galp energia

RESULTS

SECOND QUARTER AND FIRST HALF OF 2014



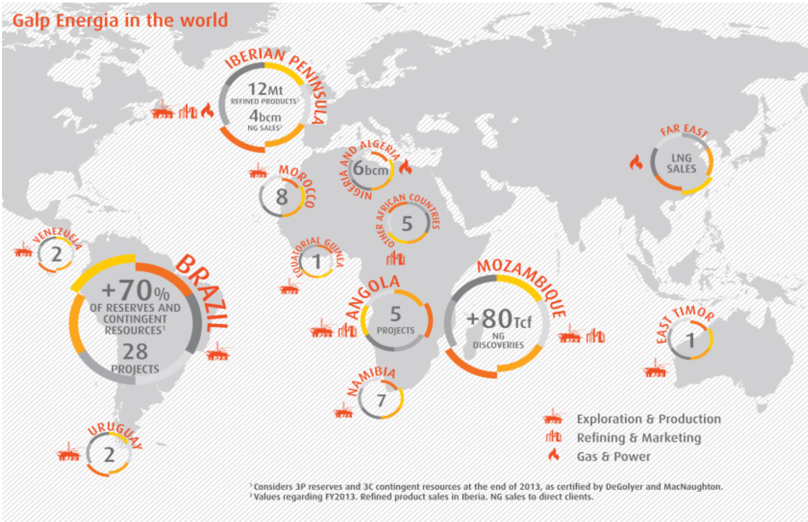

An integrated energy operator focused on exploration and production

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

GALP ENERGIA: DEVELOPING ENERGY

Who we are

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



Our vision and purpose

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

Our strategy

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

Our strategic drivers

- Focus on E&P businesses.
- Development of world-class upstream projects.
- Financial discipline.

Our competitive advantages

- National flag carrier.
- Enduring and successful partnerships.
- Integrated skills and know-how.
- Solid and flexible organisation.
- Experience in some of the most promising projects worldwide.

To learn more, visit at www.galpenergia.com.

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EXECUTIVE SUMMARY

During the second quarter of 2014, Galp Energia continued to implement its strategy, which is focused on the growth of its Exploration & Production (E&P) business and on optimising its Refining & Marketing (R&M) and Gas & Power (G&P) businesses. In this quarter, it is worth highlighting the exploration, appraisal and development activities in Brazil, Mozambique and Morocco.

Within the exploration and appraisal activities in the quarter it should be highlighted the start of drilling of appraisal well Apollonia, in Block BM-S-24, in Brazil's Santos basin, the conclusion of drilling of exploration well Dugongo-1 and the start of drilling of the Coral-4 well, both located in Area 4, in Mozambique's Rovuma basin. In Morocco, Galp Energia started to drill TAO-1 well on 26 June, the first offshore well drilled by the Company as operator.

Development activities proceeded in the quarter, namely in the Lula/Iracema field, in Block BM-S-11, where the second and third permanent producer wells were connected to FPSO Cidade de Paraty (FPSO #2) through the Buoyancy Supported Riser (BSR) South. It should be noted that since its connection, the second producer well had an average production of 31 kbopd. In early June, natural gas export started from FPSO #2 through the Lula-Mexilhão gas pipeline. Also in Block BM-S-11, Galp Energia has started the first extended well test (EWT) in the Iara West-2 area, with an average production of 29 kbopd.

Replacement cost adjusted (RCA) Ebitda in the second quarter of 2014 reached €271 million (m), a decrease of 11% year on year (yoy). The increase of net entitlement production in the E&P business and the increasing supply & trading activity of liquefied natural gas (LNG) were not able to offset the decrease of results from the R&M business segment following lower refining margins in the international market.

Galp Energia's RCA net profit for the second quarter of 2014 reached €68 m, a decrease of €18 m yoy.

Capital expenditure in the quarter amounted to €266 m, c.80% of which was allocated to exploration and production activities, namely to the development of the Lula/Iracema field, in Brazil.

Net debt at the end of June 2014 amounted to €2,432 m, or €1,625 m considering the loan to Sinopec as cash and cash equivalents, in which case, the net debt to Ebitda ratio was 1.5x.

OPERATING HIGHLIGHTS IN THE SECOND QUARTER OF 2014

- Net entitlement production of oil and natural gas amounted to 21.9 kboepd, of which production in Brazil accounted for approximately 70%;
- Galp Energia's refining margin was negative by $0.3/bbl following the adverse environment of refining margins in the international market and the planned outage the maintenance at the Sines refinery;
- Marketing of oil products maintained its positive contribution to results;
- Natural gas sales in the quarter amounted to 1,826 million cubic metres (mm³), benefiting from the positive evolution of the trading activity in international markets, where volumes sold increased 79% yoy to 1,013 mm³.

KEY FIGURES

FINANCIAL DATA

€ m (RCA)

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
304	**271**	**(33)**	**(10.7%)**	**Ebitda**	**557**	**537**	**(20)**	**(3.7%)**
85	107	22	25.3%	Exploration & Production	177	211	34	19.3%
114	41	(74)	(64.4%)	Refining & Marketing	171	76	(95)	(55.5%)
94	116	22	23.0%	Gas & Power	199	238	39	19.7%
151	**143**	**(8)**	**(5.2%)**	**Ebit**	**299**	**274**	**(25)**	**(8.5%)**
29	72	43	n.m.	Exploration & Production	89	140	51	57.2%
39	(33)	(72)	n.m.	Refining & Marketing	39	(78)	(117)	n.m.
74	97	23	31.4%	Gas & Power	162	201	39	23.8%
86	**68**	**(18)**	**(20.9%)**	**Net profit**	**162**	**115**	**(47)**	**(28.8%)**
286	**266**	**(19)**	**(6.8%)**	**Investment**	**474**	**463**	**(12)**	**(2.5%)**
1,173	**1,625**	**452**	**38.5%**	**Net debt including loan to Sinopec[1]**	**1,173**	**1,625**	**452**	**38.5%**
1.1x	**1.5x**	**0.4x**	**n.m.**	**Net debt inc. loan to Sinopec to Ebitda[1]**	**1.1x**	**1.5x**	**0.4x**	**n.m.**

[1] Loan to Sinopec considered as cash and cash equivalents.

OPERATIONAL DATA

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
23.4	25.7	2.3	9.7%	Average working interest production (kboepd)	23.5	26.9	3.4	14.4%
19.4	21.9	2.5	12.6%	Average net entitlement production (kboepd)	19.8	23.3	3.5	17.7%
96.9	108.5	11.6	12.0%	Oil and gas average sale price (USD/boe)	93.6	102.0	8.4	9.0%
22,338	17,309	(5,029)	(22.5%)	Crude processed (kbbl)	43,873	33,883	(9,990)	(22.8%)
3.4	(0.3)	(3.7)	n.m.	Galp Energia refining margin (USD/bbl)	2.7	0.4	(2.3)	(85.0%)
2.5	2.3	(0.2)	(6.2%)	Oil sales to direct clients (mton)	4.8	4.6	(0.2)	(3.6%)
892	814	(78)	(8.8%)	NG supply sales to direct clients (mm^3)	1,967	1,825	(142)	(7.2%)
565	1,013	448	79.3%	NG/LNG trading sales (mm^3)	1,211	2,080	869	71.7%
449	398	(51)	(11.4%)	Sales of electricity to the grid[1] (GWh)	917	826	(92)	(10.0%)

MARKET INDICATORS

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
102.4	109.7	7.2	7.1%	Dated Brent price[1] (USD/bbl)	107.5	108.9	1.4	1.3%
(0.5)	(2.4)	1.8	n.m.	Heavy-light crude price spread[2] (USD/bbl)	(1.3)	(2.2)	0.9	67.5%
65.3	45.0	(20.3)	(31.1%)	UK NBP natural gas price[3] (GBp/therm)	68.9	52.9	(16.0)	(23.3%)
14.8	13.6	(1.2)	(8.2%)	LNG Japan and Korea price[1] (USD/mmbtu)	16.3	15.9	(0.4)	(2.5%)
2.2	(0.2)	(2.4)	n.m.	Benchmark refining margin[4] (USD/bbl)	2.1	(0.4)	(2.6)	n.m.
14.4	14.6	0.2	1.1%	Iberian oil market[5] (mton)	28.3	28.9	0.5	1.9%
7,335	6,504	(831)	(11.3%)	Iberian natural gas market[6] (mm^3)	16,902	15,007	(1,895)	(11.2%)

[1] Source: Platts.

[2] Source: Platts. Dated Urals NWE for heavy crude; Dated Brent for light crude.

[3] Source: Bloomberg.

[4] For a complete description of the method of calculating the new benchmark refining margin, see "Definitions".

[5] Source: Apetro for Portugal and Cores for Spain, the figures include an estimate for June 2014.

[6] Source: Galp Energia and Enagás.

EXPLORATION & PRODUCTION ACTIVITIES

Exploration and appraisal activities

BRAZIL

During the second quarter of 2014, Galp Energia started drilling the appraisal well Apollonia, formerly known as Júpiter SW, located in Block BM-S-24, in order to improve reservoir knowledge, determine the oil-water contact (OWC), and confirm the quality of the reservoir. These will help to define the development plan of the area.

The consortium estimates that the drilling should last four months, with a formation test also planned.

MOZAMBIQUE

In Mozambique, the consortium concluded the appraisal campaign in the Agulha discovery with the drilling of the Agulha-2 well, which started during the first quarter. The well was drilled 12 km South of discovery well Agulha-1 and confirmed the Southern extension of the field.

The consortium also drilled the exploration well Dugongo-1, whose data is still under assessment.

After drilling the Dugongo-1 well, the consortium proceeded in June with the drilling of exploration and appraisal well Coral-4, whose purpose is to increase knowledge of the reservoir for the definition of the development plan of the area.

ANGOLA

In Angola, the drilling of appraisal well Cominhos-2, in the central-northeastern area of Block 32, was concluded and the results confirmed the quality of the reservoirs discovered in 2007 by the Cominhos-1 well.

The drilling of appraisal well Cominhos-3 began at the end of June, which was originally planned for the third quarter of 2014. The aim of this well is to test the reservoir in the Oligocene interval and contribute for the increase of knowledge of the area.

MOROCCO

On 26 June, Galp Energia started the drilling of TAO-1 well, in Morocco, the first offshore well to be drilled by the Company as operator.

Drilling is progressing towards the primary objective, Trident prospect, which is located in the Middle Jurassic interval.

SCHEDULE OF EXPLORATION AND APPRAISAL ACTIVITIES

Area	Target	Interest	E/A[1]	Spud date	Duration (# days)	Well status
Brazil[2]						
BM-S-8	Carcará (extension)	14%	A	**4Q14**	120	-
BM-S-24	Apollonia[3]	20%	A	**Jun-14**	120	In progress
BM-S-24	Bracuhy NE	20%	A	**4Q14**	120	-
Mozambique						
Rovuma	Agulha-2	10%	A	**1Q14**	60	Concluded
Rovuma	Dugongo-1	10%	E	**2Q14**	60	Concluded
Rovuma	Coral-4	10%	E/A	**Jun-14**	60	In progress
Angola						
Block 32	Cominhos-2	5%	A	**1Q14**	60	Concluded
Block 32	Cominhos-3	5%	A	**Jun-14**	60	In progress
Morocco						
Tarfaya	Trident	50%	E	**Jun-14**	90	In progress

[1] E – Exploration well; A – Appraisal well.
[2] Petrogal Brasil: 70% Galp Energia; 30% Sinopec.
[3] Formerly known as Júpiter SW.

DEVELOPMENT ACTIVITIES

BRAZIL

During the second quarter of 2014, Galp Energia and its partners proceeded with the development activities of Lula/Iracema area, according to the expected schedule and budget.

In the Lula NE area, the installation of BSR North, the second BSR system, was completed in early May. The installation of BSR South had already been completed in the first quarter of 2014.

During the second quarter of 2014, the second and third permanent producer wells were connected to FPSO Cidade de Paraty through BSR South. The second producer well started production in May with a productivity of 31 kbopd. The third producer well was connected in June, but it was interrupted due to a technical issue with the Down Hole Safety Valve (DHSV). Workover is currently underway to resume well production. The consortium expects the fourth and fifth producer wells to be connected to BSR South and BSR North, respectively, during the second half of the year, which totals five producer wells connected to FPSO Cidade de Paraty, and which should allow the unit to reach full production capacity.

As initially planned, FPSO Cidade de Paraty is on schedule to reach full capacity during the fourth quarter of 2014, that is, 18 months after the start of operations.

Natural gas export from FPSO Cidade de Paraty started in June through the Lula-Mexilhão gas pipeline.

During the second quarter of 2014, the consortium started the offshore installation of the Lula-Cabiúnas, the second gas pipeline for the export of natural gas from the Santos basin, with operations scheduled to start in 2015.

The EWT in the Lula South and Lula Central areas were concluded in April.

Construction works of the FPSO units to be allocated to the Lula/Iracema field, scheduled to start operations in the coming years continued to proceed during the quarter. FPSO Cidade de Mangaratiba has reached an execution rate higher than 95% and is expected to start production during the fourth quarter of 2014 in the Iracema South area. FPSO Cidade de Itaguaí, which is scheduled to start production in the fourth quarter of 2015 in Iracema North area, is under conversion in a Cosco shipyard, in China. FPSO Cidade de Maricá and FPSO Cidade de Saquarema will be allocated to the Lula Alto and Lula Central areas, respectively, and are currently under conversion in one of the Chengxi shipyards, also in China. These units are scheduled to start operations in the first half of 2016.

As for the replicant FPSO units, it is worth highlighting the sail away of the hull of FPSO P-66 in April from the dry dock of Rio Grande shipyard, in Brazil.

Galp Energia continued to develop the wells in the Lula/Iracema area according to plan. In the Lula NE area, the drilling of a producer well was concluded while the drilling of another one began. At this stage, 11 wells have already been drilled under the development plan for the Lula NE area, six of which are producer wells.

Three complementary wells, from which two injector wells and one producer well, are planned to be drilled in the Lula-1 area and scheduled to be connected in the future, in order to sustain production of FPSO Cidade Angra dos Reis. One of the planned injector wells started to be drilled during the second quarter.

In the Iracema South area, the drilling of two injector wells and one producer well was concluded during the second quarter. There have been 12 wells drilled so far within the Iracema South development plan.

The first EWT in the Iara area started in June, as planned. The EWT in the Iara West-2 area has achieved an average production of 29 kbopd and is foreseen to last for at least two months. This EWT is being performed by FPSO Dynamic Producer, which was previously allocated to the Lula Central area.

During the second quarter of 2014, the drilling of the first well for reservoir data acquisition (RDA) in the Iara centre-south area was concluded, which aimed to test the quality of carbonate reservoirs as well as the fluids properties. The drilling was followed by a formation test that revealed excellent porosity and permeability conditions. The results also indicated the reservoir’s excellent productivity. The data obtained is crucial for defining the field’s development plan.

The drilling of the second RDA well in the Iara area has also started during the second quarter, in order to test the quality of carbonate reservoirs and to confirm the OWC in the flank of the Iara area.

ANGOLA

The drilling of two producer wells in the Tômbua-Lândana field started during the second quarter of 2014.

In April, the consortium for exploration of Block 32 made the final investment decision for the development of the Kaombo project, which is estimated to have a production capacity of 230 kbopd and resources of 650 mbbl. Project Kaombo will develop six of the 12 discoveries already made in Block 32, with production expected to start in 2017.

DEVELOPMENT WELLS IN THE LULA/IRACEMA AREA

Project	Type of wells	Execution rate		
		Total planned	Drilled	In progress
Lula 1	Producers	7	6	-
FPSO Cidade de Angra dos Reis	Injectors	5	3	1
Lula NE	Producers	8	6	1
FPSO Cidade de Paraty	Injectors	6	5	-
Iracema South	Producers	8	6	-
FPSO Cidade de Mangaratiba	Injectors	8	6	1

SUBSEQUENT EVENTS

During the month of July, Galp Energia agreed with REN the partial transfer of the regulated business consisting of a concession for the underground storage of natural gas in Portugal, including the transfer of title of two caverns with a combined capacity of 130 mm^3 and the right to build additional capacity. The price agreed for the transaction was c.€72 m. This transaction is subject to approval by the relevant authorities for the energy sector and by the antitrust entity.

This transaction follows the Galp Energia's active portfolio management policy. It is the Company's goal to allocate resources to projects with greater significance for the execution of the Company's growth strategy, which is focused on the development of its E&P projects.

OPERATING AND FINANCIAL PERFORMANCE

1. MARKET ENVIRONMENT

DATED BRENT

During the second quarter of 2014, the average dated Brent increased $7.2/bbl to $109.7/bbl yoy, following the ongoing political and social unrest in Libya and the turmoil in Iraq, which drove dated Brent to new highs for the year.

In the first half of 2014, the dated Brent averaged $108.9/bbl, an increase of $1.4/bbl yoy.

During the second quarter of 2014, the average spread between the prices of heavy and light crude increased $1.8/bbl yoy to -$2.4/bbl, due to the shorter supply of light crude following the unrest in Libya and Iraq.

In the first half of 2014, the average spread increased $0.9/bbl yoy to -$2.2/bbl.

REFINING MARGINS

During the second quarter of 2014, Galp Energia's benchmark refining margin dropped $2.4/bbl yoy to -$0.2/bbl as the hydrocracking and cracking margins decreased $2.0/bbl and $1.8/bbl, respectively, following lower crack spreads for diesel and fuel oil.

The diesel crack spread tightened $3.4/bbl yoy, hitting a low for the last four years as supply increased following higher exports from the United States and the Baltic region. The fuel oil crack spread widened $2.7/bbl yoy on weaker demand from Asian and Russian refineries and higher stocks.

In the first half of 2014, Galp Energia's benchmark refining margin decreased $2.6/bbl yoy to -$0.4/bbl as the hydrocracking and cracking margins fell $2.3/bbl and $2.2/bbl, respectively.

IBERIAN MARKET

During the second quarter of 2014, the Iberian market for oil products reached 15 million tonnes (mton), an increase of 1% yoy.

This increase was due to the positive trend in the Spanish market, which expanded 2% in the period, having benefited from the 5% and 3% increases in jet and diesel markets, respectively. On the other hand, the Portuguese market contracted by 1% yoy, namely with the demand for gasoline and marine bunkers decreasing by 1% and 17%, respectively, even though the demand for diesel was in line with the same period last year and the market for jet increased 9% yoy.

In the first half of 2014, the Iberian market for oil products reached 29 mton, an increase of 2% yoy, which was supported by a 4% increase both in the jet and diesel markets.

The Iberian market for natural gas contracted by 11% yoy to 6,504 mm^3 in the second quarter, as a result of lower demand from the industrial and residential segments as a consequence of the current Iberian economic environment and the milder temperatures in 2014 compared with 2013.

In the first half of the year, the Iberian market for natural gas contracted by 11% yoy to 15,007 mm^3, as a result of lower demand from the electrical, industrial and residential segments.

2. OPERATING PERFORMANCE

2.1. EXPLORATION & PRODUCTION

€ m (RCA, except otherwise noted)

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
23.4	**25.7**	**2.3**	**9.7%**	**Average working interest production[1] (kboepd)**	**23.5**	**26.9**	**3.4**	**14.4%**
21.5	24.5	3.1	14.4%	Oil production (kbopd)	21.3	25.7	4.5	20.9%
19.4	**21.9**	**2.5**	**12.6%**	**Average net entitlement production (kboepd)**	**19.8**	**23.3**	**3.5**	**17.7%**
8.6	6.6	(2.0)	(23.3%)	Angola	8.4	7.0	(1.4)	(17.0%)
10.8	15.3	4.5	41.1%	Brazil	11.4	16.3	4.9	43.3%
96.9	**108.5**	**11.6**	**12.0%**	**Average realised sale price (USD/boe)**	**93.6**	**102.0**	**8.4**	**9.0%**
8.1	**9.7**	**1.6**	**19.6%**	**Royalties[2] (USD/boe)**	**8.6**	**10.0**	**1.4**	**15.7%**
12.5	**18.9**	**6.4**	**51.3%**	**Production costs (USD/boe)**	**11.8**	**15.8**	**4.0**	**33.9%**
30.6	**20.9**	**(9.7)**	**(31.7%)**	**Amortisation[3] (USD/boe)**	**24.3**	**20.0**	**(4.3)**	**(17.6%)**
85	**107**	**22**	**25.3%**	**Ebitda**	**177**	**211**	**34**	**19.3%**
54	35	(19)	(35.5%)	Depreciation & Amortisation	85	71	(14)	(16.9%)
3	(0)	(3)	n.m.	Provisions	3	(0)	(3)	n.m.
29	**72**	**43**	**n.m.**	**Ebit**	**89**	**140**	**51**	**57.2%**

[1] Includes natural gas exported, excludes natural gas used or injected.

[2] Based on production from Brazil.

[3] Excludes abandonment provisions.

OPERATIONS

SECOND QUARTER

During the second quarter of 2014, the average working interest production of oil and natural gas increased around 10% yoy to 25.7 kboepd, of which 95% was oil production.

Production from Brazil increased 41% yoy to 15.3 kboepd mostly due to the contribution from FPSO Cidade de Paraty, which accounted for an average production of 4.4 kboepd in the period. Production from this unit accounted for 29% out of the Company's Brazilian production.

The EWT performed in the Lula Central and Iara West-2 areas also contributed to the increase of production in Brazil, with a total production of 0.5 kbopd. Production of FPSO Cidade Angra dos Reis remained stable yoy despite the increased natural gas injection, particularly after the start of the gas cycle in the WAG well, in June 2013.

Natural gas used and injected accounted for 71% of the gas produced against 29% the year before, which led to a decrease in gas exports from FPSO Cidade Angra dos Reis, in the Lula-1 area, by 51% yoy, from 1.7 kboepd to 0.8 kboepd.

In Angola, working interest production decreased around 2.2 kbopd yoy, or 17%, to 10.4 kbopd, as production declined in the Kuito field, in Block 14, after the decommissioning of the respective FPSO in late 2013. On the other hand, production from the BBLT field increased yoy, as new wells came into production, which offset the decreasing production from the Tômbua-Lândana (TL) field.

Net entitlement production during the second quarter of 2014 increased 13% yoy to 21.9 kboepd, supported by the rising contribution from Brazil, which more than offset falling production in Angola, where net entitlement production dropped 23% yoy to 6.6 kbopd, primarily following lower working interest production.

Production from Brazil accounted for around 70% of total net entitlement production in the second quarter, compared to 56% the year before.

FIRST HALF

During the first half of 2014, working interest production increased 14% yoy to 26.9 kboepd as production from Brazil rose 43% yoy to 16.3 kboepd, as a result of production increase from FPSO Cidade de Paraty, which started production in June 2013. The EWT in the Lula Central, Lula South and Iara West-2 areas also contributed to the increase of production in Brazil with a combined average production of 1.6 kbopd.

Production in Angola decreased 13% primarily due to the lower production from the Kuito field, in Block 14, following the decommissioning of the respective FPSO by the end of 2013. Conversely, production from the TL field remained stable whereas production from the BBLT field increased around 11% yoy as new wells in the area came into production.

Net entitlement production increased around 18% yoy to 23.3 kboepd, on the back of increasing production in Brazil.

RESULTS

SECOND QUARTER

Ebitda for the second quarter of 2014 rose €22 m yoy to €107 m mainly due to both net entitlement production and average sale price of oil and natural gas increase in the period.

The average sale price was $108.5/boe in the second quarter, up from $96.9/boe a year earlier. This increase was mainly due to the fact that oil prices increased and the natural gas weight in net entitlement production decreased. In addition, the fact that there were cargoes were sold in June, a period when the Brent reached its highest level for the quarter, had a positive impact on the average sale price.

Production costs increased around €11 m yoy to €27 m. This increase was mainly due to the start of operations of FPSO Cidade de Paraty in June 2013, and also due to the EWT performed in the Lula Central and Iara West-2 areas, in Brazil. In unit terms and on a net entitlement basis, production costs in the second quarter of 2014 increased around $6.4/boe yoy to $18.9/boe.

Other operating costs decreased around €6 m yoy to €12 m due to the accrual in excess, related with the insurance premium in Brazil, accounted during the first quarter of 2014 which was reversed during the second quarter of 2014.

Depreciation charges in the second quarter of 2014, excluding abandonment costs, decreased close to €11 m yoy to €30 m. This was due to the downward revision of reserves in Angola during the second quarter of 2013, following the accelerated decommissioning of the FPSO allocated to the Kuito field, thereby affecting negatively the depreciation charges in the period. On a net entitlement basis, unit depreciation charges decreased to $20.9/boe in the second quarter of 2014 from $30.6/boe the year before.

Abandonment costs during the second quarter of 2014 were €4 m, compared to €15 m the year before, following the accelerated decommissioning of the FPSO allocated to the Kuito field, in Angola.

As a result, Ebit in the quarter for the E&P business segment increased €43 m yoy to €72 m.

FIRST HALF

Ebitda for the first half of 2014 increased €34 m yoy to €211 m primarily due to the increase in both net entitlement production and in average sale price of oil and natural gas in the period.

The average sale price was $102.0/boe, up from $93.6/boe the year before, due to higher oil prices and the lower weight of natural gas production.

Production costs increased €16 m yoy to €49 m following the start of production of FPSO Cidade de Paraty in June 2013 and the EWT performed in the

Lula Central, Lula South, and Iara West-2 areas, in Brazil. On the other hand, production costs in Angola remained stable yoy. In unit terms, production costs increased around $4.0/boe yoy to $15.8/boe.

During the first half of 2014, other operating costs increased around €2 m yoy to €30 m due to the upward revision of insurance premiums allocated to the activity in Brazil, following the increased activity and accumulated investment in Brazil.

Depreciation charges excluding abandonment costs decreased around €5 m yoy to €61 m as a result of a downward revision of reserves in Angola in the second quarter of 2013. In unit terms, depreciation charges decreased $4.3/boe yoy to $20.0/boe during the first half of 2014.

Abandonment costs amounted to €9 m against €21 m yoy, following the anticipated decommissioning of FPSO Kuito in 2013.

As a result, Ebit for the E&P business segment in the first half of 2014 increased €51 m yoy to €140 m.

2.2. REFINING & MARKETING

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
3.4	**(0.3)**	**(3.7)**	**n.m.**	**Galp Energia refining margin (USD/bbl)**	**2.7**	**0.4**	**(2.3)**	**(85.0%)**
2.6	**3.2**	**0.6**	**23.6%**	**Refining cash cost (USD/bbl)**	**2.6**	**3.4**	**0.8**	**30.2%**
22,338	**17,309**	**(5,029)**	**(22.5%)**	**Crude processed (kbbl)**	**43,873**	**33,883**	**(9,990)**	**(22.8%)**
4.5	**4.1**	**(0.4)**	**(8.1%)**	**Total refined product sales (mton)**	**8.5**	**7.8**	**(0.7)**	**(8.1%)**
2.5	2.3	(0.2)	(6.2%)	Sales to direct clients (mton)	4.8	4.6	(0.2)	(3.6%)
1.1	0.9	(0.2)	(21.5%)	Exports[1] (mton)	2.1	1.5	(0.7)	(30.9%)
114	**41**	**(74)**	**(64.4%)**	**Ebitda**	**171**	**76**	**(95)**	**(55.5%)**
68	70	2	2.5%	Depreciation & Amortisation	118	142	24	20.6%
7	3	(3)	(49.3%)	Provisions	15	12	(3)	(18.3%)
39	**(33)**	**(72)**	**n.m.**	**Ebit**	**39**	**(78)**	**(117)**	**n.m.**

[1] Exports from Galp Energia Group, excluding sales in the Spanish market.

OPERATIONS

SECOND QUARTER

During the second quarter of 2014, crude processed fell 23% yoy to 17.3 million barrels (mbbl) given the Sines refinery planned outage for general turnaround from early March to mid-May, when production had resumed in all units. Crude accounted for 81% of the raw materials processed.

The hydrocracking complex registered an utilisation rate of 67% which was mainly a result of the turnaround at the Sines refinery, which resumed operations in late April.

During the second quarter of 2014, medium and heavy crude accounted for 79% of the total crude processed in Galp Energia's refineries.

The production of middle distillates (diesel and jet) accounted for 47% of total production, in line with the year before, whereas gasoline and fuel oil accounted for 17% and 20%, respectively, of total production. Consumption and losses in the quarter amounted to 8%, in line with the second quarter of 2013.

Volumes sold to direct clients decreased 6% yoy to 2.3 mton reflecting mainly lower sales in Portugal following tighter credit control to clients and lower product availability, particularly chemicals, as a result of Sines refinery outage. Volumes sold in Africa accounted for 8% of total volumes sold to direct clients in the period.

Exports to non-Iberian countries fell 22% yoy to around 0.9 mton as the product availability to export declined, particularly gasoline. Fuel oil, diesel and gasoline accounted for 36%, 30% and 12% of exports, respectively.

FIRST HALF

During the first half of 2014, crude processed decreased 23% yoy to 33.9 mbbl, a decrease of 17 p.p. in the utilisation rate of the distillation units. This came as a result of both the planned outage of the Sines refinery and the sourcing constraints caused by bad weather conditions, which affected the normal operation of some units of Matosinhos refinery in the first quarter of 2014.

In the first half of 2014, medium and heavy crude accounted for 81% of the total crude processed in the Company's refineries.

Gasoline and middle distillates accounted for 18% and 47%, respectively, of total production, whereas fuel oil accounted for 19%. Consumption and losses in the period amounted to 8%.

Volumes sold to direct clients decreased 4% yoy following the impact of the planned outage at the Sines refinery and the credit constraints extended to clients. Volumes sold to direct clients in Africa accounted for 8% of total volumes sold during the first half of the year.

Exports to non-Iberian countries decreased 31% yoy to 1.5 mton, of which fuel oil, diesel and gasoline accounted for 33%, 25% and 18% of exports, respectively.

RESULTS

SECOND QUARTER

Ebitda for the R&M business segment in the second quarter of 2014 decreased 64% yoy to €41 m following the negative contribution from the refining activity.

Galp Energia refining margin decreased $3.7/bbl yoy to -$0.3/bbl, reflecting the downward trend in refining margins in international markets and a $0.1/bbl discount to the benchmark refining margins, which was due to the benchmark refining margins hit a high for the quarter in April, when the Sines refinery was undergoing maintenance.

Refining cash costs decreased €4 m yoy to €41 m. In unit terms, cash costs increased $0.6/bbl to $3.2/bbl in the second quarter of 2014 as the lower volumes of crude processed reduced the base for the dilution of fixed costs.

Marketing of oil products in the second quarter of 2014 maintained its contribution to results compared with the same period last year, benefiting from a decrease in accruals related to variable remuneration.

Depreciation charges amounted to €70 m in line with the second quarter of 2013.

Provisions in the second quarter amounted to €3 m, compared to €7 m the year before, as a result of lower impairments on client receivables.

Therefore, Ebit for the R&M business segment was negative by €33 m, a decrease of €72 m compared to the year before.

FIRST HALF

Ebitda for the R&M business in the first half of 2014 amounted to €76 m, a decrease of €95 m yoy, due to the refining activity performance.

Galp Energia refining margin decreased $2.3/bbl yoy to $0.4/bbl in the first half of 2014 following lower refining margins in international markets.

Refining operating cash costs amounted to €84 m, which in unit terms corresponded to $3.4/bbl, up from $2.6/bbl yoy as the turnaround at the Sines refinery entailed higher costs and lower volumes of crude processed reducing the base for dilution of fixed costs.

Marketing of oil products during the first half of 2014 maintained its contribution to results compared with the year before on the back of lower operating costs.

Depreciation charges in the first half of 2014 increased €24 m yoy to €142 m due to the start of depreciation charges of the assets related to the hydrocracking complex in the second quarter of 2013.

On the other hand, provisions fell €3 m yoy to €12 m.

As a result, Ebit for the R&M business in the first half of 2014 was negative by €78 m, a decrease of €117 m yoy.

2.3. GAS & POWER

€ m (RCA, except otherwise noted)

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
1,457	**1,826**	**370**	**25.4%**	**NG supply total sales volumes (mm^3)**	**3,178**	**3,904**	**727**	**22.9%**
892	**814**	**(78)**	**(8.8%)**	**Sales to direct clients (mm^3)**	**1,967**	**1,825**	**(142)**	**(7.2%)**
142	120	(22)	(15.5%)	Electrical	341	278	(63)	(18.5%)
639	616	(23)	(3.5%)	Industrial	1,258	1,265	7	0.6%
94	72	(22)	(23.4%)	Residential	316	252	(64)	(20.2%)
565	**1,013**	**448**	**79.3%**	**Trading (mm^3)**	**1,211**	**2,080**	**869**	**71.7%**
449	**398**	**(51)**	**(11.4%)**	**Sales of electricity to the grid (GWh)**	**917**	**826**	**(92)**	**(10.0%)**
94	**116**	**22**	**23.0%**	**Ebitda**	**199**	**238**	**39**	**19.7%**
16	16	0	1.4%	Depreciation & Amortisation	30	32	2	7.0%
5	3	(2)	(38.7%)	Provisions	7	5	(2)	(27.1%)
74	**97**	**23**	**31.4%**	**Ebit**	**162**	**201**	**39**	**23.8%**
46	69	23	49.4%	Supply & Trading	96	136	39	40.7%
26	27	1	4.1%	Infrastructure	53	58	6	11.0%
2	2	(1)	(23.3%)	Power	13	7	(6)	(48.6%)

OPERATIONS

SECOND QUARTER

Natural gas sold during the second quarter of 2014 increased 25% yoy to 1,826 mm^3 following higher volumes of LNG traded in the international market.

The trading activity reached a total volume of 1,013 mm^3, with 12 cargoes traded in the quarter, up from six the year before. Cargoes traded in the period were primarily bound for Latin America, but also for Asian markets.

Volumes sold to the electrical segment declined 15% yoy to 120 mm^3 mainly due to higher imports of electricity generated in Spain.

Sales in the industrial segment reached 616 mm^3, a decrease of 4% yoy, as a result of the lower demand from Galp Energia's own units, particularly the hydrocracking complex, following the planned outage at the Sines refinery, and credit restrictions to certain clients.

Volumes sold in the residential segment decreased 23% yoy to 72 mm^3 as competition intensified in the Iberian Peninsula.

Sales of electricity to the grid fell 51 GWh yoy to 398 GWh as the Energin cogeneration ceased operations in late 2013.

FIRST HALF

Natural gas sold during the first half of 2014 increased 23% yoy to 3,904 mm^3 following the higher volumes traded in the international market.

On the other hand, volumes sold to direct clients fell 7% as a result of the lower demand from both electrical and residential segments. The shortfall in the electrical segment, which decreased 19% yoy to 278 mm^3 in the first half of 2014, continued to result from the increased use of other electricity generation sources such as hydro.

Sales of electricity to the grid fell 92 GWh yoy to 826 GWh as the Energin cogeneration ceased operations.

RESULTS

SECOND QUARTER

The G&P business segment achieved an Ebitda of €116 m, up €22 m yoy.

These improved results came primarily from the supply & trading activity, namely of LNG in the international market. Higher volumes sold drove the Ebitda of this activity to €72 m.

Regulated infrastructure and power businesses maintained their stable contribution to Ebitda, with a combined Ebitda of €44 m in the period.

Depreciation and amortisation in the G&P business segment amounted to €16 m in the period, in line with the previous year.

Provisions, particularly related to impairments on receivables, amounted to €3 m.

As a result, Ebit for the G&P business segment amounted to €97 m, up €23 m yoy.

FIRST HALF

Ebitda for the G&P business segment in the first half of 2014 increased 20% yoy to €238 m following improved results from the supply & trading activity.

The infrastructure and power businesses generated a combined Ebitda of €96 m, reflecting the stable contribution to results from these activities.

Depreciation and amortisation in the first half of 2014 increased €2 m yoy to €32 m as the Matosinhos cogeneration started operations at the end of the first quarter of 2013.

Provisions for the first half of 2014 amounted to €5 m.

Ebit for the G&P business segment amounted to €201 m, an increase of 24% yoy.

3. FINANCIAL PERFORMANCE

3.1. INCOME STATEMENT

€ m (RCA, except otherwise noted)

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
4,624	4,615	(8)	(0.2%)	Turnover	9,095	8,740	(354)	(3.9%)
(4,339)	(4,353)	14	0.3%	Operating expenses	(8,563)	(8,219)	(344)	(4.0%)
(3,994)	(4,016)	22	0.5%	Cost of goods sold	(7,883)	(7,506)	(377)	(4.8%)
(264)	(272)	8	3.1%	Supply and services	(517)	(562)	45	8.8%
(81)	(66)	(15)	(19.1%)	Personnel costs	(163)	(151)	(12)	(7.5%)
19	9	(10)	(52.0%)	Other operating revenues (expenses)	25	15	(10)	(39.9%)
304	**271**	**(33)**	**(10.7%)**	**Ebitda**	**557**	**537**	**(20)**	**(3.7%)**
(139)	(122)	(17)	(12.3%)	Depreciation & Amortisation	(234)	(246)	12	5.1%
(14)	(6)	(8)	(54.9%)	Provisions	(24)	(17)	(7)	(29.4%)
151	**143**	**(8)**	**(5.2%)**	**Ebit**	**299**	**274**	**(25)**	**(8.5%)**
13	18	4	31.4%	Net profit from associated companies	31	35	3	11.1%
0	1	1	n.m.	Net profit from investments	0	1	1	n.m.
(19)	(18)	1	5.2%	Financial results	(57)	(60)	(3)	(5.7%)
145	**144**	**(1)**	**(0.9%)**	**Net profit before taxes and non-controling interests**	**274**	**250**	**(24)**	**(8.7%)**
(46)	(59)	13	27.6%	Taxes[1]	(86)	(105)	19	21.5%
(13)	(17)	4	31.7%	Non-controlling interests	(26)	(30)	4	16.7%
86	**68**	**(18)**	**(20.9%)**	**Net profit**	**162**	**115**	**(47)**	**(28.8%)**
(46)	(4)	(42)	(91.4%)	Non recurrent items	(53)	(20)	(33)	(62.3%)
40	64	24	61.0%	Net profit RC	108	95	(13)	(12.3%)
(76)	(3)	72	(95.4%)	Inventory effect	(81)	(20)	61	(75.3%)
(36)	61	97	n.m.	Net profit IFRS	27	75	48	n.m.

[1] Includes tax related to the production of oil and natural gas, namely the Special Participation Tax payable in Brazil and IRP payable in Angola.

SECOND QUARTER

Turnover of €4,615 m in the quarter was in line with the year before. The increase of oil and natural gas production and LNG sales in international markets were offset by lower volumes of oil products sold.

Operating costs were in line with the previous year as cost of goods sold increased €22 m to €4,016 m and the supply and services costs increased 3% following the higher variable costs arising from the increased production of oil and natural gas. Conversely, personnel costs decreased €15 m, particularly in the R&M business segment, mainly driven by a decrease in accrued variable compensation.

Ebitda amounted to €271 m, down 11% yoy due to the weak performance of the R&M business segment, which was partly offset by better results from the E&P and G&P business segments.

Ebit amounted to €143 m, down 5% yoy, reflecting the lower operating profit from the R&M business segment, although this was partly offset by lower depreciation and abandonment charges in Angola, compared with the year before.

Results from associates reached €18 m, from which €12 m are related to the international gas pipelines.

Net financial expense of €18 m was in line with the previous year and negatively impacted by unfavourable exchange differences of €12 m in the second quarter of 2014, compared to favourable movement in exchange differences of €16 m the year before. This negative evolution was offset by higher unrealised gains on derivative contracts, mainly to hedge the refining margin, and increased capitalisation of interest expenses primarily related to E&P assets. Net interest expense amounted to €33 m, which was in line with the previous year, notwithstanding the increase in both net debt and average maturity of debt.

Taxes amounted to €59 m, of which €48 m were related to the production of oil and natural gas in Angola and Brazil.

Non-controlling interests accounted for €17 m, up from €13 m the year before, following higher results from E&P activities in Brazil.

As a result, net profit for the second quarter of 2014 amounted to €68 m, down €18 m yoy.

FIRST HALF

Turnover during the first half of 2014 decreased €354 m yoy to €8,740 m primarily due to lower volumes of oil products sold.

Operating costs decreased €344 m to €8,219 m primarily due to the lower cost of goods sold that followed from the planned outage at the Sines refinery, which affected the volume of oil products sold in the period. Personnel costs decreased €12 m in the period, namely in the R&M business segment, mainly on the back of decreased accrued variable compensation costs. On the other hand, supply and service costs increased €45 m as a result of higher variable costs arising both from the increased production of oil and natural gas and the higher cost of transporting oil products as a result of the rise in international freight prices.

Ebitda amounted to €537 m, down €20 m yoy, following the weak performance of the R&M business segment, despite improved results from the E&P and G&P business segments. Ebit declined 8% to €274 m.

Results from associates of €35 m included €25 m from international gas pipelines.

Net financial expense decreased €3 m yoy to €60 m mainly on the back of unfavourable exchange differences of €17 m compared to an almost nil amount in the first half of 2013, and due to the end of capitalisation of interest expenses related to the Sines refinery upgrade project in the first quarter of 2013. These unfavourable effects were partly offset by unrealised gains on derivatives contracts, mainly to hedge the refining margin. Net interest expense in the first half of 2014 amounted to €71 m.

Taxes amounted to €105 m, influenced by the increased weight of the E&P business results in the Group's overall results.

Non-controlling interests amounted to €30 m, up €4 m from the year before.

Net profit decreased €47 m yoy to €115 m.

3.2. CAPITAL EXPENDITURE

€ m

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
191	219	28	14.8%	Exploration & Production	346	398	52	15.1%
82	35	(47)	(57.6%)	Exploration and appraisal activities	130	96	(34)	(25.8%)
109	185	76	69.6%	Development and production activities	216	301	86	39.8%
32	36	3	9.8%	Refining & Marketing	64	46	(19)	(28.8%)
62	9	(53)	(85.6%)	Gas & Power	64	16	(48)	(74.5%)
0	2	2	n.m.	Others	0	3	2	n.m.
286	**266**	**(19)**	**(6.8%)**	**Investment**	**474**	**463**	**(12)**	**(2.5%)**

SECOND QUARTER

Capital expenditure during the second quarter of 2014 amounted to €266 m, of which €219 m, or c.80% of the total, was allocated to the E&P business.

Around 85% of capital expenditure in the E&P business was allocated to development activities, namely to Brazil's Lula/Iracema field, in particular the drilling of development wells and the construction of FPSO units and subsea equipment.

Investment on exploration and appraisal activities amounted to €35 m in the period and was allocated to the drilling of exploration and appraisal wells, namely in the Iara and Júpiter areas, as well as drilling in the Rovuma basin in Mozambique and to the first offshore well operated by Galp Energia in Morocco.

Combined capital expenditure in the R&M and G&P business segments amounted to €45 m and was primarily associated to investments made in maintenance and safety at the Sines refinery as well as in the natural gas distribution network.

FIRST HALF

Capital expenditure during the first half of 2014 amounted to €463 m, of which 86% was allocated to the E&P business.

Development activities, primarily related to the Lula/Iracema field in Block BM-S-11, accounted for 76% of the amount invested in the E&P business. The remaining 24% were allocated to the exploration and appraisal campaign, particularly the exploration activities in Brazil's Santos and Potiguar basins as well as in Mozambique and Morocco.

Combined capital expenditure in the R&M and G&P businesses amounted to €62 m which was mainly associated with the maintenance of the Sines refinery, the natural gas distribution network and the biofuels project in Brazil.

3.3. CASH FLOW

€ m (IFRS figures)

Second Quarter			First Half	
2013	2014		2013	2014
(8)	139	Ebit	119	231
35	28	Dividends from associated companies	35	28
183	125	Depreciation, depletion and amortisation (DD&A)	284	263
86	(55)	Change in working capital	(143)	(165)
296	**236**	**Cash flow from operations**	**296**	**356**
(278)	(267)	Net investment	(465)	(462)
(39)	(27)	Net financial interest	(82)	(68)
(23)	(29)	Taxes	(71)	(54)
(103)	(124)	Dividends paid	(103)	(124)
(83)	76	Others[1]	7	93
(230)	**(136)**	**Cash flow**	**(420)**	**(259)**

[1] Including CTA's (Cumulative Translation Adjustment) and refunds of loan granted to Sinopec.

SECOND QUARTER

Cash flow from operations amounted to €236 m, negatively impacted by the investment in working capital, on the back of higher stocks of oil products following the planned outage at the Sines refinery and elevated client receivables as of the end of the quarter, from cargoes sold in June.

Investment in fixed assets, mainly in E&P activities, and payment of the final dividend of the 2013 financial year led to overall total net cash outflow of €136 m during the second quarter of 2014.

FIRST HALF

Net cash outflow during the first half of 2014 amounted to €259 m primarily due to investment in fixed assets during the period.

Cash flow from operations amounted to €356 m, impacted by increased investment in working capital, especially receivables from cargoes sold during June.

3.4. FINANCIAL POSITION

€ m (IFRS figures)

	31 December 2013	31 March 2014	30 June 2014	Change vs. 31 Dec. 2013	Change vs. 31 Mar. 2014
Non-current assets	6,883	7,014	7,219	336	204
Working capital	1,294	1,405	1,459	165	55
Loan to Sinopec	871	840	807	(65)	(33)
Other assets (liabilities)	(460)	(480)	(509)	(50)	(30)
Capital employed	**8,589**	**8,780**	**8,975**	**387**	**196**
Short term debt	373	344	229	(144)	(115)
Medium-Long term debt	3,304	3,154	3,146	(158)	(8)
Total debt	**3,677**	**3,498**	**3,375**	**(302)**	**(122)**
Cash	1,504	1,202	943	(561)	(258)
Net debt	**2,173**	**2,296**	**2,432**	**259**	**136**
Total equity	**6,416**	**6,483**	**6,544**	**128**	**60**
Total equity and net debt	**8,589**	**8,780**	**8,975**	**387**	**196**
Total net debt including loan to Sinopec[1]	**1,302**	**1,456**	**1,625**	**324**	**169**

[1] Loan to Sinopec considered as cash and cash equivalents.

On 30 June 2014, non-current assets amounted to €7,219 m, up €204 m from 31 March 2014 following capital expenditure during the second quarter of the year.

Capital employed at the end of the first half amounted to €8,975 m including the loan to Sinopec, which balance as of 30 June 2014 was €807 m.

3.5. FINANCIAL DEBT

€ m (except otherwise noted)

	31 December 2013		31 March 2014		30 June 2014		Change vs. 31 Dec. 2013		Change vs. 31 Mar. 2014	
	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Bonds	147	1,839	144	1,835	-	1,830	(147)	(8)	(144)	(4)
Bank loans and other debt	227	1,465	200	1,319	229	1,316	3	(149)	30	(3)
Cash and equivalents	(1,504)	-	(1,202)	-	(943)	-	561	-	258	-
Net debt	**2,173**		**2,296**		**2,432**		**259**		**136**	
Net debt including loan to Sinopec[1]	**1,302**		**1,456**		**1,625**		**324**		**169**	
Average life (years)	3.6		3.4		3.7		0.03		0.23	
Average interest rate of debt	4.6%		4.5%		4.5%		(0.2 p.p.)		(0.0 p.p.)	
Net debt to Ebitda	1.9x		2.0x		2.2x		0.3x		0.2x	
Net debt inc. loan to Sinopec to Ebitda[1]	1.1x		1.3x		1.5x		0.3x		0.2x	

[1] Loan to Sinopec considered as cash and cash equivalents.

Net debt on 30 June 2014 amounted to €2,432 m, an increase of €136 m compared with the end of March 2014 primarily as a result of investment in fixed assets and the payment of the final dividend related to the financial year 2013.

Net debt at the end of the second quarter of 2014 amounted to €1,625 m, considering the €807 m cash balance of the loan to Sinopec as cash and cash equivalents.

Net debt to Ebitda at the end of June of 2014 was 1.5x, considering the loan to Sinopec as cash and cash equivalents.

On 30 June 2014, 32% of the debt was on a fixed-rate basis. Medium and long term debt accounted for 93% of the total, up from 90% at the end of March of 2014 following the maturity extension of some existing loans.

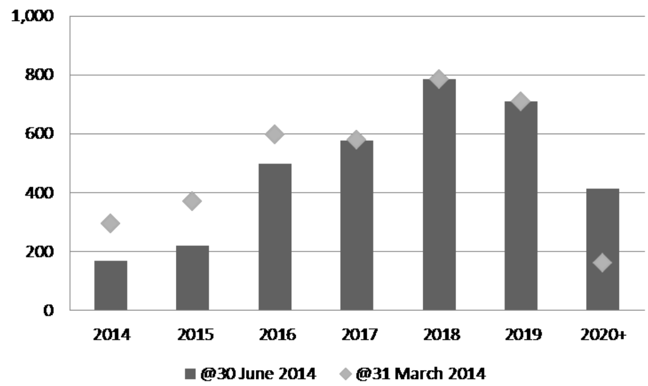
The average interest rate of debt at the end of the second quarter of 2014 was 4.5% and debt at the end of the quarter had an average maturity of 3.7 years.

Around 60% of debt matures from 2018, in accordance with the objective to align debt repayment with the Company's expected cash flow profile.

At the end of the second quarter of 2014, Galp Energia had unused credit lines of €1.1 bn, 60% of which were contractually guaranteed.

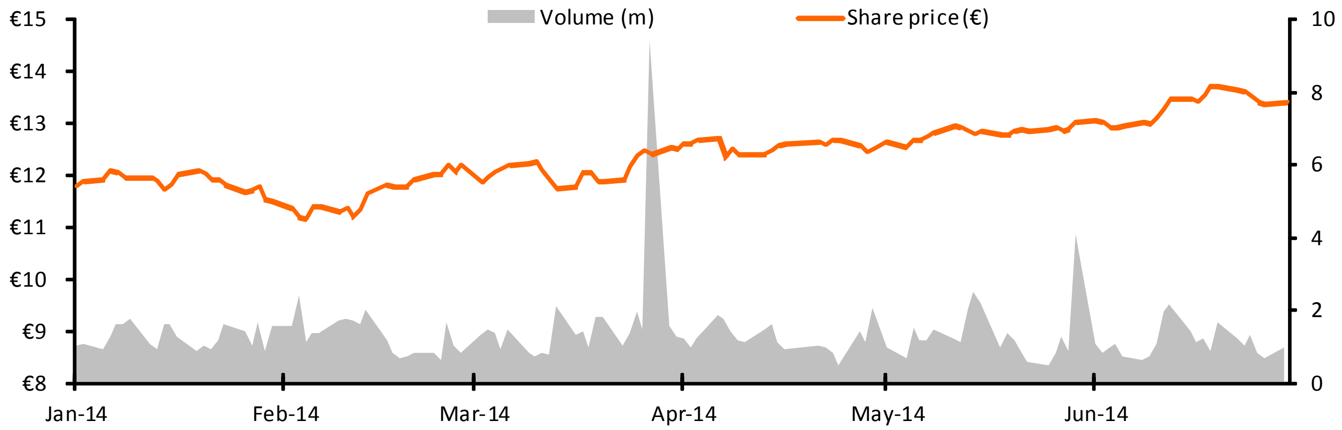
DEBT MATURITY PROFILE ON 30 JUNE 2014 AND 31 MARCH 2014

€ m



THE GALP ENERGIA SHARE

PERFORMANCE OF THE GALP ENERGIA SHARE



Source: Euroinvestor

SECOND QUARTER

Galp Energia share gained 7% during the second quarter of 2014, closing the period at €13.38. During the quarter, the share hit a low of €12.31 and a high of €13.75.

During the second quarter of the year, 128 m shares were traded in regulated markets, of which 74 m on the NYSE Euronext Lisbon. The average daily volume traded in regulated markets amounted to 2.1 m shares, of which 1.2 m on NYSE Euronext Lisbon. At the end of the second quarter of 2014, Galp Energia had a market capitalisation of €11.1 bn.

The volume traded in the second quarter of 2014 was positively influenced by the sale in the regulated market by Eni of around 1% of Galp Energia's share capital.

FIRST HALF

Galp Energia share gained 12% during the first half of 2014, with 257 m shares traded in regulated markets. Volumes traded were positively affected by Eni's placement on the market of a 8% equity stake in Galp Energia. The average volume traded daily in regulated markets amounted to 2.1 m shares, of which 1.3 m on the NYSE Euronext Lisbon.

Main indicators			
	2013	2Q14	6M14
Min (€)	10.76	12.31	10.20
Max (€)	13.40	13.75	13.75
Average (€)	12.19	12.89	12.37
Close price (€)	11.92	13.38	13.38
Regulated markets volume (m shares)	501.6	128.0	257.4
Average volume per day (m shares)	2.0	2.1	2.1
Of which NYSE Euronext Lisbon (m shares)	*1.3*	*1.2*	*1.3*
Market cap (€m)	9,881	11,095	11,095

ADDITIONAL INFORMATION

1. BASIS OF PRESENTATION

Galp Energia's consolidated financial statements, which were subject to limited review, for the six months ended on 30 June 2014 and 2013 have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the quarters ended on 30 June 2014 and 2013 and the six months ended on these dates. The financial information in the consolidated financial position is reported at 30 June 2014, 31 March 2014 and 31 December 2013.

Galp Energia's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the cost of goods sold is valued at weighted-average cost. The use of this valuation method may, when goods and commodities prices fluctuate, cause volatility in results through gains or losses in inventories, which do not reflect the Company's operating performance. This effect is called the *inventory effect*.

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

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

2. RECONCILIATION OF IFRS AND REPLACEMENT COST ADJUSTED FIGURES

2.1. REPLACEMENT COST ADJUSTED EBITDA BY SEGMENT

€ m

Second Quarter					2014	First Half				
Ebitda	Inventory effect	Ebitda RC	Non-recurrent items	Ebitda RCA		Ebitda	Inventory effect	Ebitda RC	Non-recurrent items	Ebitda RCA
264	**5**	**269**	**2**	**271**	**Ebitda**	**506**	**27**	**533**	**4**	**537**
107	-	107	(0)	107	E&P	211	-	211	0	211
35	4	39	1	41	R&M	40	33	73	3	76
115	1	116	0	116	G&P	243	(6)	237	0	238
8	-	8	-	8	Others	12	0	12	0	12

€ m

Second Quarter					2013	First Half				
Ebitda	Inventory effect	Ebitda RC	Non-recurrent items	Ebitda RCA		Ebitda	Inventory effect	Ebitda RC	Non-recurrent items	Ebitda RCA
190	**109**	**299**	**5**	**304**	**Ebitda**	**429**	**117**	**547**	**10**	**557**
85	-	85	1	85	E&P	176	-	176	1	177
3	107	110	4	114	R&M	42	119	161	10	171
93	2	95	(0)	94	G&P	200	(1)	199	(0)	199
10	-	10	-	10	Others	10	0	10	0	10

2.2. REPLECEMENT COST ADJUSTED EBIT BY SEGMENT

€ m

Second Quarter					2014	First Half				
Ebit	Inventory effect	Ebit RC	Non-recurrent items	Ebit RCA		Ebit	Inventory effect	Ebit RC	Non-recurrent items	Ebit RCA
139	**5**	**144**	**(0)**	**143**	**Ebit**	**231**	**27**	**258**	**16**	**274**
69	-	69	3	72	E&P	123	-	123	17	140
(38)	4	(34)	1	(33)	R&M	(114)	33	(81)	3	(78)
98	1	98	(1)	97	G&P	208	(6)	203	(2)	201
10	-	10	(3)	7	Others	13	0	13	(3)	10

€ m

Second Quarter					2013	First Half				
Ebit	Inventory effect	Ebit RC	Non-recurrent items	Ebit RCA		Ebit	Inventory effect	Ebit RC	Non-recurrent items	Ebit RCA
(8)	**109**	**100**	**51**	**151**	**Ebit**	**119**	**117**	**237**	**63**	**299**
(18)	-	(18)	47	29	E&P	37	-	37	53	89
(72)	107	35	5	39	R&M	(90)	119	28	11	39
73	2	74	(1)	74	G&P	164	(1)	163	(1)	162
9	-	9	-	9	Others	9	0	9	0	9

3. REPLACEMENT COST ADJUSTED TURNOVER

€ m

Second Quarter					First Half			
2013	2014	Chg.	% Chg.		2013	2014	Chg.	% Chg.
4,624	**4,615**	**(8)**	**(0.2%)**	**Sales and services rendered RCA**	**9,095**	**8,740**	**(354)**	**(3.9%)**
123	181	58	47.4%	Exploration & Production[1]	262	359	97	37.0%
3,914	3,696	(218)	(5.6%)	Refining & Marketing	7,558	6,776	(782)	(10.3%)
725	844	119	16.5%	Gas & Power	1,552	1,878	326	21.0%
38	29	(9)	(23.5%)	Others	62	57	(6)	(9.0%)
(176)	(135)	41	23.3%	Consolidation adjustments	(340)	(330)	10	3.0%

[1] Does not include change in production. RCA turnover in the E&P segment, including change in production, amounted to €158 m in the second quarter of 2014 and €314 m in the first half of 2014.

4. NON-RECURRENT ITEMS

EXPLORATION & PRODUCTION

€ m

Second Quarter			First Half	
2013	2014		2013	2014
		Exclusion of non-recurrent items		
0.0	0.0	Gains / losses on disposal of assets	0.0	0.0
0.6	(0.0)	Assets write-offs	0.6	0.0
44.4	3.3	Assets impairments	50.4	17.4
1.7	-	Provision and impairment of receivables	1.7	-
46.8	**3.3**	**Non-recurrent items of Ebit**	**52.7**	**17.4**
-	0.2	Capital gains/losses on disposal of financial investments	-	0.2
46.8	**3.5**	**Non-recurrent items before income taxes**	**52.7**	**17.6**
(2.1)	(0.1)	Income taxes on non-recurrent items	(4.1)	(4.7)
(1.1)	(0.1)	Non-controling interest	(2.3)	(2.5)
43.7	**3.3**	**Total non-recurrent items**	**46.4**	**10.4**

REFINING & MARKETING

€ m

Second Quarter			First Half	
2013	2014		2013	2014
		Exclusion of non-recurrent items		
-	(47.8)	Sale of strategic stock	-	(117.4)
-	46.8	Cost of sale of strategic stock	-	113.5
0.1	0.1	Accidents caused by natural facts and insurance compensation	0.2	0.1
(0.3)	(0.1)	Gains / losses on disposal of assets	(0.4)	(0.5)
0.4	0.1	Assets write-offs	0.8	0.3
4.3	2.3	Employees contracts rescission	9.5	7.4
0.2	0.1	Provisions for environmental charges and others	0.5	0.2
0.0	(0.3)	Assets impairments	(0.0)	(0.4)
4.6	**1.1**	**Non-recurrent items of Ebit**	**10.5**	**3.1**
(0.0)	(0.0)	Capital gains / losses on disposal of financial investments	0.1	(0.0)
4.6	**1.1**	**Non-recurrent items before income taxes**	**10.6**	**3.1**
(1.4)	(0.3)	Income taxes on non-recurrent items	(3.1)	(0.8)
-	1.7	Energy sector contribution tax	-	3.5
-	0.0	Non-controling interest	-	(0.1)
3.2	**2.5**	**Total non-recurrent items**	**7.5**	**5.7**

GAS & POWER

€ m

Second Quarter 2013	Second Quarter 2014		First Half 2013	First Half 2014
		Exclusion of non-recurrent items		
-	-	Assets write-offs	(0.0)	-
(0.4)	0.4	Employees contracts rescission	(0.4)	0.4
-	(1.9)	Provisions for environmental charges and others	-	(1.9)
(0.2)	0.1	Assets impairments	(0.4)	(0.1)
(0.6)	**(1.4)**	**Non-recurrent items of Ebit**	**(0.8)**	**(1.5)**
-	-	Provision for impairment of financial investments (Energin)	-	2.8
(0.6)	**(1.4)**	**Non-recurrent items before income taxes**	**(0.8)**	**1.2**
0.1	(0.1)	Income taxes on non-recurrent items	0.2	(0.1)
-	3.5	Energy sector contribution tax	-	6.9
-	(0.4)	Non-controling interest	-	(0.6)
(0.4)	**1.6**	**Total non-recurrent items**	**(0.6)**	**7.4**

OTHER

€ m

Second Quarter 2013	Second Quarter 2014		First Half 2013	First Half 2014
		Exclusion of non-recurrent items		
-	0.0	Employees contracts rescission	0.1	0.0
-	(3.3)	Provisions for environmental charges and others	-	(3.2)
-	**(3.2)**	**Non-recurrent items of Ebit**	**0.1**	**(3.2)**
-	(0.2)	Capital gains / losses on disposal of financial investments	-	(0.2)
-	**(3.4)**	**Non-recurrent items before income taxes**	**0.1**	**(3.4)**
-	(0.0)	Income taxes on non-recurrent items	(0.0)	(0.0)
-	**(3.4)**	**Total non-recurrent items**	**0.1**	**(3.4)**

CONSOLIDATED SUMMARY

€ m

Second Quarter 2013	Second Quarter 2014		First Half 2013	First Half 2014
		Exclusion of non-recurrent items		
-	(47.8)	Sale of strategic stock	-	(117.4)
-	46.8	Cost of sale of strategic stock	-	113.5
0.1	0.1	Accidents caused by natural facts and insurance compensation	0.2	0.1
(0.3)	(0.1)	Gains / losses on disposal of assets	(0.4)	(0.5)
1.0	0.1	Assets write-offs	1.4	0.3
3.9	2.8	Employees contracts rescission	9.2	7.9
0.2	(5.0)	Provisions for environmental charges and others	0.5	(4.9)
1.7	-	Provision and impairment of receivables	1.7	-
44.3	3.1	Assets impairments	50.0	16.8
50.8	**(0.2)**	**Non-recurrent items of Ebit**	**62.6**	**15.8**
(0.0)	(0.2)	Capital gains / losses on disposal of financial investments	0.1	(0.0)
-	-	Provision for impairment of financial investments (Energin)	-	2.8
-	0.2	Other financial results	-	-
50.8	**(0.2)**	**Non-recurrent items before income taxes**	**62.7**	**18.5**
(3.3)	(0.5)	Income taxes on non-recurrent items	(7.0)	(5.6)
-	5.2	Energy sector contribution tax	-	10.4
(1.1)	(0.5)	Non-controling interest	(2.3)	(3.2)
46.5	**4.0**	**Total non-recurrent items**	**53.4**	**20.1**

5. CONSOLIDATED FINANCIAL STATEMENTS

5.1. IFRS CONSOLIDATED INCOME STATEMENT

€ m

Second Quarter			First Half	
2013	2014		2013	2014
		Operating income		
4,490	4,551	Sales	8,845	8,606
134	112	Services rendered	250	251
53	26	Other operating income	80	47
4,677	**4,689**	**Total operating income**	**9,174**	**8,904**
		Operating costs		
(4,103)	(4,068)	Inventories consumed and sold	(8,000)	(7,647)
(264)	(272)	Material and services consumed	(517)	(562)
(85)	(68)	Personnel costs	(172)	(159)
(34)	(17)	Other operating costs	(56)	(31)
(4,486)	**(4,425)**	**Total operating costs**	**(8,745)**	**(8,399)**
190	**264**	**Ebitda**	**429**	**506**
(183)	(125)	Amortisation and depreciation cost	(284)	(263)
(16)	(1)	Provision and impairment of receivables	(26)	(12)
(8)	**139**	**Ebit**	**119**	**231**
13	18	Net profit from associated companies	31	35
0	1	Net profit from investments	(0)	(1)
		Financial results		
26	(4)	Financial profit	36	26
(57)	(16)	Financial costs	(87)	(83)
16	(12)	Exchange gain (loss)	(0)	(17)
(3)	13	Profit and cost on financial instruments	(6)	14
(0)	0	Other gains and losses	-	-
(14)	**139**	**Profit before taxes**	**94**	**204**
(10)	(57)	Taxes[1]	(43)	(92)
-	(5)	Energy sector contribution tax	-	(10)
(24)	**77**	**Profit before non-controling interest**	**50**	**102**
(12)	(16)	Profit attributable to non-controling interest	(23)	(27)
(36)	**61**	**Net profit for the period**	**27**	**75**

[1] Includes tax related to the production of oil and natural gas activity, namely Special Participation Tax payable in Brazil and IRP payable in Angola.

5.2. CONSOLIDATED FINANCIAL POSITION

€ m

	31 December 2013	31 March 2014	30 June 2014
Assets			
Non-current assets			
Tangible fixed assets	4,565	4,645	4,823
Goodwill	233	231	231
Other intangible fixed assets[1]	1,545	1,537	1,531
Investments in associates	516	570	599
Investments in other participated companies	3	8	3
Assets available for sale	-	-	-
Other receivables[2]	944	886	859
Deferred tax assets	271	279	274
Other financial investments	25	28	35
Total non-current assets	**8,102**	**8,184**	**8,355**
Current assets			
Inventories[3]	1,846	1,486	1,660
Trade receivables	1,327	1,350	1,466
Other receivables	897	866	905
Other financial investments	10	10	13
Current Income tax recoverable	33	-	(0)
Cash and cash equivalents	1,503	1,202	944
Total current assets	**5,616**	**4,913**	**4,987**
Total assets	**13,717**	**13,097**	**13,342**
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	(284)	(259)	(195)
Other reserves	2,680	2,680	2,680
Hedging reserves	(1)	(1)	(1)
Retained earnings	1,666	1,855	1,753
Profit attributable to equity holders of the parent	189	14	75
Equity attributable to equity holders of the parent	**5,161**	**5,200**	**5,223**
Non-controling interest	1,255	1,283	1,320
Total equity	**6,416**	**6,483**	**6,544**
Liabilities			
Non-current liabilities			
Bank loans and overdrafts	1,465	1,319	1,316
Bonds	1,839	1,835	1,830
Other payables	545	549	547
Retirement and other benefit obligations	338	344	344
Liabilities from financial leases	0	0	0
Deferred tax liabilities	129	126	120
Other financial instruments	2	0	0
Provisions	154	162	152
Total non-current liabilities	**4,471**	**4,336**	**4,309**
Current liabilities			
Bank loans and overdrafts	227	200	229
Bonds	147	144	-
Trade payables	1,510	874	1,228
Other payables[4]	937	1,054	987
Other financial instruments	10	6	4
Income tax	(0)	0	41
Total current liabilities	**2,830**	**2,278**	**2,489**
Total liabilities	**7,302**	**6,614**	**6,798**
Total equity and liabilities	**13,717**	**13,097**	**13,342**

[1] Includes concession agreements for the distribution of natural gas.

[2] Includes the medium and long term portion of the loan to Sinopec.

[3] Includes €245 m of stocks from third parties at 30 June 2014.

[4] Includes €199 m of payables related to stocks from third parties at 30 June 2014.

DEFINITIONS

CRACK SPREAD

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

EBIT

Operating profit.

EBITDA

Operating profit plus depreciation, amortisation and provisions.

EBT

Earnings before taxes.

GALP ENERGIA, COMPANY OR GROUP

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

BENCHMARK REFINING MARGIN

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

ROTTERDAM HYDROCRACKING MARGIN

The Rotterdam hydrocracking margin has the following profile: -100% dated Brent, +2.2% LPG FOB Seagoing (50% Butane + 50% Propane), +19.1% PM UL NWE FOB Bg, +8.7% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +45.1% ULSD 10 ppm NWE CIF and +8.9% LSFO 1% FOB Cg.; C&Q: 7.9%; Terminal rate: 1$/ton; Ocean loss: 0.15% over Brent; Freight 2013: WS Aframax (80 kts). Route Sullom Voe / Rotterdam – Flat $6.23/ton. Yields in % of weight.

ROTTERDAM CRACKING MARGIN

The Rotterdam cracking margin has the following profile: -100% dated Brent, +2.3% LPG FOB Seagoing (50% Butane + 50% Propane), +25.4% PM UL NWE FOB Bg, +7.5% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +33.3% ULSD 10 ppm NWE CIF and +15.3% LSFO 1% FOB Cg.; C&Q: 7,4%; Terminal rate: $1/ton; Ocean loss: 0.15% over Brent; Freight 2013: WS Aframax (80 kts). Route Sullow Voe / Rotterdam - Flat $6.23/ton. Yields in % of weight.

ROTTERDAM BASE OILS MARGIN

Base oils refining margin: -100% Arabian Light, +3.5% LPG FOB Seagoing (50% Butane + 50% Propane), +13% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, +34% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg, +14.0% Base oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% CIF NWE; Losses: 7.4%; Terminal rate: $1/ton; Ocean loss: 0.15% over Arabian Light; Freight 2013: WS Aframax (80 kts) Route Sullom Voe / Rotterdam - Flat $6.23/ton. Yields in % of weight.

ROTTERDAM AROMATICS MARGIN

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

REPLACEMENT COST (RC)

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

REPLACEMENT COST AJUSTED (RCA)

In addition to using the replacement cost method, adjusted profit excludes non-recurrent events such as capital gains or losses on the disposal of assets, impairment or reinstatement of fixed assets and environmental or restructuring charges which may affect the analysis of the Company’s profit and do not reflect its operational performance.

ABBREVIATIONS:

APETRO: *Associação portuguesa de Empresas petrolíferas* (Portuguese association of oil companies)

bbl: oil barrel

BBLT: Benguela, Belize, Lobito and Tomboco

Bg: Barges

bn: billion

boe: barrels of oil equivalent

BSR: Buoyancy Supported Risers

Cg: Cargoes

CIF: Costs, insurance and freights

CORES: *Corporacion de reservas estratégicas de produtos petrolíferos*

CO_2: Carbon dioxide

DHSV: Down Hole Safety Valve

D&A: Depreciation & amortisation

DST: Drill Stem Test

E&P: Exploration & Production

EUR/€: Euro

EWT: Extended Well Test

FCC: Fluid Catalytic Cracking

FOB: Free on board

FPSO: Floating, production, storage and offloading unit

G&P: Gas & Power

GBP: Great British pence

GWh: Gigawatt per hour

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

LSFO: Low sulphur fuel oil

k: thousand

kbbl: thousand barrels

kboepd: thousand barrels of oil equivalent per day

kbopd: thousand barrels of oil per day

LNG: liquefied natural gas

m: million

m^3: cubic metres

mbbl: million barrels

mmbtu: million british termal units

mm^3: million cubic metres

mton: million tonnes

n.m.: not meaningful

NBP: National Balancing Point

NYSE: New York Stock Exchange

OTC: Over-The-Counter

OWC: O*il-water contact*

PM UL: Premium unleaded

p.p.: percentage points

R&D: Refining & Marketing

RC: Replacement Cost

RCA: Replacement Cost Adjusted

RDA: Reservoir Data Acquisition

Tcf: trillion cubic feet

TL: Tômbua-Lândana

Ton: tonnes

ULSD CIF Cg: Ultra Low sulphur diesel CIF Cargoes

USD/$: Dollar of the United States of America

USA/US: United States of America

WAG: Water alternating gas

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

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Galp Energia, SGPS, S. A.

Investor relations

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

Contacts :

Tel: +351 21 724 08 66

Fax: +351 21 724 29 65

Address: Rua Tomás da Fonseca, Torre A,
1600-209 Lisboa, Portugal

Website: www.galpenergia.com

Email: investor.relations@galpenergia.com

Reuters: GALP.LS
Bloomberg: GALP PL