	261,483
Net income for the year		413,784	378,654
Total equity:		1,780,708	1,745,221
Liabilities:			
Non-current liabilities:			
Bank loans	22	743,427	878,904
Bonds	22	1,665,656	1,911,593
Other payables	24	3,000	4,746
Provisions	25	-	3,377
Total non-current liabilities:		2,412,083	2,798,620
Current liabilities:			
Bank loans and overdrafts	22	140,857	83,498
Bonds	22	18,139	245,756
Trade payables	26	2,473	346
Other payables	24	497,115	296,023
Current income tax payable	9	79,022	160,236
Total current liabilities:		737,606	785,859
Total liabilities:		3,149,689	3,584,479
Total equity and liabilities:		4,930,397	5,329,700

The accompanying notes form an integral part of the statement of financial position for the year ended 31 December 2016.

Income statement for the years ended 31 december 2016 and 2015

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros – €k)

	Notes	2016	2015
Operating income:			
Services rendered	5	6,900	11,388
Total operating income:		6,900	11,388
Operating costs:			
External supplies and services	6	(2,954)	(4,601)
Employee costs	6	(6,285)	(9,820)
Amortisation, depreciation and impairment loss on fixed assets	6	(4)	(4)
Other operating costs	6	(794)	(245)
Total operating costs:		(10,037)	(14,670)
Operating result:		(3,137)	(3,282)
Financial income	8	91,315	75,663
Financial costs	8	(108,396)	(119,971)
Exchange gain (loss)		(482)	-
Results on investments in subsidiaries and associates	4	435,576	416,452
Profit before tax:		414,875	368,861
Income tax	9	(1,091)	9,793
Net income		413,784	378,654
Earnings per share (in Euros)	10	0.50	0.46

The accompanying notes form an integral part of the income statement for the year ended 31 December 2016.

Statement of comprehensive income for the years ended 31 december 2016 and 2015

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros – €k)

	Note	2016	2015
Net income for the year		413,784	378,654
Comprehensive income for the year		413,784	378,654

The accompanying notes form an integral part of the statement of comprehensive income for the year ended 31 December 2016.

Statement of changes in equity for the years ended 31 december 2016 and 2015

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros – €k)

Movements for the year	Notes	Share capital	Share premium	"Other reserves (Note 20)"	Retained Earnings	Net income for the year	Total
Balance as of 1 January 2015		829,251	82,006	193,827	313,382	263,349	1,681,814
Net income for the year		-	-	-	-	378,654	378,654
Comprehensive income for the year		-	-	-	-	378,654	378,654
Dividends distributed/interim dividends		-	-	-	(315,248)	-	(315,248)
Increase of reserves by appropriation of profit	30	-	-	-	263,349	(263,349)	-
Balance as of 31 December 2015		829,251	82,006	193,827	261,483	378,654	1,745,220
Balance as of 1 January 2016		829,251	82,006	193,827	261,483	378,654	1,745,220
Net income for the year		-	-	-	-	413,784	413,784
Comprehensive income for the year		-	-	-	-	413,784	413,784
Dividends distributed/interim dividends	30	-	-	-	(378,297)	-	(378,297)
Increase of reserves by appropriation of profit	30	-	-	-	378,654	(378,654)	-
Balance as of 31 December 2016		829,251	82,006	193,827	261,840	413,784	1,780,708

The accompanying notes form an integral part of the financial statements of changes in equity for the year ended 31 December 2016.

Statement of cash flows for the years ended 31 december 2016 and 2015

Galp Energia, SGPS, S.A.

(Amounts stated in thousand Euros – €k)

	Notes	2016	2015
Operating activities:			
Cash receipt from customers		14,694	13,215
Cash paid to suppliers		(4,915)	(6,397)
Cash paid to employees		(3,072)	(3,292)
Income tax received/(paid)		(3,057)	(25,713)
Other (payments)/receipts from operating activities		(1,682)	897
Cash flow from operating activities (1)		1,968	(21,290)
Investing activities:			
Cash receipts related to:			
Financial investments		-	881,104
Interests and similar income		57,836	76,327
Dividends	4	435,542	416,218
Loans granted		813,471	204,491
		1,306,849	1,578,140
Cash payments related to:			
Financial investments		(477,932)	(968,500)
Loans granted		(7,886)	(4,378)
		(485,818)	(972,878)
Cash flow from investing activities (2)		821,031	605,262
Financing activities:			
Cash receipts related to:			
Loans obtained		4,442,976	4,142,489
		4,442,976	4,142,489
Cash payments related to:			
Loans obtained		(4,797,975)	(4,269,209)
Interests and similar costs		(111,943)	(113,525)
Dividends	30	(378,297)	(315,248)
		(5,288,215)	(4,697,982)
Cash flow from financing activities (3)		(845,239)	(555,493)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(22,241)	28,478
Effect of foreign exchange rate changes		(448)	-
Cash and cash equivalents at beginning of the year	18	24,935	(3,543)
Cash and cash equivalents at end of the year	18	2,246	24,935

The accompanying notes form an integral part of the statement of cash flows for the year ended 31 December 2016.

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. ("Transgás, 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 2016 is stated in Note 19.

Part of the Company's shares, representing 93% of its share capital, is listed on the Euronext Lisbon stock exchange.

The following financial statements are presented in thousand Euros except if mentioned otherwise..

2. Significant accounting policies

2.1. Basis of presentation

Company' financial statements were prepared on a going concern basis, at historical cost, except for financial derivative instruments, when applicable, 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 2016. 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 and interpretations published but not yet approved in the Official Journal of the European Union (OJEU) during 2016, applicable to subsequent years are as follows:

Standards and interpretations published by IASB but not endorsed by the EU

IAS Standard	Publishing date in IASB	Estimated date of approval by EU	Year to which it applies	Comments
IFRS 14 Regulatory Tariff Deviations	30 January 2014	no estimated date	-	Not applicable
IFRS 16 Leases	13 January 2016	2 nd Semester 2017	2019	Impact on the application of the standard still to be determined
Amendments to IAS 12 Income taxes	19 January 2016	2 nd Quarter 2017	2017	No estimated impact
Amendments to IAS 7 Statement of Cash Flow	29 January 2016	2 nd Quarter 2017	2017	Impact on disclosures in the notes to the financial statements
Clarification to IFRS 15 Revenue from contracts with customers	12 April 2016	2 nd Quarter 2017	2018	No estimated impact
Amendments to IFRS 2 Shared based payments	20 June 2016	2 nd Semester 2017	2018	Not applicable
Amendments to IFRS 4 Insurance contracts	12 September 2016	2017	2018	No estimated impact
Annual improvements to IFRS 2014-2016	08 December 2016	2 nd Semester 2017	2018	No relevant accounting impacts
IFRIC 22 Foreign currency transactions and advance consideration	08 December 2016	2 nd Semester 2017	2018	No estimated impact
Amendments to IAS 40 Investment property	08 December 2016	2 nd Semester 2017	2018	No estimated impact

The IAS/IFRS standards and interpretations approved and published in the OJEU during 2016, applicable to subsequent years are as follows:

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

IAS Standard	Publishing date in OJEU	Date of accounting application	Year to which it applies	Comments
IFRS 9 Financial instruments	29 November 2016	01 January 2018	2018	Impact on calculation of impairment losses on accounts receivable
IFRS 15 Revenue from contracts with customers	29 October 2016	01 January 2018	2018	No estimated impact

The approved and published IAS/IFRS standards in the OJEU during 2016, applicable to 2016 and subsequent years are as follows:

Standards and interpretations adopted, if applicable

IAS Standard	Publishing date in OJEU	Date of accounting application	Year to which it applies	Comments
Amendment to IFRS 10, 12 and IAS 28: Investment entities - applying consolidation exemption	23 September 2016	01 January 2016	2016	Not applicable
Amendment to IAS 27 Separate financial statements	23 December 2015	01 January 2016	2016	No impact
Amendment to IAS 1 Disclosure initiative	19 December 2015	01 January 2016	2016	No relevant accounting impacts
Annual Improvements to IFRS 2012 – 2014	19 December 2015	01 January 2016	2016	No relevant accounting impacts
Amendments to IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation calculation	03 December 2015	01 January 2016	2016	Not applicable
Amendment to IFRS 11 Accounting for the acquisition of interests in joint operations	25 November 2015	01 January 2016	2016	Estimated impact on new acquisitions in joint operations
Amendments to IAS 16 and IAS 41 Agriculture: bearer plants	25 November 2015	01 January 2016	2016	Not applicable

The Board of Directors of the Company believes that these separate 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 these separate financial statements, the Company declares that is in compliance 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 2016, 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.

Investments in other companies are presented in Note 4.

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

2.3. Tangible assets

Tangible 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 use, 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 gains/losses 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 "Other operating income" or "Other operating costs" captions, respectively.

2.4. Impairment of non-current assets

Impairment tests are made at the reporting 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.

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 Group, applicable to the business segment in which the asset or the cash generating unit is included.

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

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 2016, 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 2016 and 2015, 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. When the actual amounts of costs and income are not known, these are estimated.

The "Other receivables" and "Other payables" captions include the income and costs 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 direct or indirect participation interest greater than 75%, if that participation gives the Company more than 50% of the voting rights, 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:

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

Investments 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. Investments are initially recorded at fair value, in which transaction costs are recognised in the income statement.

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 revalued to fair value by reference to their market value at the 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 acquisition cost less 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.

Held-to-maturity investments 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 issuance expenses related to these loans.

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

Financial costs include interest and any origination fees incurred relating to the project finance.

e) Trade and other payables

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

f) 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 revalued 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 income statement.

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 reporting date are classified as non-current assets and non-current liabilities, respectively.

2.12. Subsequent events

Events that occur after the reporting 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 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.

Impairment of investments in subsidiaries and associates

The identification of impairment indicators, the estimation of future cash flows and the determination of the fair value of assets imply a high degree of judgment by the Board of Directors regarding the identification and evaluation of the different indicators of impairment, expected cash flows and discount rates.

2.14. Risk management and hedging

The Galp 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, as well as in the Company's consolidated financial statements.

During the year ended 31 December 2016, only material changes required by IFRS 7 — Financial instruments: Disclosures 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 associates

Investments held as of 31 December 2016 and 2015 are as follows:

	Head office		Percentage held		Main activity	Acquisition cost		
	City	Country	2016	2015		2016	2015	
Subsidiaries and associates:								
Galp Energia, S.A.	Lisbon	Portugal	100%	100%	Business management and consultancy services	6,154	6,154	
Galp Energia E&P, B.V.	a)	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas. Trading of oil, natural gas and petroleum products; management of equity investments in other companies and financing businesses and companies	1,542,692	1,065,034
Galp Gas & Power,SGPS, S.A.	Lisbon	Portugal	100%	100%	Management of equity investments	161,765	161,765	
Petróleos de Portugal - Petrogal, S.A.	b)	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.	803,556	2,108,556
Enerfuel, S.A.	c)	Sines	Portugal	10.56%	-	Studies, projects, installation, production and commercialization of biofuels, treatment, waste recovery, purchase and sale of equipment.	95	-
						2,514,262	3,341,510	

31 December 2016

	Head office		Financial information of subsidiaries			
	City	Country	Total assets	Total liabilities	Equity	Net income
Galp Energia, S.A.	Lisbon	Portugal	52,418	50,053	2,365	385
Galp Energia E&P, B.V.	Rotterdam	The Netherlands	2,857,521	1,828,157	1,029,364	(153,203)
Galp Gas & Power, SGPS, S.A.	Lisbon	Portugal	510,587	12,424	498,163	265,696
Petróleos de Portugal - Petrogal, S.A.	Lisbon	Portugal	4,828,834	4,074,358	754,476	15,486
Enerfuel, S.A.	Sines	Portugal	14,332	9,851	4,481	2,502
			8,263,692	5,974,843	2,288,849	130,876

- a) During the year ended 31 December 2016, the Company made capital increases in the amount of €477,658 k in the subsidiary Galp Energia E&P, B.V.
- b) During the year ended 31 December 2016, the Company decided to convert the supplementary capital contributions amounting €1,305,000 k into shareholder loans in the subsidiary Petróleos de Portugal-Petrogal, S.A.
- c) During the year ended 31 December 2016, the Company acquired 5% of the share capital of Enerfuel, S.A., from its subsidiary Petrogal, S.A., in the amount of €45 k, holding at the year-end 10.56% of this company.

During the years ended 31 December 2016 and 2015, the movements occurred in caption "Results on investments in subsidiaries and associates" were as follows:

	2016	2015
Dividends received		
Galp Energia, S.A.	300	1,228
Galp Energia E&P, B.V.	54,220	42,472
Galp Gas & Power,SGPS, S.A.	155,973	372,516
Petróleos de Portugal - Petrogal, S.A.	224,985	-
Enerfuel, S.A.	98	-
	435,576	416,216
Losses	-	(1)
Other	-	237
	435,576	416,452

4.2. Investments in affiliates

Investments in affiliates as of 31 December 2016 and 2015 were as follows:

		Head office		Percentage held		Acquisition cost	
Company		City	Country	2016	2015	2016	2015
IsPG - Instituto do Petróleo e do Gás	(a)	Lisbon	Portugal	66.67%	-	200	-
Adene - Agência para a Energia, S.A.		Lisbon	Portugal	10.98%	10.98%	114	114
Enerfuel, S.A.		Sines	Portugal	-	5.56%	-	50
Omegas - Soc. D'étude du Gazoduc Maghreb-Europe		-	Morocco	-	-	35	35
OEINERGE - Agência Municipal de Energia e Ambiente		Lisbon	Portugal	1.45%	1.45%	1	1
Galp Gâmbia, Limited		-	Gambia	-	-	-	1
Galp Swaziland, Limited		-	Swaziland	-	-	-	-
						350	201

(a) IsPG is a non-profit association, established by Galp, Universidade de Aveiro, Universidade de Coimbra, Universidade do Minho, Universidade Nova de Lisboa, Universidade do Porto, Instituto Superior Técnico and Faculdade de Ciências da Universidade de Lisboa. IsPG's mission is to gather and centralise knowledge and promote the development, transmission and diffusion of science and technology applied to the activities in the energy sector, especially oil and gas. The activities carried out aim at enhancing the competitiveness of the energy industries, in particular through the advanced training of relevant technical staff, a network of cooperation between enterprises, higher education institutions and other public and private R&D and industrial innovation entities.

On 29 November, 2016, Galp Energia SGPS, S.A. subscribed and realised €230 k by the participating units (PU's) in IsPG (230 PU's). Additionally, in the year ended 31 December 2016 Galp Energia SGPS, S.A. sold to Petróleos de Portugal - Petrogal, S.A. 30 PU's.

Galp Energia SGPS maintains its Founding Member status and holds 200 PU's and Petrogal joins IsPG with 30 PU's (of the total 300 which represent IsPG share capital, while the remaining are owned by the universities).

4.3. Assets held for sale

During the year ended 31 December 2016, the Company transferred the investment in Galp Gambia, Limited to the caption sale of Assets held-for-sale considering that its sale will be concluded during 2017.

5. Operating income

The operating income of the Company for the years ended 31 December 2016 and 2015 were as follows:

Captions	2016	2015
Services rendered		
Domestic market	6,448	10,561
Foreign market	452	827
	6,900	11,388

The services rendered in the amount of €6,900 k, are essentially related to management services provided to other Group companies.

The reduction in operating income, when compared with 2015, due essentially to the adjustment of the Board of Directors costs, which led to an adjustment in fees, since these are determinant in the valuation of subsidiaries management activity.

6. Operating costs

As of 31 December 2016 and 2015 the operating costs are detailed as follows:

Captions	2016	2015
External supplies and services		
Other specialised services	1,406	2,514
Legal services	448	878
Travel and accommodation	443	538
Insurance	145	177
Advertising	120	-
Rents	101	115
Communication	78	78
IT services	52	50
Fuel	23	27
Fees	19	48
Litigation and notaries	19	28
Office supplies	16	20
Representation costs	12	20
Maintenance and repairs	8	12
Gifts	3	4
Other costs	61	92
	2,954	4,601
Employee costs:		
Remuneration of Statutory Board members (Note 29)	4,387	7,936
Remuneration of personnel	672	676
Social charges	1,020	1,021
Retirement benefits	13	-
Other insurance	77	78
Other costs	117	109
	6,285	9,820
Amortisation, depreciation and impairment of tangible assets:		
Depreciation and impairment of tangible assets (Note 12)	4	4
	4	4
Other operating costs		
Other taxes	207	130
Other operating costs	587	115
	794	245
	10,037	14,670

Other specialised services mainly include corporate services, namely 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 costs for the years ended 31 December 2016 and 2015 are detailed as follows:

Captions	2016	2015
Financial income		
Interest - related parties (Note 28)	91,314	75,640
Interest - other	1	23
	91,315	75,663
Gastos financeiros		
Interest - related parties (Note 28)	1,988	3,351
Interest - other	99,795	109,610
Commissions and other charges	6,613	7,011
	108,396	119,971

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, with 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 2016, amounted to an account payable and receivable from these Group companies of €29,195 k and €102,902 k (Note 28), respectively.

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

- 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;

- Galp's tax returns for the years 2013 to 2016 are still subject to review. However, Galp's Board of Directors believes that any corrections arising from inspections by the tax authorities of these tax returns will not have a significant impact on the separate financial statements as of 31 December 2016 and 2015.

As of 31 December 2016 and 2015, receivable and payable income tax was as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
Group companies:				
Current income tax receivable/payable (Note 28)	102,902	185,713	29,195	136,562
	102,902	185,713	29,195	136,562
State:				
Current income tax receivable/payable	14,060	14,236	49,827	23,674
	14,060	14,236	49,827	23,674
Total	116,962	199,949	79,022	160,236

The estimated income tax of the Company based on its taxable income in the fiscal year ended 31 December 2016 represents a tax payable in the amount of €1.091 k and was calculated as follows:

Income taxes	2016	2015
Current taxes	(4,419)	(11,735)
Insufficiency/(excess) of income tax estimated in previous years	5,351	100
Deferred taxes	159	1,842
	1,091	(9,793)

During the year ended 31 December 2016, the Company joined the Special Program for the Reduction of Indebtedness to the State (PERES), having settled the amount of €8,748 k related to Corporate Income Tax for the years 2002 and 2005. From the referred amount, €5,351 k was recorded in the caption Insufficiency/(Excess) of income tax in previous years and the remaining €3,377 k were already provisioned in previous years (Note 25).

The reconciliation of the income tax for the years ended 31 December 2016 and 2015 is presented below:

	2016	Rate	Income tax	2015	Rate	Income tax
Profit before tax:	414,875	21.00%	87,123	368,861	21.00%	77,461
Adjustments to taxable income:						
Dividends received		(22.05)%	(91,471)		(23.71)%	(87,455)
Insufficiency/(excess) of income tax estimated in previous years		1.29%	5,351		0.03%	100
Autonomous taxation		0.02%	64		0.02%	76
Other increases and deductions		0.01%	24		0.01%	25
Effective tax rate		0.26%	1,091		(2.65)%	(9,793)

Deferred taxes

The balance of deferred tax assets as of 31 December 2016 and 2015 was as follows:

	Assets	
	2016	2015
Tax losses carryforward	-	160
Other	245	244
	245	404

The movements occurred in deferred taxes for the years ended 31 December 2016 and 2015 were as follows:

	Assets	
	2016	2015
Opening balance	404	2,327
Effect in results:		
Tax losses carryforward	(159)	(735)
Other	-	(1,188)
	(159)	(1,923)
Ending balance	245	404

10. Earnings per share

Earnings per share for the years ended 31 December 2016 and 2015 were as follows:

	2016	2015
Net income		
Net income for purposes of calculating earnings per share	413,784	378,654
Number of shares		
Weighted average number of shares for purposes of calculation (Note 19)	829,250,635	829,250,635
Basic and diluted earnings per share (amounts in Euros)	0.50	0.46

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 are recorded in accordance with the accounting policy explained in Note 2.3. The depreciation rates being used are disclosed in the same note. In the years 2016 and 2015 tangible assets had the following changes:

Tangible assets					2016
	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total tangible assets
Acquisition cost:					
Acquisition cost as of 1 January	34	52	324	1,009	1,419
Acquisition cost as of 31 December	34	52	324	1,009	1,419
Accumulated depreciations and impairment losses:					
Balance as of 1 January	(34)	(52)	(308)	(1,009)	(1,402)
Depreciation for the year (Note 6)	-	-	(4)	-	(4)
Accumulated depreciations as of 31 December	(34)	(52)	(312)	(1,009)	(1,406)
Net amount:					
Balance as of 31 December	-	-	13	-	13

Tangible assets					2015
	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Total tangible assets
Acquisition cost:					
Acquisition cost as of 1 January	34	52	324	1,009	1,419
Acquisition cost as of 31 December	34	52	324	1,009	1,419
Accumulated depreciations and impairment losses:					
Balance as of 1 January	(34)	(52)	(303)	(1,009)	(1,398)
Depreciation for the year (Note 6)	-	-	(4)	-	(4)
Accumulated depreciations as of 31 December	(34)	(52)	(308)	(1,009)	(1,402)
Net amount:					
Balance as of 31 December	-	-	17	-	17

As of 31 December 2016 and 2015 intangible assets had the following movements:

Intangible assets		2016
	Industrial property and other rights	Total intangible assets
Acquisition cost:		
Acquisition cost as of 1 January	8	8
Acquisition cost as of 31 December	8	8
Amortisation:		
Accumulated amortisation as of 1 January	(8)	(8)
Accumulated amortisation as of 31 December	(8)	(8)
Net amount:		
Balance as of 31 December	-	-

Intangible assets		2015
	Industrial property and other rights	Total intangible assets
Acquisition cost:		
Acquisition cost as of 1 January	8	8
Acquisition cost as of 31 December	8	8
Amortisation:		
Accumulated amortisation as of 1 January	(8)	(8)
Accumulated amortisation as of 31 December	(8)	(8)
Net amount:		
Balance as of 31 December	-	-

13. Government grants

Not applicable.

14. Other receivables

The non-current and current caption "Other receivables" as of 31 December 2016 and 2015 is detailed as follows:

Captions	2016		2015	
	Current	Non-current	Current	Non-current
State and other public entities:				
Value added tax	669	-	46	-
Other receivables - related parties (Note 28)	32,857	-	5,232	-
Loans to related parties (Note 28)	585,375	1,660,090	492,527	1,253,109
Advances to suppliers	-	-	5	-
Personnel	92	-	111	-
Other receivables	560	-	489	-
	619,552	1,660,090	498,410	1,253,109
Accrued income:				
Accrued interest (Note 28)	8,016	-	7,550	-
Other accrued income	11	-	11	-
	8,027	-	7,561	-
Deferred costs:				
Interest and other financial costs	1,978	-	2,108	-
Prepaid Insurance	112	-	107	-
	2,090	-	2,215	-
	629,669	1,660,090	508,186	1,253,109
Impairment of other receivables	(286)	-	(286)	-
	629,384	1,660,090	507,900	1,253,109

15. Trade receivables

As of 31 December 2016 and 2015, caption "Trade Receivables" presented balances in the amount of €208 k e €1,579 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 2016 and 2015, had the following detail:

	2016	2015
Cash	6	7
Bank deposits	8,876	25,024
Cash and cash equivalents in the statement of financial position	8,882	25,031
Bank overdrafts (Note 22)	(6,636)	(96)
Cash and cash equivalents in the statement of cash flows	2,246	24,935

19. Share capital

Capital structure

The share capital of Galp is comprised of 829,250,635 shares. Of these, 771,171,121 (93% of the share capital) are traded in the Euronext Lisbon stock exchange. The remaining 58,079,514 shares, representing 7% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not listed on the stock exchange.

According to public information, with the disposal of the 5% interest in the share capital of Galp by the shareholder Amorim Energia, B.V., completed in September 2016, the free float of the Company increased from 54.66% to 59.66%.

The Company's shareholding structure as of 31 December 2016 and 31 December 2015 was held as follows:

2016

Shareholders	No. of shares	% of capital	% of voting rights
Amorim Energia, B.V.	276,472,161	33.34%	33.34%
Parpública - Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	494,698,960	59.66%	59.66%
Total	829,250,635	100.00%	-

2015

Shareholders	No. of shares	% of capital	% of voting rights
Amorim Energia, B.V.	317,934,693	38.34%	38.34%
Parpública - Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	453,236,428	54.66%	54.66%
Total	829,250,635	100.00%	-

20. Other reserves

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

As of 31 December 2016 and 2015, Other reserves details as follows:

	2016	2015
Legal reserve	165,850	165,850
Free reserve	27,977	27,977
	193,827	193,827

On 31 December 2016 and 2015, the legal reserve is fully provided for in accordance with the commercial legislation.

21. Non-controlling interests

Not applicable.

22. Loans

Detail of loans

Loans obtained as of 31 December 2016 and 2015 were as follows:

	2016		2015	
	Current	Non-current	Current	Non-current
Bank loans:				
Commercial paper issuance	-	490,000	-	490,000
Foreign loans - EIB	135,101	254,390	84,836	389,490
Bank overdrafts (Note 18)	6,636	-	96	-
	141,737	744,390	84,932	879,490
Origination fees	(880)	(962)	(1,434)	(586)
	140,857	743,427	83,498	878,904
Notes and Bonds:				
Bonds	22,500	670,000	250,000	920,000
Notes	-	1,000,000	-	1,000,000
	22,500	1,670,000	250,000	1,920,000
Origination fees	(4,361)	(4,344)	(4,244)	(8,407)
	18,139	1,665,656	245,756	1,911,593
	158,996	2,409,083	329,254	2,790,497

Description of the main loans

Commercial paper issuance

On 31 December 2016, the Company has contracted commercial paper programs which are fully underwritten, amounting to €940 k. Of this amount the Company has used €490,000 k of the medium and long-term program.

These instruments 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 subscribed by the Company. The specified interest rates are applicable to the amount of each issuance and remains unchanged during the respective period of the issue.

Bank loans

As of 31 December 2016, loans obtained from the European Investment Bank (EIB) have the following detail:

					Unit:€k
Entity	Amount due	Interest rate	Maturity	Reimbursement	
BEI (Matosinhos cogeneration)	50,000	Fixed rate	October 2017	October 2017	
BEI (Installment A - Sines cogeneration)	19,286	Fixed rate	September 2021	Semi-annual installments beginning in March 2010	
BEI (Installment B - Sines cogeneration)	10,205	Fixed rate	March 2022	Semi-annual installments beginning in September 2010	
BEI (Installment A - Refinery upgrade)	186,000	Revisable fixed rate	February 2025	Semi-annual installments beginning in August 2012	
BEI (Installment B - Refinery upgrade)	124,000	Fixed rate	February 2025	Semi-annual installments beginning in August 2012	
Total	389,491				

Loans contracted with the EIB, for the purpose of financing the cogeneration projects in the Sines and Matosinhos refineries and Instalment A for the upgrade project of the Sines and Matosinhos refineries, are guaranteed by guarantee contracts signed by Petróleos de Portugal - Petrogal, S.A..

The remaining loan with the EIB, in the amount of €124,000 k, is guaranteed by a bank syndicate.

Bonds

Detailed information for bonds as of 31 December 2016:

					Unit:€k
Issue	Amount due	Interest rate	Maturity	Reimbursement	
GALP ENERGIA/2013-2017 €600 M. FRN	22,500	Euribor 6M + spread	May 2017	May 2017	
GALP ENERGIA/2012-2018 FRN	260,000	Euribor 3M + spread	February 2018	February 2018	
GALP ENERGIA/2013 - 2018	110,000	Euribor 3M + spread	March 2018	March 2018	
GALP ENERGIA/2013-2018 €200 M.	200,000	Euribor 6M + spread	April 2018	April 2018	
GALP ENERGIA/2012-2020	100,000	Euribor 6M + spread	June 2020	June 2010	
Total	692,500				

Issuance of notes

Galp established in 2013, under its financing plan, an Euro Medium Term Note Programme (EUR 5,000,000 EMTN).

As of 31 December 2016, the issuances are detailed as follows:

Unit: €k				
Issue	Amount due	Interest rate	Maturity	Reimbursement
Galp 4.125% 01.2019	500,000	Fixed rate 4.125%	January 2019	January 2019
Galp 3.000% 01.2021	500,000	Fixed rate 3.000%	January 2021	January 2021
Total	1,000,000			

23. Post employment and other employee liabilities

Not applicable.

24. Other payables

The caption "Other payables" as of 31 December 2016 and 2015, have the following detail:

Captions	2016		2015	
	Current	Non-current	Current	Non-current
State and other public entities:				
Value added tax	-	-	468	-
Personnel and corporate income tax withheld	158	-	181	-
Social security contributions	117	-	103	-
Loans - related parties (Note 28)	451,044	-	246,964	-
Trade receivables credit balances	2,208	-	-	-
Personnel	52	-	53	-
Other creditors	18	-	8	-
	453,597	-	247,777	-
Accrued costs:				
External supplies and services	13	-	18	-
Accrued interest	41,730	-	46,375	-
Holiday pay, holiday subsidy and corresponding contributions	633	-	569	-
Productivity bonus	1,078	-	1,008	-
Medium and long term incentives	-	3,000	-	4,746
Financial costs	65	-	15	-
Other accrued costs	-	-	261	-
	43,519	3,000	48,246	4,746
	497,115	3,000	296,023	4,746

25. Provisions

The changes in provisions in the periods ended 31 December 2016 and 2015 were as follows:

Captions	Opening balance	Utilisation	2016
			Ending balance
Taxes	3,377	(3,377)	-
	3,377	(3,377)	-

Captions	Opening balance	Ending balance	2015
			Ending balance
Taxes	3,377	3,377	
	3,377	3,377	

The utilisation of the provision in the amount of €3,377 k was for the payment, under PERES, of the process associated with the sale of ONI, SGPS, to Galp Energia, SGPS, S.A.

26. Trade payables

As of 31 December 2016 and 2015, caption "Trade payables" had the following detail:

Captions	2016	2015
Trade payables - current account	2,309	121
Trade payables - pending invoices	164	225
	2,473	346

27. Other financial instruments -derivatives

Not applicable.

28. Related parties

Balances and transactions with related parties in the years ended 31 December 2016 and 2015 were as follows:

Receivables							2016
Company	Total related parties	Non-current				Current	
		Loans granted (Note 14)	“Trade Receivables (Note 15)”	Loans granted (Note 14)	Other receivables (Note 14)	“Current income tax receivable (Note 9)”	“Accruals and deferrals (Note 14)”
Petróleos de Portugal - Petrogal, S.A.	2,294,982	1,660,000	4	557,500	31,317	38,145	8,016
Galp Gás Natural, S.A.	39,468	-	3	-	-	39,465	
Galp Exploração e Produção Petrolífera, S.A.	23,754	-	-	22,588	-	1,166	-
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	9,958	-	33	-	-	9,925	-
Galp Marketing International, S.A.	4,418	-	-	4,418	-	-	-
Lusitaniagás - Companhia de Gás do Centro, S.A.	3,112	-	18	-	-	3,094	-
Galp Madeira - Distrib. e Comercializ. de Combustíveis e Lubrificantes, S.A.	2,079	-	-	-	-	2,079	-
Galp Gas & Power,SGPS, S. A.	1,486	-	-	-	1,458	28	-
Galp Gás Natural Distribuição, S.A.	1,383	-	-	-	-	1,383	-
Galp Energia, S.A.	1,049	-	-	-	1	1,048	-
Galpgeste - Gestão de Áreas de Serviço, S.A.	994	-	-	-	-	994	-
Gasinsular - Combustíveis do Atlântico, S.A.	970	-	-	-	-	970	-
Enerfuel, S.A.	802	-	-	-	27	775	-
Agrocer - Sociedade de Cogeração do Oeste S.A.	791	-	-	791	-	-	-
C.L.T. - Companhia Logística de Terminais Marítimos, S.A.	737	-	-	-	-	737	-
GDP - Gás de Portugal, S.A.	721	-	72	-	-	649	-
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	567	-	-	-	-	567	-
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	547	-	2	-	-	545	-
Transgás, S.A.	433	-	-	-	-	433	-
Tanquisado - Terminais Marítimos, S.A.	242	-	2	-	-	240	-
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	213	-	1	-	-	212	-
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	211	-	1	-	-	210	-
Lisboagás Comercialização, S.A.	117	-	-	-	-	117	-
Galp Exploração e Produção Timor-Leste, S.A.	91	-	-	78	-	13	-

The table continues on the next page.

Receivables							2016
Company	Total related parties	Non-current			Current		
		Loans granted (Note 14)	“Trade Receivables (Note 15)”	Loans granted (Note 14)	Other receivables (Note 14)	“Current income tax receivable (Note 9)”	“Accruals and deferrals (Note 14)”
Adene - Agência para a Energia, S.A.	90	90	-	-	-	-	-
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	62	-	-	-	-	62	-
Lusitaniagás Comercialização, S.A.	45	-	-	-	-	45	-
Petrogal Moçambique, Lda.	44	-	25	-	19	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	20	-	20	-	-	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	19	-	8	-	11	-	-
Galp Energia Rovuma, B.V. (Sucursal Moçambique)	14	-	-	-	14	-	-
Petrogal Angola, Lda.	7	-	-	-	7	-	-
Portcogeração, S.A.	6	-	6	-	-	-	-
Beiragás - Companhia de Gás das Beiras, S.A.	4	-	4	-	-	-	-
C.L.C. - Companhia Logística de Combustíveis, S.A.	2	-	2	-	-	-	-
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	2	-	2	-	-	-	-
Setgás Comercialização, S.A.	2	-	2	-	-	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	1	-	-
Galp Energia E&P, B.V.	1	-	1	-	-	-	-
Sigás - Armazenagem de Gás, A.C.E.	1	-	1	-	-	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	1	-	-	-	1	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	1	-	-
	2,389,448	1,660,090	208	585,375	32,857	102,902	8,016

The amount of €1,660,090 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.

From the amount of €585,375 k recorded in current loans granted, €557,500 k are related to loans granted to the subsidiary Petrogal, S.A. with expectation of reimbursement in 2017 and €27,875 k respect to cash pooling receivable from Group companies.

The amount of €8,016 k recorded in accruals and deferrals, in current assets, refers to accrued interest on loans granted, on 31 December 2016, to other Group companies.

Receivables							2015
Non-current							Current
Company	Total related parties	Loans granted (Note 14)	"Trade Receivables (Note 15)"	Loans granted (Note 14)	Other receivables (Note 14)	Current income tax receivable (Note 9)	"Accrued income (Note 14)"
Petrogal, S.A.	1,105,495	685,000	735	400,835	2,893	9,671	6,361
Galp Gás & Power, SGPS, S.A.	638,478	568,019	-	66,894	2,241	135	1,189
Galp Gás Natural, S.A.	123,912	-	394	-	-	123,518	-
Lisboagás, S.A.	28,625	-	-	-	-	28,625	-
Galp Exploração, S.A.	20,065	-	-	19,146	-	919	-
Lusitaniagás, S.A.	6,275	-	-	-	-	6,275	-
Portcogeração, S.A.	5,956	-	-	3,998	-	1,958	-
Galp Madeira, Lda.	2,184	-	14	-	-	2,170	-
Galp Energia, S.A.	2,048	-	-	-	-	2,048	-
GDP Gás de Portugal, S.A.	1,898	-	306	-	-	1,592	-
Galpgeste, S.A.	1,304	-	-	-	-	1,304	-
Duriensegás, S.A.	1,285	-	-	-	-	1,285	-
Galp Açores, S.A.	1,217	-	12	1,204	-	-	-
Galp Gás Natural Distribuição, S.A.	967	-	-	-	-	967	-
Transgás, S.A.	886	-	-	-	-	886	-
Sempre a Postos, Lda.	837	-	-	-	-	837	-
GásInsular, Lda.	698	-	-	-	-	698	-
Transgás Armazenagem, S.A.	587	-	-	-	-	587	-
Medigás, S.A.	569	-	-	-	-	569	-
Agroger, S.A.	450	-	-	450	-	-	-
Tanquisado S.A.	413	-	-	-	-	413	-
Dianagás, S.A.	383	-	-	-	-	383	-
Lisboagás CUR, S.A.	313	-	-	-	5	308	-
Paxgás, S.A.	229	-	-	-	-	229	-
CLT, Lda.	177	-	-	-	-	177	-
Lusitaniagás CUR, S.A.	126	-	-	-	-	126	-
Adene-Agência para a Energia, S.A.	90	90	-	-	-	-	-
Galp Energia España, S.A.	69	-	69	-	-	-	-
Petrogal Moçambique, Lda.	44	-	25	-	19	-	-
Agroger, S.A.	29	-	-	-	-	29	-
Galp Marketing International, S.A.	24	-	24	-	-	-	-
Tagusgás, S.A.	20	-	8	-	11	-	-
Galp Energia Rovuma, B.V.	14	-	-	-	14	-	-
Petrogal Angola, Lda.	7	-	-	-	7	-	-
Petromar, Lda.	6	-	-	-	6	-	-
Galp Exploração Timor-Leste, S.A.	3	-	-	-	-	3	-
Beiragás, S.A.	3	-	-	-	3	-	-

Receivables						2015	
						Non-current	Current
Company	Total related parties	Loans granted (Note 14)	"Trade Receivables (Note 15)"	Loans granted (Note 14)	Other receivables (Note 14)	Current income tax receivable (Note 9)	"Accrued income (Note 14)"
Galpfer, S.L.	3	-	-	-	3	-	-
Sonangalp	1	-	-	-	1	-	-
Enerfuel, S.A.	27	-	-	-	27	-	-
ASA - Abast. e Serv. Aviação, S.A.	1	-	-	-	1	-	-
CLC, S.A.	1	-	1	-	-	-	-
Sacor Marítima	(2)	-	(2)	-	-	-	-
Petrogal Brasil	(8)	-	(8)	-	-	-	-
	1,945,711	1,253,109	1,579	492,527	5,232	185,713	7,550

The amount of €1,253,109 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.

From the amount of €492,527 k recorded in current loans granted, €324,450 k are related to loans granted to the subsidiary Petrogal, S.A. with expectation of reimbursement in 2016 and €168,077 k respect to cash pooling receivable from Group companies.

The amount of €7,550 k recorded in accruals and deferrals, in current assets, refers to accrued interest on loans granted, on 31 December 2015, to other Group companies.

Payables

2016

Current

Company	Total related parties	Trade payables	Loans obtained (Note 24)	Current income tax payable (Note 9)	Accruals and deferrals
Galp Gás Natural, S.A.	132,321	2	132,318	-	-
Galp Energia E&P, B.V.	114,500	-	114,500	-	-
Galp Gas & Power,SGPS, S.A.	103,247	-	97,879	5,368	-
Petróleos de Portugal - Petrogal, S.A.	71,621	46	49,540	20,379	-
Sacor Marítima, S.A.	9,654	-	9,652	-	-
Lisboagás Comercialização, S.A.	6,981	-	6,981	-	-
Portcogeração, S.A.	5,888	-	4,765	1,124	-
C.L.T. - Companhia Logística de Terminais Marítimos, S.A.	5,113	-	5,079	34	-
GDP - Gás de Portugal, S.A.	4,464	-	4,464	-	-
Lusitaniagás Comercialização, S.A.	3,748	-	3,748	-	-
Transgás, S.A.	3,488	-	3,488	-	-
Enerfuel S.A.	3,204	-	2,666	538	-
Setgás Comercialização, S.A.	2,981	2	2,979	-	-
Galp Açores - Distrib. e Comercialização de Combustíveis e Lubrificantes, S.A.	2,846	-	2,798	-	-
Galp Madeira - Distrib. e Comercializ. de Combustíveis e Lubrificantes, S.A.	2,768	-	2,768	-	-
Galp Power, S.A.	2,052	-	1,404	650	-
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S.A.	1,755	-	1,724	31	-
Galpgeste - Gestão de Áreas de Serviço, S.A.	1,742	-	1,574	168	-
Galp Energia, S.A.	1,488	239	1,231	1	17
Tanquisado - Terminais Marítimos, S.A.	1,464	-	1,464	-	-
Galp Marketing International, S.A.	887	-	-	769	-
Galp Energia España, S.A.	320	-	-	-	-
Agrocer-Sociedade de Cogeração do Oeste, S.A.	80	-	-	80	-
Galp Gás Natural Distribuição, S.A.	34	-	-	34	-
Galp Alentejo E&P, S.A.	23	-	22	-	-
Galp Exploração e Produção (Timor-Leste), S.A.	16	-	-	16	-
Petrogal Brasil, S.A.	8	-	-	-	-
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	3	-	-	3	-
	482,694	289	451,044	29,195	17

The amount of €451,044 k recorded as current loans obtained includes €336,544 k from cash pooling payable to Group companies, and €114,500 k related with loans obtained from Galp Energia E&P, B.V.

The amount of €29,195 k recorded in current income tax payable, relates to income tax payable to Group companies under the special taxation regime for groups of companies (Note 9).

Payables

2015

Current

Company	Total related parties	Trade payables	Loans obtained (Note 24)	Current income tax payable (Note 9)	Accruals and deferrals (Note 24)
Galp Gás Natural, S.A.	143,575	2	143,542	31	-
Petrogal, S.A.	120,484	41	-	120,443	-
Galp Energia E&P, B.V.	41,768	-	41,768	-	-
Lisboagás CUR, S.A.	10,738	-	10,727	11	-
GDP Gás de Portugal, S.A.	10,188	-	10,188	-	-
Sacor Marítima, S.A.	9,967	-	9,967	-	-
Galp Power, S.A.	8,062	-	5,587	2,475	-
Galp Gás & Power, SGPS, S.A.	7,336	-	-	7,336	-
Galp Marketing Internacional, S.A.	5,333	-	4,628	705	-
Galp Madeira, Lda.	4,520	-	4,520	-	-
Transgás Armazenagem, S.A.	3,770	-	3,747	23	-
Galp Energia, S.A.	3,763	57	3,472	215	18
CLT, Lda.	3,448	-	2,979	469	-
Transgás, S.A.	2,263	-	1,348	915	-
Tanquisado, S.A.	2,091	-	2,091	-	-
Portcogeração, S.A.	2,057	-	-	2,057	-
Galpgeste, S.A.	1,247	-	1,074	173	-
Lusitaniagás CUR, S.A.	1,159	-	1,159	-	-
Galp Gás Natural Distribuição, S.A.	710	-	145	565	-
Galp Exploração, S.A.	500	-	-	500	-
Duriensegás, S.A.	301	-	-	301	-
Agroger, S.A.	123	-	-	123	-
Dianagás, S.A.	115	-	-	115	-
Sempre a Postos, Lda.	72	-	-	72	-
Galp Exploração Timor-Leste, S.A.	32	-	23	9	-
Medigás, S.A.	12	-	-	12	-
Lisboagás, S.A.	6	-	-	6	-
Galp Alentejo, S.A.	5	-	-	5	-
	383,644	100	246,964	136,562	18

The amount of €246,964 k recorded as current loans obtained includes €41,768 k related with loans obtained from Galp Energia E&P, B.V., and €205,196 k from cash pooling payable to Group companies. These loans bear normal market interest rates.

The amount of €136,562 k recorded in current income tax payable, relates to income tax payable to group companies under the special taxation regime for groups of companies (Note 9).

Transactions				2016
Company	Operating costs	Operating income (Note 5)	"Financial costs (Note 8)"	Financial income (Note 8)
Petróleos de Portugal - Petrogal, S.A.	473	(4,084)	-	(68,387)
Galp Gas & Power,SGPS, S.A.	-	-	-	(22,056)
GDP-Gás de Portugal, S.A.	-	(2,064)	-	(2)
Galp Energia E&P, B.V.	-	-	1,988	-
Galp Energia, S.A.	1,505	-	-	(119)
C.L.T. - Companhia Logística de Terminais Marítimos, S.A.	-	-	-	(1)
Galp Energia España, S.A.	25	(452)	-	-
Portcogeração, S.A.	-	-	-	(311)
Enerfuel, S.A.	-	-	-	(1)
Galp Exploração e Produção Petrolífera, S.A.	-	-	-	(289)
Galp Marketing International, S.A.	-	(152)	-	(89)
Amorim Energia, B.V.	168	-	-	-
Galp Madeira - Distrib. e Comercializ. de Combustíveis e Lubrificantes, S.A.	-	(81)	-	-
Galp Açores - Distrib. e Comercialização de Combustíveis e Lubrificantes, S.A.	-	(66)	-	-
Galp Exploração e Produção (Timor-Leste), S.A.	-	-	-	(1)
Galp Power, S.A.	-	-	-	(33)
Agrocer - Sociedade de Cogeração do Oeste, S.A.	-	-	-	(14)
Galp Gás Natural, S.A.	-	-	-	(4)
Transgás, S.A.	-	-	-	(4)
Setgás Comercialização, S.A.	-	-	-	(2)
Tanquisado - Terminais Marítimos, S.A.	-	-	-	(1)
	2,171	(6,900)	1,988	(91,314)

The amount of €2,171 k recorded as operating costs, includes the amount of €168 k related with the Board of Directors costs charged by the shareholder Amorim, B.V., and the amount of €1,505 k related with services rendered by the 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 €6,900 k recorded as operating income relates to management services provided to Group companies.

Transactions				2015
Company	Operating costs	Operating income (Note 5)	"Financial costs (Note 8)"	Financial income (Note 8)
Petrogal, S.A.	589	(7,089)	-	(42,470)
Galp Gás & Power, SGPS, S.A.	-	-	-	(30,402)
Galp Gás Natural Distribuição, S.A.	-	-	-	(39)
GDP Gás de Portugal, S.A.	-	(2,984)	-	(1)
Galp Exploração, S.A.	-	-	-	(1,560)
Galp Energia España, S.A.	-	(827)	-	-
Galp Gás Natural, S.A.	-	-	3	(159)
Transgás, S.A.	-	-	-	(349)
Galp Power, S.A.	-	-	-	(318)
Galp Madeira, Lda.	-	(140)	-	(20)
PortCogeração, S.A.	-	-	-	(152)
Galp Açores, Lda.	-	(115)	-	(4)
Galp Marketing Internacional, S.A.	-	(233)	-	-
Sacor Marítima, S.A.	-	-	-	(7)
Lusitaniagás, S.A.	-	-	-	-
Transgás Armazenagem, S.A.	-	-	-	(10)
CLT, Lda.	-	-	-	(9)
AGROGER, S.A.	-	-	-	(9)
Lisboagás CUR	-	-	-	(7)
Galpgeste, S.A.	-	-	-	(2)
Lusitaniagás CUR	-	-	-	(1)
Amorim, B.V.	520	-	-	-
Galp Energia, S.A.	1,696	-	-	(121)
Galp Energia E&P, B.V.	-	-	3,347	-
	2,805	(11,388)	3,350	(75,640)

The amount of €2,805 k recorded as operating costs, includes the amount of €520 k related with the Board of Directors costs charged by the shareholder Amorim BV, and the amount of €1,696 k related with services rendered by the 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 €11,388 k recorded as operating income relates to management services.

29. Remuneration of the board members

The remuneration of the board members of Galp Energia for the years ended 31 December 2016 and 2015 is detailed as follows:

	2016						2015						Unit:€k
	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total	
Corporate Boards of Galp Energia, SGPS, S.A.													
Executive management	3,518	762	277	(836)	(69)	3,652	3,832	807	297	2,848	58	7,842	
Non-executive management	546	-	-	-	-	546	530	-	-	-	-	530	
Supervisory Board	92	-	-	-	-	92	79	-	-	-	-	79	
General Assembly	4	-	-	-	-	4	4	-	-	-	-	4	
	4,160	762	277	(836)	(69)	4,294	4,445	807	297	2,848	58	8,455	

The amounts of €4,294 k and €8,455 k, recorded in the years ended 31 December 2016 and 2015, respectively, include €4,387 k e €7,936 k recorded as “Employee costs” (Note 6), and (€93 k) and €84 k recorded as “External supplies and services”.

The negative amount of €836 k in the caption Bonuses corresponds to adjustments of excessive estimate of long-term incentives and management bonuses for the years 2013 to 2015 amounting to (€3,368) k, the 2016 accrual amounting to €1,512 k and the accrual of the management bonuses amounting to €1,020 k.

In accordance with the current policy, remuneration of Galp Energia Corporate Board members includes all the remuneration due for the positions occupied in Galp Energia Group companies and all accrued amounts related to the current period.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or non-executive) of the entity. According to Galp interpretation of this standard only the members of the Board of Directors meet these characteristics.

30. Dividends

In accordance with the deliberation of the Shareholders' Annual General Meeting held on 5 May 2016, dividends amounting to €343,907 k regarding the distribution of net income of the year 2015, corresponding to a dividend per share of €0.41472. Of that amount, €171,953 k had been paid to shareholders in September 2015.

Additionally, the Board of Directors approved the payment of an interim dividend amounting to €206,344 k, which was fully paid on 26 September 2016.

31. Oil and gas reserves

Not applicable.

32. Financial risk management

Risk management

Galp 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 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 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 receivables is explained in Notes 14 and 15.

33. Contingent assets and contingent liabilities

Pledged guarantees

As of 31 December 2016, responsibilities with pledged guarantees amounted to €51,633 k and include essentially the following:

- Guarantees of €48,799 k in benefit of the tax administration;
- Guarantees of €3 k in benefit of the Lisbon Port Authority;
- Guarantees of €1,650 k in benefit of REN – Rede Eléctrica Nacional, S.A.;
- Guarantees of €1,181 k in benefit of Customs authorities.

As of 31 December 2016, there were standby letters of unused import credits totalling USD 12,770 k related to insurance premiums.

34. Information regarding environmental matters

Not applicable.

35. Subsequent events

Not applicable.

36. Financial statements approval

The financial statements were approved by the Board of Directors on 7 April 2017.

The accountant:

Carlos Alberto Nunes Barata

The Board of Directors

Chairman:

Paula Fernanda Ramos Amorim

Vice-chairmen:

Miguel Athayde Marques

Carlos Nuno Gomes da Silva

Members:

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Cláudia Ramos Amorim Barroca de Oliveira

Raquel Rute da Costa David Vunge

Carlos Manuel Costa Pina

Francisco Vahia de Castro Teixeira Rêgo

Jorge Manuel Seabra de Freitas

José Carlos da Silva Costa

Pedro Carmona de Oliveira Ricardo

João Tiago Cunha Belém da Câmara Pestana

Rui Paulo da Costa Cunha e Silva Gonçalves

Luis Manuel Pego Todo Bom

Diogo Mendonça Rodrigues Tavares

Joaquim José Borges Gouveia

37. Explanation added for translation

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

PART II

Statutory Audit Report and Auditors' Report

**Statutory Audit Report and Auditors' Report***(Free translation from the original in Portuguese)***Report on the audit of the financial statements****Opinion**

We have audited the financial statements of Galp Energia S.G.P.S., S.A. (the Entity), which comprise the statement of financial position as at December 31, 2016 (which shows total assets of Euro 4,930,397 thousand and total shareholders' equity of Euro 1,780,708 thousand including a net profit of Euro 413,784 thousand), the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Galp Energia S.G.P.S., S.A. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter**Summary of the Audit Approach****Valuation of financial investments**

Disclosures related to financial investments are presented in the notes 2 and 4 of the financial statements.

As at December 31, 2016, Galp Energia, SGPS, SA holds financial investments in subsidiaries and associates in the amount of Euro 2,514,262 thousand, which are valued at acquisition cost, deducted of impairment losses, when applicable. These financial investments are subject to impairment testing whenever there are indicators or changes in the underlying circumstances which indicate that the carrying value may not be recoverable. For that purpose, the recoverable amount is determined by the value in use, in accordance with the discounted cash flows method.

The relevance of this matter in our audit is related to the significant amount and level of judgement involved in the impairment model. The calculation of the recoverable amount requires the use of estimates and assumptions by the management, which depend on economic and market estimates, namely those related to future cash-flows, growth rates for the perpetuity and discount rates used.

As a result of the impairment testes performed by the management, no impairment losses were noted on the financial investments held by Galp Energia, S.G.P.S., S.A.

To assure the accurate valuation of the financial investments the following audit procedures were performed:

- evaluation of impairment indicators in the financial investments; and
- obtaining and analyzing the impairment testing on financial investments, when applicable.

The analysis of the impairment testing, based on discounted cash flows models, considers the following procedures:

- verifying the mathematical accuracy of the model;
- assessing the reasonableness of the future cash flows projections, from the comparison with historical performance;
- evaluating the accuracy of the discounted rate considered; and
- evaluating the estimates and judgments assumed by the management, underlying the relevant assumptions supporting the model.

Additionally, we have verified the accuracy of the disclosures presented in note 4 of the financial statements, considering the requirements of the applicable accounting standard.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria;
- e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;
- h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report including the information related to management, sustainability and governance (hereinafter referred as Director's Report) has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's Report, in the information related to corporate governance, includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Galp Energia S.G.P.S., S.A. in the Shareholders' General Meeting of April 16, 2015 for the period from 2015 to 2018, preceded by a contract for providing auditing services for the years 2011 to 2014 (including);
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud;
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of April 10, 2017.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.
- e) In addition to the services disclosed in the Directors' report we inform that, besides the audit services, the following additional services, permitted by law and regulation in force, were provided by us to the Entity and the entities under its control:

Other assurance services

- Agreed upon procedures report on financial ratios;
- Certification of the annual declaration of assets under the scope of the Oil Insurance Policy;
- Annual certification of public purchases;
- Reports on regulated accounts ("ERSE"; "ASECE"; "TOS"; Purchases of natural gas);
- Review of financial statements in English;
- Verification of sustainability information (Sustainability Report and Databooks);
- Analysis of the accounting framework of the sale operation of the GGND subgroup;
- Verification of the Man Power rate 2015; and
- Issuance of comfort letter regarding debt issuance under the "Blue" project.

Other non-assurance services

- Consulting over the information to be provided for the Dow Jones Sustainability Index

April 10, 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Joaquim Brochado Correia, R.O.C.

PART III Audit Board's reports and opinion

Annual activity report of the Audit Board for the financial year 2016

In accordance with article paragraph 1 g) of article 420 of the Portuguese Companies Code (Companies Code) and of paragraph 1 g) of article 8 of the Audit Board regulations of Galp Energia, SGPS, S.A. (hereinafter referred to as Galp or Company), the Board hereby presents its report on the supervisory activities performed during 2016.

I. Introduction

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

The Audit Board in office was elected at the general shareholders meeting held on 16 April 2015, for the 2015-2018 term of office, and comprises three members, two of which are independent in accordance with the criteria set out in paragraph 5 of article 414 of the Companies Code.

All members of the Audit 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 Audit Board stemming from applicable legislation and the respective regulation, 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 Audit Board concerning the financial year 2016

During 2016 the Audit Board held 13 (thirteen) 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 2016 was undertaken, in particular, through meetings with the heads of Galp's corporate centre, most regularly the Internal Auditing, the Risk Management and the Legal & Governance.

The Audit Board met regularly with the Statutory Auditor/External Auditor and the head of Accounts, and had an annual meeting with Executive Director responsible for the area of finance.

On the other hand, members of the Audit Board attended meetings of the Board of Directors on the quarterly, half-yearly and annual accounts were approved, and the annual plan and budget.

During 2016, the Audit Board also monitored Galp 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 Audit Board has reviewed the corporate governance report for 2016, and confirmed that the report includes the information required by article 245-A of the Portuguese Securities Code and by the CMVM regulation no. 4/2013.

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

The Audit 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/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/External Auditor.

The Audit Board has reviewed the 2016 audit and legal certification of the accounts, having issued a favourable opinion thereon.

Access to the financial information by the Audit 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 Audit 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 2016 the Audit Board performed several measures directed at monitoring, supervising and evaluating the working and adequacy of Galp's internal-control, risk-management and internal-audit systems.

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

The Audit Board 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 Audit Board has supervised the activity of the Internal Auditing division during 2016 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 of the audits.

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 Audit Board to the more relevant comments and recommendations, detailing opportunities for improvement and corrective measures.

The Audit Board further considers that, in implementing the Internal Auditor 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 Audit 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 2016 the Audit 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.

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

Within the scope of its verification of compliance by the External Auditor with the rules of independence, the Audit Board accompanied, during 2016, the provision of services other than audit services, which depends of a prior appraisal by the Audit Board, having confirmed the independence of the External Auditor. The Audit Board notes that the amount of services other than auditing corresponds to 29,1% of the total of services provided by the External Auditor, complying with the recommendation IV.2 of the CMVM Corporate Governance Code approved in 2013.

6. Company business with related parties

During 2016 there weren't related-party transactions subject to the prior opinion of the Audit Board under "Regulation applicable to related-party Galp Group's transactions".

7. Reporting irregularities

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

With the entry into force of the new Galp Code of Ethics and Conduct on 18 December 2015, the Procedure on Reporting Irregularities was revised and renamed to Communication Procedure Irregularities - Ethics Line, and the Committee of Ethics and Conduct was created.

Their role, among others, is to carry out the reception and processing of information reported under Communication Procedure Irregularities in force in Galp and affiliated companies, respecting the alleged irregularities or breaches of the Code of Ethics or the rules that develop or that deal with the matters listed in it, in the fields of accounting, internal accounting controls, auditing, fight against corruption and banking and financial crime.

In the course of 2016 the Galp's Committee of Ethics and Conduct held periodic meetings with the Audit Board to report of received communications and assessment on the respective forwarding.

In fulfilment of the reporting obligation provided for in point 8 of Galp's Committee of Ethics and Conduct Regulations, this Committee presented to the Audit Board the annual report on the communications received in 2016, the procedures adopted and the actions/measures proposed.

Lastly, the Audit 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, 6 April, 2017

Daniel Bessa Fernandes Coelho

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

Reports and opinions of the Audit Board and the statutory auditor

Dear shareholders,

According to the legislation in force and the Company's By-laws, and under our mandate, we hereby present our opinion on the management Integrated Annual Report (including the Corporate Governance reporting), the individual and consolidated financial statements and the proposed allocation of net income presented by the Board of Directors of Galp Energia SGPS, S.A., with regards to the year ended 31 December 2016.

We have met several times with the statutory auditor/external auditor, monitoring the performance of their role.

We have monitored the process of preparation and disclosure of financial statements, as well as the legal certification of the accounts.

We have verified and supervised the independence of the statutory auditor/external auditor, in compliance with the applicable law, mainly verifying the adequacy and approving the providing of other services than auditing.

We have reviewed the legal certification of the accounts and the audit report of the individual and consolidated accounts regarding the year of 2016, which deserve our agreement.

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

- a) the management report includes a fair view of the business development and of the position of the Company and other companies included in the consolidation perimeter, highlighting in a clear manner the most significant aspects of their business, as well as a description of the main risks Galp and the other companies included in the consolidation perimeter are exposed to in their operations;
- b) the individual and consolidated financial statements and their corresponding notes allow for an adequate understanding of the Company's financial position and results, as well as that of the subsidiaries which are included in the consolidation perimeter;
- c) the accounting principles and the metrical criteria used follow the IFRS, as adopted by the EU, and are adequate as to guarantee an appropriate representation of both the Company's and the other companies' included in the consolidation perimeter assets and results;
- d) the corporate governance chapter of the management report regarding the year of 2016 includes all the information required by article 245-A of the Portuguese Securities Code.

Accordingly, taking into consideration the information received from the Board of Directors and other Company departments, as well as the conclusions set out in the legal certification of the accounts and the audit report about the individual and consolidated financial statements, we express our agreement to the management report, to the individual and consolidated financial statements and to the proposal of application of net income for the financial year 2016, so we are of the opinion that those documents should be approved by the General Shareholders Meeting.

Lastly, the Audit 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 Audit Board duties.

Lisbon, 6 April, 2017

Daniel Bessa Fernandes Coelho

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

Statement of compliance by the members of Audit Board

Under terms and the purposes of paragraph 1 c) of article 245 of the Portuguese Securities Code, each of the below indicated members of the Audit Board hereby declares that, to the extent of his knowledge, the management report, the financial statements, the legal certification of the accounts and further accounting documents, were prepared in compliance with the applicable accounting rules and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp and the companies included in the consolidation perimeter, and the management report includes a fair view of the development of the business and the performance and position of Galp and the companies included in the consolidation perimeter, and includes a description of the main risks and uncertainties faced by Galp and the companies included in the consolidation perimeter in their operations.

Lisbon, 6 April 2017

Daniel Bessa
Chairman

Gracinda Raposo
Member

Pedro Antunes de Almeida
Member

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Galp Energia, SGPS, S.A.
Strategy and Investors
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