



# REPORT AND ACCOUNTS

FIRST HALF OF 2014



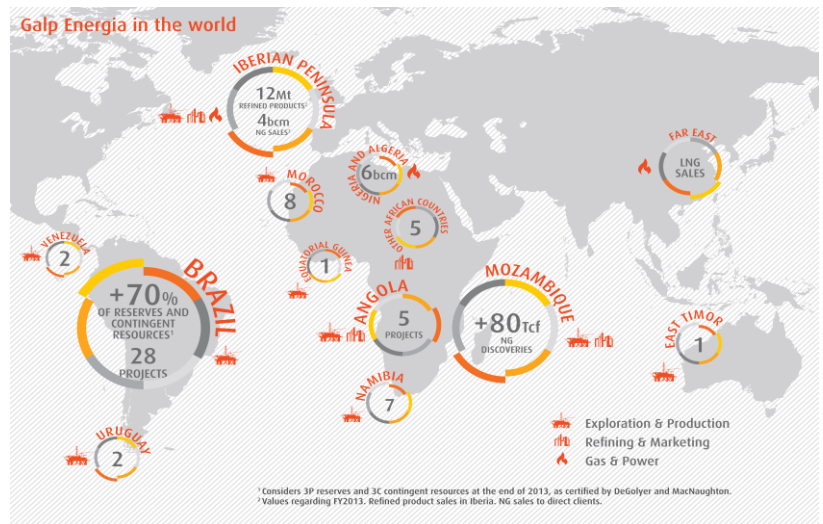
*An integrated energy operator focused  
on exploration and production*

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.galpennergia.com](http://www.galpennergia.com).

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## EXECUTIVE SUMMARY

During the first half 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 the first half of the year, it is worth highlighting the exploration, appraisal and development activities in Brazil, Mozambique and Morocco.

Within the exploration and appraisal activities in the first half of the 2014 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 first half, 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 thousand barrels of oil per day (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 first half of 2014 reached €537 million (m), a decrease of 4% 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 first half of 2014 reached €115 m, a decrease of €47 m yoy.

Capital expenditure in the first half amounted to €463 m, c.85% 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 FIRST HALF OF 2014

- Net entitlement production of oil and natural gas amounted to 23.3 kboepd, of which production in Brazil accounted for approximately 70%;
- Galp Energia's refining margin was \$0.4/bbl, a decrease of \$2.3/bbl yoy following the adverse environment of refining margins in the international market and the planned outage at the Sines refinery;
- Marketing of oil products maintained its positive contribution to results;
- Natural gas sales in the first half amounted to 3,904 million cubic metres (mm<sup>3</sup>), benefiting from the positive evolution of the trading activity in international markets, where volumes sold increased 72% yoy to 2,080 mm<sup>3</sup>.

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## KEY FIGURES

### FINANCIAL DATA

€m (RCA)

	First Half			
	2013	2014	Chg.	% Chg.
<b>Ebitda</b>	<b>557</b>	<b>537</b>	<b>(20)</b>	<b>(3.7%)</b>
Exploration & Production	177	211	34	19.3%
Refining & Marketing	171	76	(95)	(55.5%)
Gas & Power	199	238	39	19.7%
<b>Ebit</b>	<b>299</b>	<b>274</b>	<b>(25)</b>	<b>(8.5%)</b>
Exploration & Production	89	140	51	57.2%
Refining & Marketing	39	(78)	(117)	n.m.
Gas & Power	162	201	39	23.8%
<b>Net profit</b>	<b>162</b>	<b>115</b>	<b>(47)</b>	<b>(28.8%)</b>
<b>Investment</b>	<b>474</b>	<b>463</b>	<b>(12)</b>	<b>(2.5%)</b>
<b>Net debt including loan to Sinopec<sup>1</sup></b>	<b>1,173</b>	<b>1,625</b>	<b>452</b>	<b>38.5%</b>
<b>Net debt inc. loan to Sinopec to Ebitda<sup>1</sup></b>	<b>1.1x</b>	<b>1.5x</b>	<b>0.4x</b>	<b>n.m.</b>

<sup>1</sup> Loan to Sinopec considered as cash and cash equivalents.

### OPERATIONAL DATA

	First Half			
	2013	2014	Chg.	% Chg.
Average working interest production (kboepd)	23.5	26.9	3.4	14.4%
Average net entitlement production (kboepd)	19.8	23.3	3.5	17.7%
Oil and gas average sale price (USD/boe)	93.6	102.0	8.4	9.0%
Crude processed (kbbl)	43,873	33,883	(9,990)	(22.8%)
Galp Energia refining margin (USD/bbl)	2.7	0.4	(2.3)	(85.0%)
Oil sales to direct clients (mton)	4.8	4.6	(0.2)	(3.6%)
NG supply sales to direct clients (mm <sup>3</sup> )	1,967	1,825	(142)	(7.2%)
NG / LNG trading sales (mm <sup>3</sup> )	1,211	2,080	869	71.7%
Sales of electricity to the grid <sup>1</sup> (GWh)	917	826	(92)	(10.0%)

### MARKET INDICATORS

	First Half			
	2013	2014	Chg.	% Chg.
Dated Brent price <sup>1</sup> (USD/bbl)	107.5	108.9	1.4	1.3%
Heavy-light crude price spread <sup>2</sup> (USD/bbl)	(1.3)	(2.2)	0.9	67.5%
UK NBP natural gas price <sup>3</sup> (GBP/therm)	68.9	52.9	(16.0)	(23.3%)
LNG Japan and Korea price <sup>1</sup> (USD/mmbtu)	16.3	15.9	(0.4)	(2.5%)
Benchmark refining margin <sup>4</sup> (USD/bbl)	2.1	(0.4)	(2.6)	n.m.
Iberian oil market <sup>5</sup> (mton)	28.3	28.9	0.5	1.9%
Iberian natural gas market <sup>6</sup> (mm <sup>3</sup> )	16,902	15,007	(1,895)	(11.2%)

<sup>1</sup> Source: Platts.

<sup>2</sup> Source: Platts. Dated Urals NWE for heavy crude; Dated Brent for light crude.

<sup>3</sup> Source: Bloomberg.

<sup>4</sup> For a complete description of the method of calculating the new benchmark refining margin, see "Definitions".

<sup>5</sup> Source: Apetro for Portugal and Cores for Spain, the figures include an estimate for June 2014.

<sup>6</sup> Source: Galp Energia and Enagás.

## EXPLORATION & PRODUCTION ACTIVITIES

### Exploration and appraisal activities

#### BRAZIL

During the first half 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.



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## SCHEDULE OF EXPLORATION AND APPRAISAL ACTIVITIES

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

<sup>1</sup> E – Exploration well; A – Appraisal well.

<sup>2</sup> Petrogal Brasil: 70% Galp Energia; 30% Sinopec.

<sup>3</sup> Formerly known as Júpiter SW.

## DEVELOPMENT ACTIVITIES

### BRAZIL

During the first half 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 first half 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 first half of the year. 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. 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 first half 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 million barrels of oil (mmbbl). 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	-
<i>FPSO Cidade de Angra dos Reis</i>	Injectors	5	3	1
Lula NE	Producers	8	6	1
<i>FPSO Cidade de Paraty</i>	Injectors	6	5	-
Iracema South	Producers	8	6	-
<i>FPSO Cidade de Mangaratiba</i>	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<sup>3</sup> 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 first half of 2014, the average dated Brent increased \$1.4/bbl yoy to \$108.9/bbl, following the ongoing political and social unrest in Libya and the turmoil in Iraq, which drove dated Brent to new highs for the year during the second quarter.

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

#### REFINING MARGINS

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

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

In the first half of the year, the Iberian market for natural gas contracted by 11% yoy to 15,007 mm<sup>3</sup>, 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)

	First Half			
	2013	2014	Chg.	% Chg.
<b>Average working interest production<sup>1</sup> (kboepd)</b>	<b>23.5</b>	<b>26.9</b>	<b>3.4</b>	<b>14.4%</b>
Oil production (kbopd)	21.3	25.7	4.5	20.9%
<b>Average net entitlement production (kboepd)</b>	<b>19.8</b>	<b>23.3</b>	<b>3.5</b>	<b>17.7%</b>
Angola	8.4	7.0	(1.4)	(17.0%)
Brazil	11.4	16.3	4.9	43.3%
<b>Average realised sale price (USD/boe)</b>	<b>93.6</b>	<b>102.0</b>	<b>8.4</b>	<b>9.0%</b>
<b>Royalties<sup>2</sup> (USD/boe)</b>	<b>8.6</b>	<b>10.0</b>	<b>1.4</b>	<b>15.7%</b>
<b>Operating cost (USD/boe)</b>	<b>11.8</b>	<b>15.8</b>	<b>4.0</b>	<b>33.9%</b>
<b>Amortisation<sup>3</sup> (USD/boe)</b>	<b>24.3</b>	<b>20.0</b>	<b>(4.3)</b>	<b>(17.6%)</b>
<b>Ebitda</b>	<b>177</b>	<b>211</b>	<b>34</b>	<b>19.3%</b>
Depreciation & Amortisation	85	71	(14)	(16.9%)
Provisions	3	(0)	(3)	n.m.
<b>Ebit</b>	<b>89</b>	<b>140</b>	<b>51</b>	<b>57.2%</b>

<sup>1</sup> Includes natural gas exported, excludes natural gas used or injected.

<sup>2</sup> Based on production from Brazil.

<sup>3</sup> Excludes abandonment provisions.

### OPERATIONS

During the first half of 2014, the average 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 performed in the Lula Central, Lula South and Lara 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

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 in the international markets and the lower weight of natural gas production in the total 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 Lara 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.

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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 first half 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.

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## 2.2. REFINING & MARKETING

€ m (RCA, except otherwise noted)

	First Half			
	2013	2014	Chg.	% Chg.
<b>Galp Energia refining margin (USD/bbl)</b>	<b>2.7</b>	<b>0.4</b>	<b>(2.3)</b>	<b>(85.0%)</b>
<b>Refining cash cost (USD/bbl)</b>	<b>2.6</b>	<b>3.4</b>	<b>0.8</b>	<b>30.2%</b>
<b>Crude processed (kbbl)</b>	<b>43,873</b>	<b>33,883</b>	<b>(9,990)</b>	<b>(22.8%)</b>
<b>Total refined product sales (mton)</b>	<b>8.5</b>	<b>7.8</b>	<b>(0.7)</b>	<b>(8.1%)</b>
Sales to direct clients (mton)	4.8	4.6	(0.2)	(3.6%)
Exports <sup>1</sup> (mton)	2.1	1.5	(0.7)	(30.9%)
<b>Ebitda</b>	<b>171</b>	<b>76</b>	<b>(95)</b>	<b>(55.5%)</b>
Depreciation & Amortisation	118	142	24	20.6%
Provisions	15	12	(3)	(18.3%)
<b>Ebit</b>	<b>39</b>	<b>(78)</b>	<b>(117)</b>	<b>n.m.</b>

<sup>1</sup>Exports from Galp Energia Group, excluding sales in the Spanish market.

## OPERATIONS

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

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)

	First Half			
	2013	2014	Chg.	% Chg.
<b>NG supply total sales volumes (mm<sup>3</sup>)</b>	<b>3,178</b>	<b>3,904</b>	<b>727</b>	<b>22.9%</b>
<b>Sales to direct clients (mm<sup>3</sup>)</b>	<b>1,967</b>	<b>1,825</b>	<b>(142)</b>	<b>(7.2%)</b>
Electrical	341	278	(63)	(18.5%)
Industrial	1,258	1,265	7	0.6%
Residential	316	252	(64)	(20.2%)
<b>Trading (mm<sup>3</sup>)</b>	<b>1,211</b>	<b>2,080</b>	<b>869</b>	<b>71.7%</b>
<b>Sales of electricity to the grid (GWh)</b>	<b>917</b>	<b>826</b>	<b>(92)</b>	<b>(10.0%)</b>
<b>Ebitda</b>	<b>199</b>	<b>238</b>	<b>39</b>	<b>19.7%</b>
Depreciation & Amortisation	30	32	2	7.0%
Provisions	7	5	(2)	(27.1%)
<b>Ebit</b>	<b>162</b>	<b>201</b>	<b>39</b>	<b>23.8%</b>
Supply & Trading	96	136	39	40.7%
Infrastructure	53	58	6	11.0%
Power	13	7	(6)	(48.6%)

### OPERATIONS

Natural gas sold during the first half of 2014 increased 23% yoy to 3,904 mm<sup>3</sup> 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<sup>3</sup> 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

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)

	First Half			
	2013	2014	Chg.	% Chg.
Turnover	9,095	8,740	(354)	(3.9%)
Operating expenses	(8,563)	(8,219)	(344)	(4.0%)
Cost of goods sold	(7,883)	(7,506)	(377)	(4.8%)
Supply and services	(517)	(562)	45	8.8%
Personnel costs	(163)	(151)	(12)	(7.5%)
Other operating revenues (expenses)	25	15	(10)	(39.9%)
<b>Ebitda</b>	<b>557</b>	<b>537</b>	<b>(20)</b>	<b>(3.7%)</b>
Depreciation & Amortisation	(234)	(246)	12	5.1%
Provisions	(24)	(17)	(7)	(29.4%)
<b>Ebit</b>	<b>299</b>	<b>274</b>	<b>(25)</b>	<b>(8.5%)</b>
Net profit from associated companies	31	35	3	11.1%
Net profit from investments	0	1	1	n.m.
Financial results	(57)	(60)	(3)	(5.7%)
<b>Net profit before taxes and non-controlling interests</b>	<b>274</b>	<b>250</b>	<b>(24)</b>	<b>(8.7%)</b>
Taxes <sup>1</sup>	(86)	(105)	19	21.5%
Non-controlling interests	(26)	(30)	4	16.7%
<b>Net profit</b>	<b>162</b>	<b>115</b>	<b>(47)</b>	<b>(28.8%)</b>
Non-recurrent items	(53)	(20)	(33)	(62.3%)
Net profit RC	108	95	(13)	(12.3%)
Inventory effect	(81)	(20)	61	(75.3%)
Net profit IFRS	27	75	48	n.m.

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

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

	First Half			
	2013	2014	Chg.	% Chg.
Exploration & Production	346	398	52	15.1%
Exploration and appraisal activities	130	96	(34)	(25.8%)
Development and production activities	216	301	86	39.8%
Refining & Marketing	64	46	(19)	(28.8%)
Gas & Power	64	16	(48)	(74.5%)
Others	0	3	2	n.m.
<b>Investment</b>	<b>474</b>	<b>463</b>	<b>(12)</b>	<b>(2.5%)</b>

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.

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## 3.3. CASH FLOW

€ m (IFRS figures)

	First Half	
	2013	2014
Ebit	119	231
Dividends from associated companies	35	28
Depreciation, depletion and amortisation (DD&A)	284	263
Change in working capital	(143)	(165)
<b>Cash flow from operations</b>	<b>296</b>	<b>356</b>
Net investment	(465)	(462)
Net financial interest	(82)	(68)
Taxes	(71)	(54)
Dividends paid	(103)	(124)
Others <sup>1</sup>	7	93
<b>Cash flow</b>	<b>(420)</b>	<b>(259)</b>

<sup>1</sup> Including CTA's (Cumulative Translation Adjustment) and refunds of loan granted to Sinopec.

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.

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## 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)
<b>Capital employed</b>	<b>8,589</b>	<b>8,780</b>	<b>8,975</b>	<b>387</b>	<b>196</b>
Short term debt	373	344	229	(144)	(115)
Medium-long term debt	3,304	3,154	3,146	(158)	(8)
<b>Total debt</b>	<b>3,677</b>	<b>3,498</b>	<b>3,375</b>	<b>(302)</b>	<b>(122)</b>
Cash	1,504	1,202	943	(561)	(258)
<b>Net debt</b>	<b>2,173</b>	<b>2,296</b>	<b>2,432</b>	<b>259</b>	<b>136</b>
<b>Total equity</b>	<b>6,416</b>	<b>6,483</b>	<b>6,544</b>	<b>128</b>	<b>60</b>
<b>Total equity and net debt</b>	<b>8,589</b>	<b>8,780</b>	<b>8,975</b>	<b>387</b>	<b>196</b>
<b>Total net debt including loan to Sinopec<sup>1</sup></b>	<b>1,302</b>	<b>1,456</b>	<b>1,625</b>	<b>324</b>	<b>169</b>

<sup>1</sup> 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	-
<b>Net debt</b>	<b>2,173</b>		<b>2,296</b>		<b>2,432</b>		<b>259</b>		<b>136</b>	
<b>Net debt including loan to Sinopec<sup>1</sup></b>	<b>1,302</b>		<b>1,456</b>		<b>1,625</b>		<b>324</b>		<b>169</b>	
Net debt to Ebitda	1.9x		2.0x		2.2x		0.3x		0.2x	
Net debt inc. loan to Sinopec to Ebitda <sup>1</sup>	1.1x		1.3x		1.5x		0.3x		0.2x	

<sup>1</sup> 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 first half 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.

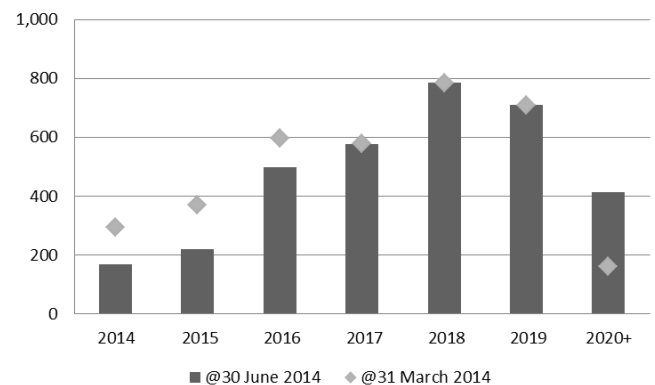
## Report and Accounts – First half of 2014

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 first half of 2014, Galp Energia had unused credit lines of €1.1 bn, 60% of which were contractually guaranteed.

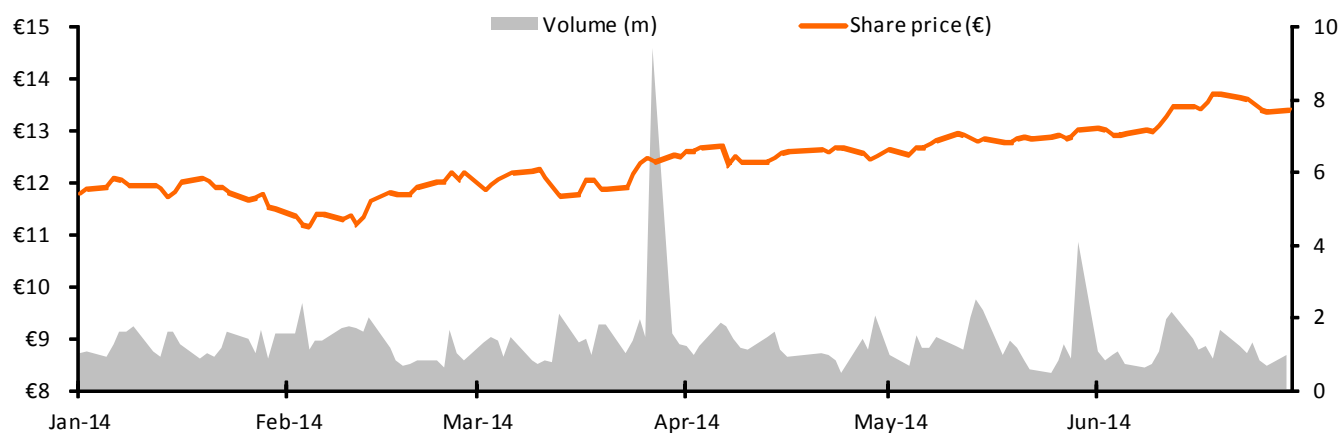
### DEBT MATURITY PROFILE ON 30 JUNE 2014 AND 31 MARCH 2014

€ m



## THE GALP ENERGIA SHARE

### PERFORMANCE OF THE GALP ENERGIA SHARE



Source: Euroinvestor

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	6M14
Min (€)	10.76	10.20
Max (€)	13.40	13.75
Average (€)	12.19	12.37
Close price (€)	11.92	13.38
Regulated markets volume (m shares)	501.6	257.4
Average volume per day (m shares)	2.0	2.1
<i>Of which NYSE Euronext Lisbon (m shares)</i>	<i>1.3</i>	<i>1.3</i>
Market cap (€m)	9,881	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 the International Financial Reporting Standards (IFRS). The financial information in the consolidated income statement is reported for the semesters ended on 30 June 2014 and 2013. The financial information in the consolidated financial position is reported on 30 June 2014, 31 March 2014 and 31 December 2013.

Galp Energia's financial statements are prepared in accordance with 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

2014	First Half				
	Ebitda	Inventory effect	Ebitda RC	Non-recurrent items	Ebitda RCA
<b>Ebitda</b>	<b>506</b>	<b>27</b>	<b>533</b>	<b>4</b>	<b>537</b>
E&P	211	-	211	0	211
R&M	40	33	73	3	76
G&P	243	(6)	237	0	238
Others	12	0	12	0	12

€ m

2013	First Half				
	Ebitda	Inventory effect	Ebitda RC	Non-recurrent items	Ebitda RCA
<b>Ebitda</b>	<b>429</b>	<b>117</b>	<b>547</b>	<b>10</b>	<b>557</b>
E&P	176	-	176	1	177
R&M	42	119	161	10	171
G&P	200	(1)	199	(0)	199
Others	10	0	10	0	10

### 2.2. REPLACEMENT COST ADJUSTED EBIT BY SEGMENT

€ m

2014	First Half				
	Ebit	Inventory effect	Ebit RC	Non-recurrent items	Ebit RCA
<b>Ebit</b>	<b>231</b>	<b>27</b>	<b>258</b>	<b>16</b>	<b>274</b>
E&P	123	-	123	17	140
R&M	(114)	33	(81)	3	(78)
G&P	208	(6)	203	(2)	201
Others	13	0	13	(3)	10

€ m

2013	First Half				
	Ebit	Inventory effect	Ebit RC	Non-recurrent items	Ebit RCA
<b>Ebit</b>	<b>119</b>	<b>117</b>	<b>237</b>	<b>63</b>	<b>299</b>
E&P	37	-	37	53	89
R&M	(90)	119	28	11	39
G&P	164	(1)	163	(1)	162
Others	9	0	9	0	9

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## 3. REPLACEMENT COST ADJUSTED TURNOVER

€ m

	First Half			
	2013	2014	Chg.	% Chg.
<b>Sales and services rendered RCA</b>	<b>9,095</b>	<b>8,740</b>	<b>(354)</b>	<b>(3.9%)</b>
Exploration & Production <sup>1</sup>	262	359	97	37.0%
Refining & Marketing	7,558	6,776	(782)	(10.3%)
Gas & Power	1,552	1,878	326	21.0%
Others	62	57	(6)	(9.0%)
Consolidation adjustments	(340)	(330)	10	3.0%

<sup>1</sup> 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

	First Half	
	2013	2014
<b>Exclusion of non-recurrent items</b>		
Gains / losses on disposal of assets	0.0	0.0
Assets write-offs	0.6	0.0
Assets impairments	50.4	17.4
Provision and impairment of receivables	1.7	-
<b>Non-recurrent items of Ebit</b>	<b>52.7</b>	<b>17.4</b>
Capital gains / losses on disposal of financial investments	-	0.2
<b>Non-recurrent items before income taxes</b>	<b>52.7</b>	<b>17.6</b>
Income taxes on non-recurrent items	(4.1)	(4.7)
Non-controlling interest	(2.3)	(2.5)
<b>Total non-recurrent items</b>	<b>46.4</b>	<b>10.4</b>

### REFINING & MARKETING

€ m

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

# Report and Accounts – First half of 2014

## GAS & POWER

€ m

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

## OTHER

€ m

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

## CONSOLIDATED SUMMARY

€ m

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

## 5. CONSOLIDATED FINANCIAL STATEMENTS

### 5.1. IFRS CONSOLIDATED INCOME STATEMENT

€ m

	First Half	
	2013	2014
<b>Operating income</b>		
Sales	8,845	8,606
Services rendered	250	251
Other operating income	80	47
<b>Total operating income</b>	<b>9,174</b>	<b>8,904</b>
<b>Operating costs</b>		
Inventories consumed and sold	(8,000)	(7,647)
Material and services consumed	(517)	(562)
Personnel costs	(172)	(159)
Other operating costs	(56)	(31)
<b>Total operating costs</b>	<b>(8,745)</b>	<b>(8,399)</b>
<b>Ebitda</b>	<b>429</b>	<b>506</b>
Amortisation and depreciation cost	(284)	(263)
Provision and impairment of receivables	(26)	(12)
<b>Ebit</b>	<b>119</b>	<b>231</b>
Net profit from associated companies	31	35
Net profit from investments	(0)	(1)
<b>Financial results</b>		
Financial profit	36	26
Financial costs	(87)	(83)
Exchange gain (loss)	(0)	(17)
Profit and cost on financial instruments	(6)	14
Other gains and losses	-	-
<b>Profit before taxes</b>	<b>94</b>	<b>204</b>
Taxes <sup>1</sup>	(43)	(92)
Energy sector contribution tax	-	(10)
<b>Profit before non-controlling interest</b>	<b>50</b>	<b>102</b>
Profit attributable to non-controlling interest	(23)	(27)
<b>Net profit for the period</b>	<b>27</b>	<b>75</b>

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

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## 5.2. CONSOLIDATED FINANCIAL POSITION

€ m	31 December 2013	31 March 2014	30 June 2014
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible fixed assets	4,565	4,645	4,823
Goodwill	233	231	231
Other intangible fixed assets <sup>1</sup>	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 <sup>2</sup>	944	886	859
Deferred tax assets	271	279	274
Other financial investments	25	28	35
<b>Total non-current assets</b>	<b>8,102</b>	<b>8,184</b>	<b>8,355</b>
<b>Current assets</b>			
Inventories <sup>3</sup>	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
<b>Total current assets</b>	<b>5,616</b>	<b>4,913</b>	<b>4,987</b>
<b>Total assets</b>	<b>13,717</b>	<b>13,097</b>	<b>13,342</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
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
<b>Equity attributable to equity holders of the parent</b>	<b>5,161</b>	<b>5,200</b>	<b>5,223</b>
Non-controlling interest	1,255	1,283	1,320
<b>Total equity</b>	<b>6,416</b>	<b>6,483</b>	<b>6,544</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
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 lease	0	0	0
Deferred tax liabilities	129	126	120
Other financial instruments	2	0	0
Provisions	154	162	152
<b>Total non-current liabilities</b>	<b>4,471</b>	<b>4,336</b>	<b>4,309</b>
<b>Current liabilities</b>			
Bank loans and overdrafts	227	200	229
Bonds	147	144	-
Trade payables	1,510	874	1,228
Other payables <sup>4</sup>	937	1,054	987
Other financial instruments	10	6	4
Income tax	(0)	0	41
<b>Total current liabilities</b>	<b>2,830</b>	<b>2,278</b>	<b>2,489</b>
<b>Total liabilities</b>	<b>7,302</b>	<b>6,614</b>	<b>6,798</b>
<b>Total equity and liabilities</b>	<b>13,717</b>	<b>13,097</b>	<b>13,342</b>

<sup>1</sup> Includes concession agreements for the distribution of natural gas.

<sup>2</sup> Includes the medium and long term portion of the loan to Sinopec.

<sup>3</sup> Includes €245 m of stocks from third parties at 30 June 2014.

<sup>4</sup> Includes €199 m of payables related to stocks from third parties at 30 June 2014.



## APPENDICES

### 1. GOVERNING BODIES

The current composition of the governing bodies of Galp Energia SGPS, S. A. on 30 June 2014 is as follows:

#### BOARD OF DIRECTORS

**Chairman**

Américo Amorim

**Vice-Chairman**

Manuel Ferreira De Oliveira

**Vice-Chairman**

Luís Palha da Silva

**Members**

Paula Amorim

Filipe Crisóstomo Silva

Carlos Gomes da Silva

Sérgio Gabrielli de Azevedo

Stephen Whyte

Vítor Bento

Abdul Magid Osman

Luís Campos e Cunha

Miguel Athayde Marques

Carlos Costa Pina

Rui Paulo Gonçalves

Luís Manuel Todo Bom

Fernando Gomes

Diogo Mendonça Tavares

Joaquim José Borges Gouveia

José Carlos da Silva Costa

Jorge Manuel Seabra de Freitas

#### EXECUTIVE COMMITTEE

**Chairman**

Manuel Ferreira De Oliveira (CEO)

**Vice-Chairman**

Luís Palha da Silva

**Members**

Filipe Crisóstomo Silva (CFO)

Carlos Gomes da Silva

Stephen Whyte

Carlos Costa Pina

José Carlos da Silva Costa

#### SUPERVISORY BOARD

**Chairman**

Daniel Bessa Fernandes Coelho

**Members**

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

**Deputy**

Amável Alberto Freixo Calhau

#### STATUTORY AUDITORS

**Standing**

P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC, Lda., represented by

Pedro João Reis de Matos Silva

**Deputy**

António Campos Pires Caiado

#### GENERAL SHAREHOLDERS MEETING BOARD

**Chairman**

Daniel Proença de Carvalho

**Vice-Chairman**

Victor Manuel Pereira Dias

**Secretary**

Maria Helena Claro Goldschmidt

#### COMPANY SECRETARY

**Standing**

Rui de Oliveira Neves

**Deputy**

Maria Helena Claro Goldschmidt

#### REMUNERATIONS COMMITTEE

**Chairman****Members**

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

Jorge Armindo Carvalho Teixeira

## 2. MANDATORY NOTICES AND STATEMENTS

### SHAREHOLDERS WITH MAJOR DIRECT OR INDIRECT HOLDINGS ON 30 JUNE 2014

(in accordance with article 20 of the Portuguese Securities Code (CVM) and article 9, paragraph 1 c) established by the Portuguese Securities Market Commission (CMVM) in article 5/2008)

Shareholders	No. of Shares	% of imputable voting rights
Amorim Energia, B.V.	317,934,693	46.34%
Eni, S.p.A.	66,337,592	8.00%
Parpública – Participações Públicas (SGPS), S.A.	58,079,514	7.00%
BlackRock, Inc.	20,307,726	2.45%
Templeton Global Advisors Limited	16,870,865	2.03%
Capital Research and Management Company	16,786,778	2.02%
Free-float	332,933,467	40.15%
<b>Total</b>	<b>829,250,635</b>	<b>-</b>

On 31 March 2014, Eni sold, through an accelerated bookbuilding process, 58,051,000 shares of Galp Energia's share capital, to qualified institutional investors, having the respective shareholding reduced to 74,593,389 shares, representing 9% of the Galp Energia share capital and voting rights.

On 1 April 2014, BlackRock, Inc announced a qualified holding in Galp Energia's share capital and corresponding voting rights since 28 March 2014. Out of the total 20,307,726 voting rights, 19,758,036 are held as shares, which correspond to 2.38% of the Galp Energia share capital, where the remaining 549,690, that is, 0.07% of the voting rights, are held as Contract For Difference (CFD) instruments.

On 3 April 2014, shareholder Amorim Energia, B.V. announced that following Eni's sale of 58,051,000 share corresponding to around 7% of the Galp Energia share capital, less than 50% of the Galp Energia voting rights are now imputable to Amorim Energia under article 20 of the CVM.

As from 11 April 2014, Capital Research and Management Company holds a qualified holding of 2.0243% of Galp Energia's share capital and corresponding voting rights, where the total number of shares (16,786,778) are held indirectly through investment funds under the management of Capital

Research and Management Company with proxy voting authority.

On 23 June 2014, Eni concluded the divestiture, of approximately €107 m, through daily sales performed in the regulated market, ordinary shares corresponding to approximately 1% of the Galp Energia's share capital, which corresponded to the remaining stake of shares which were subject to the right of first refusal of Amorim Energia, under the terms of the shareholder's agreement formerly announced to the market, which it has not exercised.

Following the mentioned divestiture, Eni continues to hold 66,337,592 ordinary shares corresponding to approximately 8% of Galp Energia's share capital as an underlying asset to the exchangeable bonds of €1,028 m, issued by Eni on 30 November 2012 and with a maturity on 30 November 2015.

### TREASURY SHARES

During the first half of 2014, Galp Energia did not acquire or sell any treasury shares.

On 30 June 2014, Galp Energia did not hold treasury shares.

# Report and Accounts – First half of 2014

## SHARE OWNERSHIP ON 30 JUNE 2014 BY CURRENT MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BODIES OF GALP ENERGIA, SGPS, S.A.

In accordance with article 9, paragraph 1 a) of the CMVM Regulation no. 5/2008.

	Total shares of 31.12.2013	Acquisition			Disposal			Total shares of 31.06.2014
		From 1 January to 30 June 2014						
		Date	No. of shares	Price (€/share)	Date	No. of shares	Price (€/share)	
Members of the Board of Directors								
Américo Amorim	-							
Manuel Ferreira De Oliveira	85,640							85,640
Luís Palha da Silva	950							950
Paula Amorim	-							-
Filipe Crisóstomo Silva	-	11.02.2014	5,000	11.3				5,000
Carlos Gomes da Silva	2,410							2,410
Sérgio Gabrielli de Azevedo	-							-
Stephen Whyte	2,035							2,035
Vitor Bento	-							-
Abdul Magid Osman	-							-
Luís Campos e Cunha	-							-
Miguel Athayde Marques	1,800							1,800
Carlos Costa Pina	-							-
Rui Paulo Gonçalves	-							-
Luís Manuel Todo Bom	-							-
Fernando Gomes	1,900							1,900
Diogo Mendonça Tavares	2,940							2,940
Joaquim José Borges Gouveia	-							-
José Carlos da Silva Costa	275							275
Jorge Manuel Seabra de Freitas	-							-
Members of the Supervisory Board								
Daniel Bessa Fernandes Coelho	-							-
Gracinda Augusta Figueiras Raposo	-							-
Pedro Antunes de Almeida	5							5
Amável Alberto Freixo Calhau	-							-
Statutory Auditors								
P. Matos Silva, Garcia Jr., Caiado & Associados	-							-
António Campos Pires Caiado	-							-

## MAIN TRANSACTIONS BETWEEN RELATED PARTIES IN THE FIRST HALF OF 2014

Article no. 246, paragraph 3 c) of the CVM.

During the first half of 2014 there were no relevant transactions between Galp Energia related parties that had a significant effect on its financial situation or respective performance, nor that had an impact on the information included in the annual report concerning the financial year 2013, which were susceptible to have a significant effect on its financial position or on its respective performance over the first six months of the financial year 2014.

## 3. STATEMENT OF COMPLIANCE OF INFORMATION PRESENTED

### 3.1. STATEMENT OF COMPLIANCE OF THE BOARD OF DIRECTORS

According to article 246, paragraph 1. c) of the CVM, the Board of Directors of Galp Energia declares that:

To the best of their knowledge, (i) the information presented in the financial statements concerning the first half of the financial year 2014 was produced in conformity with the applicable accounting requirements and gives a true and fair view of Galp Energia's assets and liabilities, financial position and

results as well as the companies included in the consolidation as a whole, and (ii) the report and accounts for the first half of 2014 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

Lisbon, 25 July 2014

#### The Board of Directors

##### Chairman:

Abdul Magid Osman

Américo Amorim

Luís Campos e Cunha

##### Vice-Chairman:

Manuel Ferreira De Oliveira

Miguel Athayde Marques

Luís Palha da Silva

Carlos Costa Pina

##### Members:

Rui Paulo Gonçalves

Paula Amorim

Luís Manuel Todo Bom

Filipe Crisóstomo Silva

Fernando Gomes

Carlos Gomes da Silva

Diogo Mendonça Tavares

Sérgio Gabrielli de Azevedo

Joaquim José Borges Gouveia

Stephen Whyte

José Carlos da Silva Costa

Vítor Bento

Jorge Manuel Seabra de Freitas

## 3.2. STATEMENT OF COMPLIANCE OF THE SUPERVISORY BOARD

According to article 246, paragraph 1. c) of the CVM, the Supervisory Board of Galp Energia declares that:

To the best of their knowledge, (i) the information presented in the financial statements concerning the first half of the financial year 2014 was produced in conformity with the applicable accounting requirements and gives a true and fair view of Galp Energia's assets and liabilities, financial position and

results as well as the companies included in the consolidation as a whole, and (ii) the report and accounts for the first half of 2014 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

Lisbon, 25 July 2014

### The Supervisory Board

#### Chairman:

Daniel Bessa Fernandes Coelho

#### Members:

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

#### Deputy:

Amável Alberto Freixo Calhau

## 4. CONSOLIDATED FINANCIAL STATEMENTS

### Galp Energia, SGPS, S.A. and subsidiaries

#### STATEMENT OF FINANCIAL POSITION AS ON 30 JUNE 2014 AND 31 DECEMBER 2013

(Amounts expressed in thousands of euros – €k)

ASSETS	Notes	June 2014	December 2013
<b>Non-current assets:</b>			
Tangible assets	12	4,823,387	4,565,289
Goodwill	11	231,252	233,137
Intangible assets	12	1,531,056	1,544,901
Investments in associates and jointly controlled entities	4	598,992	515,565
Assets held for sale	4	2,866	2,863
Trade receivables	15	24,242	24,322
Loans to Sinopec	14	640,411	706,993
Other receivables	14	193,888	212,968
Deferred tax assets	9	273,632	271,074
Other investments	17	34,789	24,530
<b>Total non-current assets:</b>		<b>8,354,515</b>	<b>8,101,642</b>
<b>Current assets:</b>			
Inventories	16	1,659,969	1,845,607
Trade receivables	15	1,465,762	1,326,563
Loans to Sinopec	14	166,102	164,500
Other receivables	14	738,816	732,706
Other investments	17	12,580	10,128
Current income tax recoverable	9	-	32,788
Cash and cash equivalents	18	944,020	1,503,390
<b>Total current assets:</b>		<b>4,987,249</b>	<b>5,615,682</b>
<b>Total assets:</b>		<b>13,341,764</b>	<b>13,717,324</b>
EQUITY AND LIABILITIES	Notes	June 2014	December 2013
<b>Equity:</b>			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	2,484,595	2,394,913
Retained earnings		1,752,600	1,666,075
Consolidated net profit for the period	10	74,780	188,661
<b>Equity attributable to equity holders of the parent:</b>		<b>5,223,232</b>	<b>5,160,906</b>
Non-controlling interests	21	1,320,309	1,254,894
<b>Total equity:</b>		<b>6,543,541</b>	<b>6,415,800</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bank loans	22	1,315,649	1,464,910
Bonds	22	1,830,354	1,838,812
Other payables	24	547,376	544,904
Retirement and other benefits liabilities	23	344,149	338,495
Deferred tax liabilities	9	119,618	128,577
Other financial instruments	27	7	1,538
Provisions	25	152,045	154,149
<b>Total non-current liabilities:</b>		<b>4,309,198</b>	<b>4,471,385</b>
<b>Current liabilities:</b>			
Bank loans and overdrafts	22	229,207	226,542
Bonds	22	-	146,778
Trade payables	26	1,227,559	1,509,633
Other payables	24	987,187	936,716
Other financial instruments	27	3,595	10,470
Current income tax	9	41,477	-
<b>Total current liabilities:</b>		<b>2,489,025</b>	<b>2,830,139</b>
<b>Total liabilities:</b>		<b>6,798,223</b>	<b>7,301,524</b>
<b>Total equity and liabilities:</b>		<b>13,341,764</b>	<b>13,717,324</b>

The accompanying notes form an integral part of the consolidated statement of financial position as on 30 June 2014.



# Report and Accounts – First half of 2014

## Galp Energia, SGPS, S.A. and subsidiaries

### CONSOLIDATED INCOME STATEMENT FOR THE PERIODS ENDED ON 30 JUNE 2014 AND 2013

(Amounts expressed in thousands of euros – €k)

	Notes	June 2014	June 2013
<b>Operating income:</b>			
Sales	5	8,606,253	8,844,875
Services rendered	5	251,466	249,673
Other operating income	5	46,649	79,833
<b>Total operating income:</b>		<b>8,904,368</b>	<b>9,174,381</b>
<b>Operating costs:</b>			
Cost of sales	6	7,646,654	8,000,430
External supplies and services	6	562,158	516,768
Employee costs	6	158,512	171,997
Amortisation, depreciation and impairment loss	6	262,873	284,080
Provision and impairment loss on receivables	6	11,855	25,900
Other operating costs	6	31,482	56,033
<b>Total operating costs:</b>		<b>8,673,534</b>	<b>9,055,208</b>
<b>Operating profit:</b>		<b>230,834</b>	<b>119,173</b>
Financial income	8	25,771	36,094 a)
Financial costs	8	(82,554)	(86,745) a)
Exchange gain (loss)		(17,063)	(328)
Share of results of investments in associates and jointly controlled entities	4	34,529	31,006
Income (cost) on financial instruments	27	12,678	(5,657) a)
Other gains (losses)		-	- a)
<b>Profit before income tax:</b>		<b>204,195</b>	<b>93,543</b>
Income tax	9	(92,175)	(43,352)
Extraordinary contribution on the energy sector	9	(10,418)	-
<b>Profit before non-controlling interests:</b>		<b>101,602</b>	<b>50,191</b>
Profit attributable to non-controlling interests	21	(26,822)	(23,451)
<b>Consolidated net profit for the period:</b>		<b>74,780</b>	<b>26,740</b>
<b>Earnings per share (in euros)</b>	10	<b>0.09</b>	<b>0.03</b>

(a) These amounts were restated taking as a result of changes in classification described in Note 2.1.

The accompanying notes form an integral part of the consolidated income statement as on 30 June 2014.

# Report and Accounts – First half of 2014

## Galp Energia, SGPS, S.A. and subsidiaries

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED 30 JUNE 2014 AND 2013

(Amounts expressed in thousands of euros – €k)

Changes in the period	Notes	Share capital	Share premium	Translation reserve (Note 20)	Other reserves (Note 20)	Hedging reserves	Retained earnings - Remensuration (Note 23)	Retained earnings	Consolidated net profit for the period	Sub-Total	Non-controlling interests (Nota 21)	Total
<b>Balance as on 1 January 2013</b>		829,251	82,006	(47,624)	2,684,537	(6,365)	(98,503)	1,614,572	343,300	5,401,174	1,304,800	6,705,974
Consolidated net profit for the period	10	-	-	-	-	-	-	-	26,740	26,740	23,451	50,191
Changes in consolidation perimeter		-	-	-	-	-	-	-	-	-	(1,139)	(1,139)
Other gains and losses recognised in equity		-	-	(26,883)	-	2,735	35,772	-	-	11,624	(14,315)	(2,691)
Comprehensive income for the period		-	-	(26,883)	-	2,735	35,772	-	26,740	38,364	7,997	46,361
Dividends distributed / Interim dividends		-	-	-	-	-	-	(99,510)	-	(99,510)	(750)	(100,260)
Increase of equity in subsidiaries		-	-	-	(92)	-	-	-	-	(92)	-	(92)
Appropriation of profit to reserves		-	-	-	-	-	-	343,300	(343,300)	-	655	655
<b>Balance as on 30 June 2013</b>		829,251	82,006	(74,507)	2,684,445	(3,630)	(62,731)	1,858,362	26,740	5,339,936	1,312,702	6,652,638
<b>Balance as on 1 January 2014</b>		829,251	82,006	(284,118)	2,680,439	(1,408)	(72,875)	1,738,950	188,661	5,160,906	1,254,894	6,415,800
Consolidated net profit for the period	10	-	-	-	-	-	-	-	74,780	74,780	26,822	101,602
Other gains and losses recognised in equity		-	-	88,822	-	860	17,276	-	-	106,958	33,628	140,586
Comprehensive income for the period		-	-	88,822	-	860	17,276	-	74,780	181,738	60,450	242,188
Dividends distributed / Interim dividends	30	-	-	-	-	-	-	(119,412)	-	(119,412)	(4,330)	(123,742)
Increase of equity in subsidiaries		-	-	-	-	-	-	-	-	-	9,295	9,295
Appropriation of profit to reserves		-	-	-	-	-	-	188,661	(188,661)	-	-	-
<b>Balance as on 30 June 2014</b>		829,251	82,006	(195,296)	2,680,439	(548)	(55,599)	1,808,199	74,780	5,223,232	1,320,309	6,543,541

The accompanying notes form an integral part of the consolidated changes in equity as on 30 June 2014.

# Report and Accounts – First half of 2014

## Galp Energia, SGPS, S.A. and subsidiaries

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED ON 30 JUNE 2014 AND 2013

(Amounts expressed in thousands of euros – €k)

	Notes	June 2014	June 2013
<b>Consolidated net profit for the period:</b>	10	<b>74,780</b>	<b>26,740</b>
<u>Other comprehensive income of the period which in the future will not be recycled through results:</u>			
Remeasurement		17,276	32,351
Remeasurement — tax component	9	-	3,421
		17,276	35,772
<u>Other comprehensive income of the period which in the future will be recycled through results:</u>			
Currency translation differences (Group companies)	20	63,783	7,103
Currency translation differences (associated companies / jointly controlled)	4 e 20	8,581	(5,824)
Currency translation differences — goodwill	11 e 20	(1,885)	(220)
Currency translation differences — financial endowment ( <i>quasi</i> equity)	20	27,987	(42,914)
Deferred tax associated with the components of currency translation differences — financial endowments ( <i>quasi</i> equity)	9 e 20	(9,644)	14,972
		88,822	(26,883)
Other increases / decreases in hedging reserves (Group companies)	27 e 20	1,241	3,687
Deferred tax associated with the components of hedging reserves (Group companies)	9 e 20	(332)	(1,060)
Other increases / decreases in hedging reserves (associated companies / jointly controlled)	27 e 20	(46)	147
Deferred tax associated with the components of hedging reserves (associated companies / jointly controlled)	9 e 20	(3)	(39)
		860	2,735
<b>Comprehensive income net of income tax</b>		<b>106,958</b>	<b>11,624</b>
<b>Comprehensive income before non-controlling interests:</b>		<b>181,738</b>	<b>38,364</b>
Comprehensive income of non-controlling interests		60,450	7,997
<b>Total comprehensive income</b>		<b>242,188</b>	<b>46,361</b>

The accompanying notes form an integral part of the consolidated comprehensive income as on 30 June 2014.

# Report and Accounts – First half of 2014

## Galp Energia, SGPS, S.A. and subsidiaries

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED ON JUNE 2014 AND 2013

(Amounts expressed in thousands of euros – €k)

	Notes	June 2014	June 2013	December 2013
<b>Operating activities:</b>				
Cash receipts from trade receivables		9,864,973	10,067,395	20,505,082
Cash paid to trade payables		(7,198,854)	(7,526,365)	(14,714,036)
Cash paid to employees		(119,065)	(122,705)	(234,211)
Cash (paid) / received relating to tax on oil products		(1,148,719)	(1,072,177)	(2,418,105)
Cash (paid) / received relating to income tax		(54,078)	(71,391)	(153,589)
Contributions to the pension fund	23	(409)	-	(2,398)
Cash paid to early retired and pre-retired employees	23	(4,083)	(8,456)	(18,666)
Cash paid relating to insurance costs of retired employees	23	(45)	(5,533)	(11,857)
Other (payments) / receipts relating to operating activities		(1,113,745)	(1,056,972)	(2,150,845)
<b>Net cash provided by / used in operating activities (1)</b>		<b>225,975</b>	<b>203,796</b>	<b>801,375</b>
<b>Investing activities:</b>				
Cash receipts relating to:				
Investments	4	-	18,339	129,459
Tangible assets		556	252	901
Government grants	13	-	6	550
Interest and similar income		12,490	18,561	45,071
Dividends	4	27,854	35,490	64,400
Loans granted		80,727	20,584	40,125
		<b>121,627</b>	<b>93,232</b>	<b>280,506</b>
Cash payments relating to:				
Investments	4	(75,867)	(89,216)	(215,693)
Tangible assets		(322,427)	(398,980)	(705,753)
Intangible assets		(18,333)	(14,734)	(52,016)
Loans granted		(856)	(631)	(1,031)
		<b>(417,483)</b>	<b>(503,561)</b>	<b>(974,493)</b>
<b>Net cash provided by / used in investing activities (2)</b>		<b>(295,856)</b>	<b>(410,329)</b>	<b>(693,987)</b>
<b>Financing activities:</b>				
Cash receipts relating to:				
Loans obtained		9,104	3,708,338	2,250,729
Interest and similar income		545	10,913	2,159
Discounted notes		3,566	5,578	10,237
		<b>13,215</b>	<b>3,724,829</b>	<b>2,263,125</b>
Cash payments relating to:				
Loans obtained		(362,200)	(3,236,863)	(2,114,094)
Interest on loans obtained		(48,850)	(88,481)	(151,900)
Dividends	30	(123,742)	(103,098)	(221,956)
Repayment of discounted notes		(1,779)	(364)	(2,004)
Payment of finance lease contracts and respective interests		-	(4)	(5)
Interest on bonds		(35,653)	(28,048)	(71,464)
		<b>(572,224)</b>	<b>(3,456,858)</b>	<b>(2,561,423)</b>
<b>Net cash provided by / used in financing activities (3)</b>		<b>(559,009)</b>	<b>267,971</b>	<b>(298,298)</b>
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(628,890)	61,438	(190,910)
Effect of foreign exchange rate changes		13,804	(8,397)	(134,927)
Cash and cash equivalents at the beginning of the period	18	1,405,238	1,733,199	1,733,199
Change in consolidation perimeter		693	(2,124)	(2,124)
Cash and cash equivalents at the end of the period	18	790,845	1,784,116	1,405,238

The accompanying notes form an integral part of the consolidated cash flows as on 30 June 2014.

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## **GALP ENERGIA, SGPS, S.A. AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS ON 30 JUNE 2014**

(Amounts expressed in thousands of euros – €k)

#### **1. INTRODUCTION**

##### **a) Parent company:**

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

The Company shareholder position as of 30 June 2014 is stated in Note 19.

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

##### **b) The Group:**

As at June 30, 2014 the Galp Energia Group (the Group) is made up of Galp Energia and its subsidiaries, which include, among others: (i) Petróleos de Portugal Petrogal, S.A. (Petrogal) and its subsidiaries, which operate upstream and downstream in the crude oil and related derivatives sector; (ii) GDP Gás de Portugal, SGPS, S.A. and its subsidiaries, which operate in the natural gas sector; (iii) Galp Power, SGPS, S.A. and its subsidiaries, which operate in the electricity and renewable energy sector; and (iv) Galp Energia, S.A. which integrates the corporate support services.

##### **b1) Crude oil upstream operations**

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

##### **b2) Crude oil downstream operations**

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

##### **b3) Natural gas activity and electricity production and commercialisation**

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

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

The Power activity generates electricity and thermal power, which is supplied to large industrial customers and residential ones.

Galp Energia presently participates in wind farms and in six cogeneration plants, one being under construction, with a total installed capacity of 254 MW.

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The natural gas activity includes (i) procurement and supply; and (ii) distribution and supply.

The procurement and supply of natural gas segment supplies natural gas to large industrial customers, with annual consumptions of more than 2 mm<sup>3</sup>, power cogeneration companies, natural gas distribution companies and Autonomous Gas Unit (AGU). So as to meet the demand of its customers, Galp Energia has long-term supply contracts with companies in Algeria and Nigeria.

The natural gas distribution and supply activity in Portugal includes the natural gas distribution and supply companies in which Galp Energia has a significant stake. Its purpose is to sell natural gas to those residential, commercial and industrial customers with annual consumptions of less than 2 mm<sup>3</sup>. Galp Energia is also a player in the Spanish regulated market, supplying low pressure natural gas, through its subsidiaries, to 38 neighbouring municipalities of Madrid. This activity includes the supply of natural gas to end customers, both regulated and non-regulated, in the area covered by the distribution activity.

The natural gas subsidiaries of Galp Energia Group that store and supply natural gas in Portugal operate based on concession contracts entered into with the Portuguese State, which end in 2045 for the storage activity and in 2047 for the supply activity. At the end of these periods, the assets relating to the concessions will be transferred to the Portuguese State and the companies will receive an amount corresponding to the book value of these assets at that date, net of depreciation, financial co-participation and Government grants.

The accompanying financial statements are presented in the functional currency euros, as this is the currency preferentially used in the financial environment in which the Company operates.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The Board of Directors believes that the consolidated financial statements and the accompanying notes provide for a fair presentation of the consolidated interim financial information prepared in accordance with IAS 34 Interim Financial Reporting. Estimates that affect the amounts of assets and liabilities and income and costs were used in preparing the consolidated financial statements. The estimates and assumptions used by the Board of Directors were based on the best information available regarding events and transactions in process at the time of approval of the consolidated financial statements.

In respect to the construction contracts contemplated by the IFRIC12, construction activity for assets under concession is subcontracted to specialised entities which assume their own construction activity risk. Income and expenses associated with the construction of these assets are of equal amounts and are recognised as other operating costs and other operating income.

As of 30 June 2014, only material changes required by IFRS 7 were disclosed. For all other disclosures under this standard refer to the Company's consolidated financial statements as on 31 December 2013.

### 2.1. CHANGES IN ACCOUNTING POLICIES

Resulting from the mandatory application from 1 January 2014, on Galp Energia Group, of IFRS 11 – Joint Arrangements, the Group identified (i) Sigás Armazenagem de Gás, ACE; and (ii) Multiserviços Galp Barcelona, UTE, as entities in which the shareholders have the joint operational and financial control over the assets and liabilities of the companies. Accordingly, the

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assets, liabilities, gains and losses were integrated in each owner company in the corresponding percentage held, i.e. 60% and 50%, respectively. The impacts on the financial statements are presented in Note 3.

As at June 30, 2014, the Group reclassified gains and losses relating to Energy Trading operations (time value of future CO<sub>2</sub> and electricity contracts) from the caption of "Other financial income and expenses" to the caption "Financial instruments". Comparative amounts have been restated as on 30 June 2013, with the effects on the income statement shown in the tables below:

### Income Statement:

	Note	June 2013	Adjustments	June 2013 restated
Financial income	8	58,178	(22,084)	36,094
Financial expense	8	(114,245)	27,500	(86,745)
Exchange gains (losses)		(328)	-	(328)
Results of investments in associates and jointly controlled entities	4	31,006	-	31,006
Results of financial instruments	27	571	(6,228)	(5,657)
Other gains and losses		(812)	812	-
<b>Financial results</b>		<b>(25,630)</b>	<b>-</b>	<b>(25,630)</b>

### 3. CONSOLIDATED COMPANIES

During the periods ended on 30 June 2014, the scope of consolidation changed compared to the year ended on 31 December 2013.

#### **a) Companies established:**

- The subsidiary Petróleo de Portugal – Petrogal, S.A., holds interests in companies based in the African continent that operate in the area of marketing of oil. As a part of an organisational restructuring within the group, we intend to allocate these shares in a new company owned 100% by the Petróleo de Portugal – Petrogal, S.A. For this purpose, Petróleo de Portugal – Petrogal, S.A. subscribed and paid 100% of the capital Galp Marketing Internacional, S.A., which was established in February 2013 and has not yet conducted any operations for the year ended on 30 June 2014.

#### **b) Acquired companies:**

- In May 2014, through its subsidiary GDP – Gás de Portugal, SGPS, S.A., the Group acquired from Jorge Mendes, a 0.032% stake in the subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A. by the amount of €23 k. With this acquisition the Group now holds 96.8429% of the shares in the subsidiary.

The subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A, was already controlled by the Group and consolidated by the full consolidation method (owned 96.8109%). The difference between the amount paid and the book value of equity at the acquisition date, was recognised in the statement of consolidated results under the heading "Results of investments in associates and jointly controlled entities" in the amount of €2 k (Note 4.2).

#### **c) IFRS 11 – Joint arrangements:**

With the application of IFRS 11 – Joint arrangements, the subsidiaries (i) Sigás Armazenagem de Gás, ACE; and (ii) Multiserviços Galp Barcelona, began to be integrated into the individual accounts of the shareholders of its capital by the percentage held, and consequently started to be included in the consolidated financial statements (Note 4.1).



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The entries on the perimeter for the periods ended 31 December 2013 had the following impact on the consolidated financial statements of the Galp Energia Group:

### Statement of financial position

	Note	Total
<b>Non-current assets</b>		
Tangible assets	12	6,491
Intangible assets	12	467
<b>Current assets</b>		
Trade receivables		595
Other receivables		1,156
Cash and cash equivalents		693
<b>Total assets</b>		<b>9,402</b>
<b>Equity</b>		
Share capital	4.1	(1,500)
Retained earnings	4.1	352
<b>Total equity</b>	4.1	<b>(1,148)</b>
<b>Non-current liabilities</b>		
Bank loans		(6,911)
<b>Current liabilities</b>		
Other payables		(1,343)
<b>Total liabilities</b>		<b>(8,254)</b>
<b>Total acquired / incorporated</b>		<b>-</b>

The amounts presented in the table above were not considered material, as such no restatement to the financial statements was done with reference to 31 December 2013.

### **d) Other operations:**

- In December 2013 Galp Energia Portugal Holding, B.V. held a 100% stake in the subsidiary Galp Energia Rovuma, B.V., holder of the investments made in Mozambique (Area 4).

Considering the organisational structure of the Group for the E&P business, Galp East Africa, B.V., subsidiary of Galp Energia E&P, B.V., was established, in order to hold the investments made in Mozambique (Area 4).

In the period ended 30 June 2014 through a capital increase by Galp East Africa, B.V., the subsidiary Galp Energia Rovuma, B.V. became 75% owned by the subsidiary Galp East Africa, B.V. and 25% by the subsidiary Galp Energia Portugal Holding, B.V.

Given that this was a transaction between two companies within the Group, there was no impact on the consolidated financial statements of the Group.

- In the period ended on 30 June 2014, Petróleos de Portugal – Petrogal, S.A. sold to the subsidiary Galpgeste – Gestão de Áreas de Serviço, S.A., 4% of the capital held in Tagus Re, S.A. With this operation the subsidiaries Petróleos de Portugal – Petrogal, S.A. and Galpgeste – Gestão de Áreas de Serviço, S.A. now hold, respectively, 94% and 6% of the shares and voting rights in the subsidiary Tagus Re, S.A.

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Given that this was a transaction between two companies within the Group, there was no impact on the consolidated financial statements of the Group.

## 4. INVESTMENTS IN ASSOCIATES

### 4.1. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The changes in the caption “Investments in jointly controlled entities” for the periods ended 30 June 2014 were as follows:

Company		Opening balance	Increase in participation	Gain / Loss	Translation adjustment	Hedging reserves adjustment	Dividends	Transfers / adjustments	Ending balance
<b>Investments</b>									
Tupi B.V.	(a)	316,785	71,303	5,142	3,435	-	-	-	396,665
Belem Bioenergia Brasil, S.A.	(b)	43,492	4,577	232	3,463	-	-	-	51,764
C.L.C. — Companhia Logística de Combustíveis, S.A.		25,022	-	2,213	-	-	(5,523)	-	21,712
Galp Disa Aviación, S.A.		7,399	-	898	-	-	-	-	8,297
Parque Eólico da Penha da Gardunha, Lda.		1,648	-	(20)	-	-	-	-	1,628
Galpbúzi — Agro-Energia, S.A.	(c)	351	70	(29)	(6)	-	-	-	386
Moçamgalp Agroenergias de Moçambique, S.A.		690	-	(24)	-	-	-	-	666
Asa — Abastecimento e Serviços de Aviação, Lda.		21	-	9	-	-	-	-	30
Belem Bio Energy, B.V.		-	-	14	(9)	-	-	-	5
Caiageste — Gestão de Áreas de Serviço, Lda.	(d)	-	43	(7)	-	-	-	(34)	2
Multiservícios Galp Barcelona	(e)	1,148	-	-	-	-	-	(1,148)	-
Sigás — Armazenagem de Gás, A.C.E.	(e)	-	-	-	-	-	-	-	-
		<b>396,556</b>	<b>75,993</b>	<b>8,428</b>	<b>6,883</b>	<b>-</b>	<b>(5,523)</b>	<b>(1,182)</b>	<b>481,155</b>
<b>Provisions for investments in jointly controlled entities (Note 25)</b>									
Ventinveste, S.A.		(1,746)	-	(82)	-	(51)	-	-	(1,879)
Caiageste — Gestão de Áreas de Serviço, Lda.		(34)	-	-	-	-	-	34	-
		<b>(1,780)</b>	<b>-</b>	<b>(82)</b>	<b>-</b>	<b>(51)</b>	<b>-</b>	<b>34</b>	<b>(1,879)</b>
		<b>394,776</b>	<b>75,993</b>	<b>8,346</b>	<b>6,883</b>	<b>(51)</b>	<b>(5,523)</b>	<b>(1,148)</b>	<b>479,276</b>

- (a) €71,303 k corresponds to the capital increase made by Galp Sinopec Brazil Services, B.V. The control of the subsidiary Tupi, B.V. is shared between: Galp Sinopec Brazil Services, B.V., Petrobras Netherlands, B.V. and BG Overseas Holding, Ltd., which hold respectively 10%, 65% and 25% of its share capital.
- (b) €4,577 k corresponds to the capital increase made in Belém Bioenergia Brasil, S.A. Control of the subsidiary Belém Bioenergia Brasil, S.A. is shared between: Galp Bioenergy B.V. and Petrobrás Biocombustíveis S.A, each holding 50% of its share capital.
- (c) €70 k corresponds to supplementary payments made by Galp Exploração e Produção Petrolífera, SGPS, S.A. Control of the subsidiary Galpbúzi — Agro-Energia, S.A. is shared between: Galp Exploração e Produção Petrolífera, SGPS, S.A., Companhia do Búzi, S.A. and Jorge Manuel Catarino Petiz, which respectively hold 89.97%, 10.02% and 0.01% of its share capital.
- (d) €43k corresponds to supplementary payments made by Galpgeste — Gestão de Áreas de Serviço, S.A. Control of the subsidiary Caiageste — Gestão de Áreas de Serviço, Lda., is shared between: Galpgeste — Gestão de Áreas de Serviço, S.A. and Gespost — Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda., each holding 50% of its share capital.
- (e) With the application of IFRS 11 — Joint Arrangements, the subsidiaries Sigás — Armazenagem de Gás, A.C.E. and Multiservícios Galp Barcelona began to be integrated into the individual financial statements of the companies which hold its share capital by the percentages held.

Control of the subsidiary Sigás — Armazenagem de Gás, A.C.E., is shared between: Petróleos de Portugal — Petrogal, S.A., BP Portugal, S.A. and Repsol Polímeros, S.A. which hold, respectively, 60%, 35% e 5% of its share capital.

Control of the subsidiary Multiservícios Galp Barcelona, is shared between: Galp Energia España, S.A., and Multiservícios Aeroportuarios, S.A. which hold, 50% of its share capital.

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## 4.2. INVESTMENTS IN ASSOCIATED COMPANIES

The changes in the caption “Investments in associates and jointly controlled entities” for the periods ended 30 June 2014 were as follows:

Company	Opening balance	Gain / Loss	Translation adjustment	Hedging reserves adjustment	Dividends	Transfers / adjustments	Ending balance
<b>Investments</b>							
EMPL – Europe Magreb Pipeline, Ltd.	59,795	21,124	638	-	(20,670)	-	60,887
Gasoduto Al-Andaluz, S.A.	18,480	2,034	-	-	(4,004)	-	16,510
Gasoduto Extremadura, S.A.	15,586	2,181	-	-	(4,314)	-	13,453
Tagusgás – Empresa de Gás do Vale do Tejo, S.A.	11,483	735	-	5	-	-	12,223
Sonangalp – Sociedade Distribuição e Comercialização de Combustíveis, Lda.	9,352	145	758	-	-	-	10,255
Metragaz, S.A.	1,204	96	-	-	-	6	1,306
Terparque – Armazenagem de Combustíveis, Lda.	942	51	-	-	(194)	-	799
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	798	-	-	-	-	-	798
IPG Galp Beira Terminal, Lda.	640	-	146	-	-	-	786
Sodigás-Sociedade Industrial de Gases, S.A.R.L.	346	-	-	-	-	(65)	281
Galp IPG Matola Terminal, Lda.	320	-	156	-	-	-	476
Aero Serviços, SARL – Sociedade Abastecimento de Serviços Aeroportuários	63	-	-	-	-	-	63
	<b>119,009</b>	<b>26,366</b>	<b>1,698</b>	<b>5</b>	<b>(29,182)</b>	<b>(59)</b>	<b>117,837</b>
<b>Provision for investment in associates (Note 25)</b>							
Energim – Sociedade de Produção de Electricidade e Calor, S.A.	(1,350)	(190)	-	-	-	-	(1,540)
	<b>117,659</b>	<b>26,176</b>	<b>1,698</b>	<b>5</b>	<b>(29,182)</b>	<b>(59)</b>	<b>116,297</b>

The caption of “Results of investments in associated and jointly controlled entities” recorded in the consolidated results for the periods ended 30 June 2014 is as follows:

### Effect of applying the equity method:

Associates	26,176
Jointly controlled entities	8,346
<u>Differences in acquisition of equity shares of Group companies and associates (Note 3):</u>	
Aquisition of 0.032% of the share in Lusitaniagás – Companhia de Gás do Centro, S.A.	2
Other	5
	<b>34,529</b>

A total amount of € 34,705 k of dividends corresponding to the amounts approved by the general shareholders meeting of the respective companies was reflected in the caption of “Investments in associates and jointly controlled entities” (Note 4.1 and 4.2). The amount of dividends received during the year ended 31 December 2013 was € 27,854 k.

The difference between the amount received and the amount recognised under “Investments in associates and jointly controlled entities” amounting to €6,851 k refers to: (i) €8,317 k approved by the general shareholders assembly of the respective companies that have not yet been settled ; (ii) €14 k unfavourable exchange differences that occurred at the time of payment and which were reflected in the caption “Exchange differences gains (losses)” in the income statement; and (iii) €1,452 k of dividends received from assets available for sale.

The positive goodwill related to associated companies, which is included under the caption “Investments in associates and jointly controlled entities” was subject to impairment testing made by cash generating unit, the detail of which as on 30 June 2014 and 31 December 2013 was:

	2014	2013
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939

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## 4.3. ASSETS AVAILABLE FOR SALE

During the period ended 30 June 2014, there were no significant changes in the caption “Assets held for sale”, compared to the consolidated financial statements of the Company on 31 December 2013. For further clarification, refer to the consolidated financial statements of the Company as on 31 December 2013 and the respective Notes.

## 5. OPERATING INCOME

The Group’s operating income for the periods ended on 30 June 2014 and 2013 is as follows:

Captions	2014	2013
Sales		
Merchandise	4,102,822	3,616,687
Products	4,503,431	5,228,188
	<b>8,606,253</b>	<b>8,844,875</b>
Services rendered	<b>251,466</b>	<b>249,673</b>
Other operating income:		
Supplementary income	21,057	26,738
Revenues arising from the construction of assets under IFRIC12	14,632	31,890
Operating government grants	2	5,218
Internally generated assets	165	198
Investment government grants (Note 13)	5,097	5,180
Gain on fixed assets	723	457
Other	4,973	10,152
	<b>46,649</b>	<b>79,833</b>
	<b>8,904,368</b>	<b>9,174,381</b>

Sales of fuel include the Portuguese Tax on Oil Products (ISP).

The variation on the caption “Sales” is mainly due to a decrease in the amount of crude oil processed in the case of product sales, which was offset by an increase in gas trading for export.

The regulated revenue to be refunded in 2013-2014 gas year was approved by the Portuguese Energy Regulator (ERSE); therefore the Group recognises in the consolidated income statement the reversal of the amount of the approved tariff deviation.

Regarding the construction contracts subject to IFRIC12, construction activity of the concession assets is subcontracted to specialised entities which assume their own construction activity risk. Income and expenses associated with the construction of these assets are of equal amounts and are immaterial when compared to total revenues and operating costs and can be detailed as follows:

	2014	2013
Costs arising from the construction of assets under IFRIC12 (Note 6)	(14,632)	(31,890)
Revenues arising from the construction of assets under IFRIC12	14,632	31,890
<b>Margin</b>	<b>-</b>	<b>-</b>

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## 6. OPERATING COSTS

The results for the periods ended 30 June 2014 and 2013 were affected by the following items of operating costs:

Captions	2014	2013
<b>Cost of sales:</b>		
Raw and subsidiary materials	4,178,507	4,117,436
Merchandise	2,092,018	2,548,731
Tax on oil products	1,227,102	1,222,388
Variation in production	132,893	108,472
Impairment in inventories (Note 16)	6,071	(5,121)
Financial derivatives (Note 27)	10,063	8,524
	<b>7,646,654</b>	<b>8,000,430</b>
<b>External supplies and services:</b>		
Subcontracts — gas network usage	162,008	148,938
Subcontracts	2,384	1,041
Transport of merchandise	81,756	60,598
Storage and filling	34,581	34,167
Rental costs	42,026	40,610
Blocks production costs	50,589	32,262
Maintenance and repairs	30,124	25,253
Insurance	21,378	21,418
Royalties	21,781	14,016
IT services	11,753	14,179
Commissions	9,040	9,971
Publicity	6,907	3,635
Electricity, water and communications	9,076	25,825
Technical assistance and inspection	5,829	4,859
Port services and fees	3,716	3,589
Other specialized services	28,054	33,278
Other external supplies and services	12,378	12,317
Other costs	28,778	30,812
	<b>562,158</b>	<b>516,768</b>
<b>Employee costs:</b>		
Statutory boards remuneration (Note 29)	3,216	5,015
Employee remuneration	103,290	116,241
Social charges	26,730	26,948
Retirement benefits — pensions and insurance	18,530	15,896
Other insurance	4,778	5,561
Capitalisation of employee costs	(2,844)	(4,069)
Other costs	4,812	6,405
	<b>158,512</b>	<b>171,997</b>
<b>Amortisation, depreciation and impairment:</b>		
Amortisation and impairment of tangible assets (Note 12)	225,402	249,331
Amortisation and impairment of intangible assets (Note 12)	16,556	14,458
Amortisation and impairment of concession arrangements (Note 12)	20,915	20,291
	<b>262,873</b>	<b>284,080</b>
<b>Provision and impairment of receivables:</b>		
Provisions and reversals (Note 25)	(3,747)	7,740
Impairment loss on trade receivables (Note 15)	15,165	17,688
Impairment loss (gain) on other receivables (Note 14)	437	472
	<b>11,855</b>	<b>25,900</b>
<b>Other operating costs:</b>		
Other taxes	7,206	7,430
Costs arising from the construction of assets under IFRIC12 (Note 5)	14,632	31,890
Loss on tangible assets	549	1,506
Donations	671	1,279
CO <sub>2</sub> Licenses	2,318	5,223
Other operating costs	6,106	8,705
	<b>31,482</b>	<b>56,033</b>
	<b>8,673,534</b>	<b>9,055,208</b>

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The variation in the caption “Cost of sales” is mainly due to a reduction in the amount of crude oil processed in the case of product sales, which was offset by an increase in trading gas for export.

The caption “Subcontracts – gas network usage” refers to charges for:

- Distribution network usage(URD);
- Transportation network usage (URT);
- Global system usage (UGS).

The amount of €162,008 k recorded in this caption includes the amount of €40,206 k charged by Ren Gasodutos, €50,848 k charged by EDP Distribuição Energia and €40,157 k charged by Madrileña Red de Gas.

## 7. SEGMENT REPORTING

### Business segments

The Group is organised into four business segments which were defined based on the type of products sold and services rendered, with the following business units:

- Gas & Power;
- Refining & Marketing of oil products;
- Exploration & Production; and
- Other.

For the business segment "Others", the Group considered the holding company Galp Energia, SGPS, S.A., and companies with different activities including Tagus Re, S.A. and Galp Energia, S.A., a reinsurance company and a provider of services at the corporate level, respectively.

Note 1 presents a description of the activities of each business segment.

Below is the financial information on the previously identified segments, as on 30 June 2014 and 2013:

	Gas & Power		Refining & Marketing of oil products		Exploration & Production		Other		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Income</b>												
Sales and services rendered	1,877,774	1,551,884	6,893,218	7,557,862	359,404	262,243	56,841	62,437	(329,518)	(339,878)	8,857,719	9,094,548
Inter-segments	129,457	137,315	1,542	6,328	151,901	144,600	46,618	51,635	(329,518)	(339,878)	-	-
External	1,748,317	1,414,569	6,891,676	7,551,534	207,503	117,643	10,223	10,802	-	-	8,857,719	9,094,548
<b>Ebitda (1)</b>	<b>243,013</b>	<b>200,364</b>	<b>39,895</b>	<b>42,417</b>	<b>210,921</b>	<b>176,141</b>	<b>11,733</b>	<b>10,231</b>	<b>-</b>	<b>-</b>	<b>505,562</b>	<b>429,153</b>
<b>Non cash costs</b>												
Amortisation and impairment losses	(31,763)	(29,415)	(141,549)	(117,690)	(87,969)	(135,316)	(1,592)	(1,659)	-	-	(262,873)	(284,080)
Provisions	(2,887)	(6,507)	(12,212)	(15,189)	14	(4,229)	3,230	25	-	-	(11,855)	(25,900)
<b>Segment results</b>	<b>208,363</b>	<b>164,442</b>	<b>(113,866)</b>	<b>(90,462)</b>	<b>122,966</b>	<b>36,596</b>	<b>13,371</b>	<b>8,597</b>	<b>-</b>	<b>-</b>	<b>230,834</b>	<b>119,173</b>
Results of investments in associates	25,878	26,209	3,563	5,936	5,088	(1,138)	-	(1)	-	-	34,529	31,006
Other non-operating results	(17,365)	(15,641)	(65,479)	(74,150)	22,575	47,720	(899)	(14,565)	-	-	(61,168)	(56,636)
Income tax	(40,857)	(53,877)	29,396	43,766	(81,952)	(36,845)	1,238	3,604	-	-	(92,175)	(43,352)
Extraordinary contribution on the energy sector	(6,945)	-	(3,473)	-	-	-	-	-	-	-	(10,418)	-
Non-controlling interest	(1,767)	(2,431)	(1,665)	(1,454)	(23,390)	(19,566)	-	-	-	-	(26,822)	(23,451)
<b>Consolidated net profit</b>	<b>167,307</b>	<b>118,702</b>	<b>(151,524)</b>	<b>(116,364)</b>	<b>45,287</b>	<b>26,767</b>	<b>13,710</b>	<b>(2,365)</b>	<b>-</b>	<b>-</b>	<b>74,780</b>	<b>26,740</b>

On 30 June 2014 and 31 December 2013

<b>Other information</b>												
<b>Assets by segment (2)</b>												
Investment (3)	106,016	108,205	97,960	92,230	397,713	317,824	169	169	-	-	601,858	518,428
Other assets	2,678,947	3,037,792	6,563,892	6,682,484	5,032,009	4,746,423	4,102,953	3,806,730	(5,637,895)	(5,074,533)	12,739,906	13,198,896
<b>Total consolidated assets</b>	<b>2,784,963</b>	<b>3,145,997</b>	<b>6,661,852</b>	<b>6,774,714</b>	<b>5,429,722</b>	<b>5,064,247</b>	<b>4,103,122</b>	<b>3,806,899</b>	<b>(5,637,895)</b>	<b>(5,074,533)</b>	<b>13,341,764</b>	<b>13,717,324</b>
<b>Total consolidated liabilities</b>	<b>1,767,932</b>	<b>2,046,388</b>	<b>5,895,856</b>	<b>5,983,288</b>	<b>905,075</b>	<b>750,619</b>	<b>3,867,255</b>	<b>3,595,763</b>	<b>(5,637,895)</b>	<b>(5,074,534)</b>	<b>6,798,223</b>	<b>7,301,524</b>
<b>Investment in tangible and intangible assets</b>	<b>16,411</b>	<b>64,153</b>	<b>41,870</b>	<b>50,038</b>	<b>347,282</b>	<b>290,334</b>	<b>2,547</b>	<b>94</b>			<b>408,110</b>	<b>404,619</b>

(1) Ebitda = Segment results / Ebit + Amortisation + Provisions

(2) Net amount

(3) In accordance with the equity method.

**Note:** the process for determining segment results and its assets and liabilities has changed, which originated a restatement to the year 2013

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## Inter-segmental sales and services rendered

Segments	Gas & Power	Refining & Marketing of oil products	Exploration & Production	Other	TOTAL
Gas & Power	-	1,360	-	11,268	12,628
Refining & Marketing of oil products	129,456	-	151,901	31,327	312,684
Exploration & Production	-	(195)	-	4,023	3,828
Other	1	377	-	-	378
	<b>129,457</b>	<b>1,542</b>	<b>151,901</b>	<b>46,618</b>	<b>329,518</b>

The main inter-segmental transactions of sales and services rendered are primarily related to:

- Gas & Power: natural gas sales for the refining process of Leixões and Sines refineries (refining and marketing of oil products);
- Refining & Marketing: supply of fuel to all Group company vehicles;
- Exploration & Production: sales of crude to the R&M of oil products segment; and
- Other: back-office and management services.

The commercial and financial transactions between related parties are performed according to the usual market conditions similar to transactions performed with independent companies.

The assumptions underlying the determination of prices in transactions between Group companies rely on the consideration of the economic realities and characteristics of the situations at hand, that is, comparing the characteristics of operations or companies that might have impact on the intrinsic conditions of the commercial transactions in analysis. In this context, among other, the goods and services traded, the functions performed by the parties (including the assets used and risks assumed), the contractual terms, the economic situation of the parties as well as their negotiation strategies, are analysed.

Compensation, in the context of related parties, corresponds to what is appropriate, by rule, to the functions performed by each company involved, taking into account the assets used and risks assumed. Thus, to determine such compensation the Group identifies the activities, the risks faced by companies in the value creating chain of goods/services traded in accordance with their functional profile, particularly, in what concerns the functions they perform – import, manufacturing, distribution, and retail.

In conclusion, market prices are determined not only by analysing the functions performed, the assets used and the risks incurred by one entity, but also considering the contribution of those elements to the Company's profitability. This analysis assesses whether the profitability indicators of the companies involved fall within the estimated ranges on the basis of the assessment of a panel of functionally comparable independent companies, thus allowing the prices to be fixed in order to respect the competition principle.

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## 8. FINANCIAL INCOME AND COSTS

Financial income and financial costs for the periods ended on 30 June 2014 and 2013 are as follows:

Captions	June 2014	June 2013
<b>Financial income:</b>		
Interest on bank deposits	13,899	23,161
Interest and other income — related companies	9,333	11,461
Other financial income	2,539	1,472 (a)
	<b>25,771</b>	<b>36,094 (a)</b>
<b>Financial costs:</b>		
Interest on bank loans, overdrafts and other	(70,242)	(79,146)
Interest — related companies	(4,736)	(4,034)
Interest capitalized in fixed assets (Note 12)	20,510	29,585
Interest on retirement benefits and other benefits	(5,846)	(6,976)
Charges regarding bank loans	(13,028)	(16,668)
Other financial costs	(9,212)	(9,506) (a)
	<b>(82,554)</b>	<b>(86,745) (a)</b>
	<b>(56,783)</b>	<b>(50,651)</b>

(a) These amounts were restated to reflect the accounting classification changes described in Note 2.1.

(a) These amounts were restated taking into account the changes in classification referred to in Note 2.1.

During the period ended 30 June 2014, the Group capitalised fixed assets in progress in the amount of €20,510 k regarding interests on loans to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

## 9. INCOME TAX

Income tax for the periods ended on 30 June 2014 and 2013 is as follows:

Captions	June 2014	June 2013
Current income tax	102,746	55,232
IRP — tax on oil income	4,534	-
Insufficiency / (excess) of income tax for the preceding year	1,113	13,301
Deferred tax	(16,218)	(25,181)
	<b>92,175</b>	<b>43,352</b>
Extraordinary contribution on the energy sector	10,418	-
	<b>102,593</b>	<b>43,352</b>

The publication of Law 83 C/2013 of 31 December, article 228 introduced the Extraordinary Contribution on the Energy Sector (CESE) into Portuguese legislation.

Based on this law, the Group estimated for the first semester of 2014 an amount of €10,418 k (Note 25).



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The Group has recorded current income tax payable in the amount of €41,477 k.

## Deferred taxes

The balance of deferred tax assets and liabilities as on 30 June 2014 is as follows:

Captions	Deferred tax June 2014 – assets					
	Opening balance	Effect in results	Effect in equity	Effect of foreign currency exchange	Other adjustments	Ending balance
Adjustments to accruals and deferrals	10,330	(1,434)	-	-	-	8,896
Adjustments to tangible and intangible assets	24,802	(5,046)	-	638	-	20,394
Adjustments to inventories	471	(265)	-	-	-	206
Overlifting adjustments	119	2,883	-	5	-	3,007
Retirement benefits and other benefits	89,442	2,507	-	-	-	91,949
Double economic taxation	12,171	-	-	-	-	12,171
Financial instruments	335	-	(335)	-	-	-
Tax losses carried forward	13,137	(3,346)	-	4	-	9,795
Regulated revenue	7,807	4,365	-	-	-	12,172
Non deductible provisions	27,087	1,493	-	374	1,118	30,072
Non deductible financial expenses	18,070	(3,400)	-	-	-	14,670
Potential foreign exchange differences Brazil	51,513	(675)	(13,737)	10,568	-	47,669
Other	15,790	6,828	-	-	13	22,631
	<b>271,074</b>	<b>3,910</b>	<b>(14,072)</b>	<b>11,589</b>	<b>1,131</b>	<b>273,632</b>

Captions	Deferred tax June 2014 – liabilities					
	Opening balance	Effect in results	Effect in equity	Effect of foreign currency exchange	Other adjustments	Ending balance
Adjustments to accruals and deferrals	(265)	35	-	1	3	(226)
Adjustments to tangible and intangible assets	-	(8,811)	-	(29)	-	(8,840)
Adjustments to tangible and intangible assets fair value	(20,091)	1,415	-	-	-	(18,676)
Adjustments to inventories	-	(650)	-	-	-	(650)
Underlifting adjustments	(4,816)	4,163	-	(33)	-	(686)
Dividends	(61,070)	10,676	-	(1)	-	(50,395)
Financial instruments	(38,890)	2,077	-	-	-	(36,813)
Accounting revaluations	(3,076)	94	-	-	7	(2,975)
Other	(369)	13	-	-	(1)	(357)
	<b>(128,577)</b>	<b>9,012</b>	<b>-</b>	<b>(62)</b>	<b>9</b>	<b>(119,618)</b>

Potential foreign exchange differences from Brazil result from the tax option to tax potential foreign exchange differences only when they are realised. The amount of €13,737 k reflected in equity includes €9,644 k regarding deferred taxes resulting from currency exchange differences of financial endowments that are similar to quasi equity (Note 20) and €4,093 k regarding non-controlling interests.

Due to the publication of the Real Decreto-Ley 20/2012 of 13 July, a limiting clause on the deduction of net financial charges amounting to 30% of operating income with certain conditions was introduced in the Spanish tax legislation, and also noted that it is allowed the tax recognition of net financial charges of €1,000 k regardless of the operating result obtained.

The impact of financial charges not fiscally accepted on the Group's subsidiaries established in Spanish territory amounted to a tax amount of approximately €14,670 k.

Given that the previously mentioned law decree establishes a compensation period for such costs of 18 years and given that the Company believes that the recovery will take place during this timeline, a deferred tax asset by the same amount was recorded.

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In the first semester of 2014, the Group recognised deferred assets amounting to €3,296 k (R\$10,382,236.99), associated with Block BMS-11, due to the difference between the tax basis determined in accordance with the Special Participation Tax (SPT) and the accounting basis of abandonment provision, depreciation and signing bonus.

## 10. EARNINGS PER SHARE

Earnings per share for the periods ended on 30 June 2014 and 2013 are as follows:

	June 2014	June 2013
<b>Net income</b>		
Net income for purposes of calculating earnings per share (consolidated net profit for the period)	74,780	26,740
<b>Number of shares</b>		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
<b>Basic earnings per share (amounts in euros):</b>	<b>0.09</b>	<b>0.03</b>

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

## 11. GOODWILL

The difference between the amounts paid to acquire a stake in Group companies and the fair value of the acquired company's equity was on 30 June 2014, as follows:

Subsidiary	Aquisition year	Aquisition cost	Proportion of equity acquired at the acquisition date		Movement in goodwill			
			%	Amount	2013	Exchange differences (d)	2014	
<b>Galp Energia España, S.A.</b>								
Galp Comercialización Oil España, S.L.	(a)	2008	176,920	100.00%	129,471	47,449	-	47,449
Petróleos de Valência, S.A. Sociedad Unipersonal	(a)	2005	13,937	100.00%	6,099	7,838	-	7,838
Galp Distribución Oil España, S.A.U.	(b)	2008	172,822	100.00%	123,611	49,211	-	49,211
						<b>104,498</b>	-	<b>104,498</b>
<b>Petróleos de Portugal — Petrogal, S.A.</b>								
Galp Comercialização Portugal, S.A.	(c)	2008	146,000	100.00%	69,027	50,556	-	50,556
						<b>50,556</b>	-	<b>50,556</b>
Madriñeira Suministro de Gas, S.L.		2010	43,356	100.00%	12,641	29,766	-	29,766
Galp Swaziland (PTY), Ltd.		2008	18,117	100.00%	651	18,422	(1,750)	16,672
Madriñeira Suministro de Gas SUR, S.L.		2010	12,523	100.00%	3,573	8,686	-	8,686
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	5,568
Galp Gambia, Limited		2008	6,447	100.00%	1,693	4,966	(380)	4,586
Empresa Nacional de Combustíveis — Enacol, S.A.R.L	2007 e 2008	8,360	15.77%	4,031	4,329	-	-	4,329
Galp Moçambique, Lda.	2008	5,943	100.00%	2,978	2,858	245	-	3,103
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	2006	3,094	25.00%	1,454	1,640	-	-	1,640
	2002/3 e							
Lusitaniagás — Companhia de Gás do Centro, S.A.	2007/8/9	1,440	1.543%	856	584	-	-	584
Probigal — Liganes Betuminosos, S.A.	2007	720	10.00%	190	530	-	-	530
Gasinsular — Combustíveis do Atlântico, S.A.	2005	50	100.00%	(353)	403	-	-	403
Saaga — Sociedade Açoreana de Armazenagem de Gás, S.A.	2005	858	67.65%	580	278	-	-	278
	2003/6 e							
Beiragás — Companhia de Gás das Beiras, S.A.	2007	152	0.94%	107	51	-	-	51
Galp Sinopec Brazil Services (Cyprus)	2012	3	100.00%	1	2	-	-	2
					<b>233,137</b>	<b>(1,885)</b>	-	<b>231,252</b>

- The subsidiaries Petróleos de Valência, S.A. Sociedad Unipersonal and Galp Comercialización Oil España, S.L. were incorporated in Galp Energia España, S.A., through a merger process, during the year ended on 31 December 2010.
- The subsidiary Galp Distribución Oil España, S.A.U., was incorporated in Galp Energia España, S.A. through a merger process, during the year ended on 31 December 2011.
- The subsidiary Galp Comercialização Portugal, S.A., was incorporated in Petróleos de Portugal – Petrol, S.A. through a merger process, during the year ended on 31 December 2010.
- The exchange differences arise from the conversion of goodwill recorded in local companies' currency to Group's reporting currency (euros) at the exchange rate prevailing on the date of the financial statements (Nota 20).

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## 12. TANGIBLE AND INTANGIBLE ASSETS

Composition of tangible and intangible assets on 30 June 2014 and on 31 December 2013:

	June 2014			December 2013		
	Assets - Gross	Accumulated depreciation, depreciation and impairment	Assets – net	Assets – gross	Accumulated depreciation, depreciation and impairment	Assets – net
<b>Tangible assets</b>						
Land and natural resources	275,183	(1,833)	273,350	275,076	(2,062)	273,014
Buildings and other constructions	928,485	(644,959)	283,526	911,375	(619,064)	292,311
Machinery and equipment	6,751,193	(4,144,960)	2,606,233	6,571,457	(3,895,755)	2,675,702
Transport equipment	32,539	(27,887)	4,652	32,877	(28,041)	4,836
Tools and utensils	4,553	(4,022)	531	4,523	(3,939)	584
Administrative equipment	175,409	(156,615)	18,794	172,768	(148,740)	24,028
Reusable containers	158,566	(146,475)	12,091	158,605	(145,261)	13,344
Other tangible assets	98,269	(85,970)	12,299	99,899	(86,387)	13,512
Tangible assets in progress	1,611,897	-	1,611,897	1,267,812	-	1,267,812
Advances to suppliers of tangible assets	14	-	14	146	-	146
	<b>10,036,108</b>	<b>(5,212,721)</b>	<b>4,823,387</b>	<b>9,494,538</b>	<b>(4,929,249)</b>	<b>4,565,289</b>
<b>Intangible assets</b>						
Research and development costs	285	(271)	14	285	(266)	19
Industrial property and other rights	553,530	(287,895)	265,635	542,965	(271,366)	271,599
Reconversion of consumption to natural gas	551	(427)	124	551	(423)	128
Goodwill	19,432	(10,200)	9,232	19,514	(10,282)	9,232
Other intangible assets	498	(498)	-	582	(505)	77
Concession arrangements	1,779,927	(561,520)	1,218,407	1,766,149	(540,614)	1,225,535
Intangible assets in progress of concession arrangements	4,162	-	4,162	3,340	-	3,340
Intangible assets in progress	33,482	-	33,482	34,971	-	34,971
	<b>2,391,867</b>	<b>(860,811)</b>	<b>1,531,056</b>	<b>2,368,357</b>	<b>(823,456)</b>	<b>1,544,901</b>

Tangible and intangible assets are recorded in accordance with the accounting policy defined by the Group which is described in the accompanying notes to the consolidated financial statements on 31 December 2013 (Note 2.3 and Note 2.4). The depreciation / amortisation rates are disclosed in the same note.

### Main occurrences during the periods ended 30 June 2014:

The net change of increases and decreases in the caption “Tangible and intangible assets” for the periods ended on 30 June 2014 amounts to €244,253 k, which includes:

	Tangible		Intangible		Total		
	Gross value	Accumulated depreciation	Gross value	Accumulated amortisation	Gross value	Accumulated depreciation / amortisation	Net book value
<b>Opening balance (1 January 2014)</b>	<b>9,494,538</b>	<b>(4,929,249)</b>	<b>2,368,357</b>	<b>(823,456)</b>	<b>11,862,895</b>	<b>(5,752,705)</b>	<b>6,110,190</b>
Additions	417,661	-	20,544	-	438,205	-	438,205
Additions by financial costs capitalisation (Note 8)	20,510	-	-	-	20,510	-	20,510
Write-offs / sales	(17,571)	3,800	(331)	319	(17,902)	4,119	(13,783)
Impairment variations	(8,624)	1,828	(286)	367	(8,910)	2,195	(6,715)
Adjustments	96,846	(55,543)	2,916	5	99,762	(55,538)	44,224
Amortisation of the period	-	(208,217)	-	(37,846)	-	(246,063)	(246,063)
Changes in the consolidation perimeter (Note 3)	32,748	(25,340)	667	(200)	33,415	(25,540)	7,875
<b>Total movements</b>	<b>541,570</b>	<b>(283,472)</b>	<b>23,510</b>	<b>(37,355)</b>	<b>565,080</b>	<b>(320,827)</b>	<b>244,253</b>
<b>Closing balance (30 June 2014)</b>	<b>10,036,108</b>	<b>(5,212,721)</b>	<b>2,391,867</b>	<b>(860,811)</b>	<b>12,427,975</b>	<b>(6,073,532)</b>	<b>6,354,443</b>

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Increases in the amount of €458,715 k mainly include:

i) Exploration & Production segment

- €234,324 k regarding exploration and development investments in blocks in Brazil;
- €35,187 k regarding exploration investments in Block 32 in Angola;
- €30,407 k regarding exploration and development investments in blocks 14 and 14K in Angola ;
- €30,206 k regarding exploration investments in Block 4 in Mozambique;
- €4,782 k regarding exploration investments in blocks 3 and 4 in Uruguay;
- €3,511 k regarding oil exploration on the Portuguese coast; and
- €2,934 k regarding exploration investments in Morocco.

ii) Gas & Power segment

- €14,632 k regarding natural gas infrastructure construction (network, plot and other infrastructures) covered by IFRIC 12 (Notes 5 e 6).

iii) Refining & Marketing segment

- The Sines and Porto refineries conducted industrial investments amounting to €25,116 k, which include €20,007 k relating to the general shutdown of Sines; and
- €11,918 k relating to the retail business Unit and are essentially due to the remodelling of stations, convenience stores, expansion of activities and development of information systems.

In the period ended 30 June 2014 tangible and intangible assets that were sold and disposed of amount to €17,902 k, of which €13,097 k are related to write-off due to the abandonment of blocks in Brazil and the remaining amount is the result of updating the register of fixed assets, mainly due to write-offs relating to the retail business Unit of which most were fully amortised.

In the period ended 30 June 2014, impairments of fixed assets amount to €175,343 k, which mainly include:

- €60,177 k regarding impairment of blocks in Namibia;
- €43,424 k regarding impairment in the retail network in Portugal and Spain;
- €21,421 k regarding impairment of operated and non-operated blocks in Brazil;
- €10,320 k regarding impairment of combined cycle-gas turbine power plants;
- €10,101 k regarding impairment of research in Aljubarrota;
- €8,446 k regarding impairment on the sea terminal of Leixões;
- €4,602 k regarding impairment of blocks in East Timor;
- €2,246 k regarding impairment of research in Angola; and
- €1,672 k regarding impairment of research in blocks in Uruguay.

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The caption “Adjustments” is composed essentially by exchange differences on the opening balance that match with the revaluation of opening balances of subsidiaries’ intangible assets, recorded in foreign currencies and converted into euros.

Depreciation / amortisation for the periods ended 30 June 2014 and 2013 are as follows:

	June 2014			June 2013		
	Tangible	Intangible	Total	Tangible	Intangible	Total
Amortisation and depreciation for the period	208,217	16,931	225,148	200,056	13,737	213,793
Amortisation and depreciation for the period — concession arrangements	-	20,915	20,915	-	20,291	20,291
Increase in impairment	19,013	-	19,013	49,317	1,088	50,405
Decrease in impairment	(1,828)	(375)	(2,203)	(42)	(367)	(409)
Amortisation, depreciation and impairment (Note 6)	<u>225,402</u>	<u>37,471</u>	<u>262,873</u>	<u>249,331</u>	<u>34,749</u>	<u>284,080</u>

The change in the consolidation perimeter consisted in the entrance of fixed assets at the date of the perimeter changes. During the periods ended on 30 June 2014 the following was included in the consolidated perimeter (Note 3):

	Tangible assets		Intangible assets		Total		Net value
	Gross	Depreciation	Gross	Depreciation	Gross	Depreciation	
Sigás — Armazenagem de Gás, A.C.E.	31,732	(25,241)	667	(200)	32,399	(25,441)	6,958
UTE Multiserviços Galp BCN	1,016	(99)	-	-	1,016	(99)	917
	<u>32,748</u>	<u>(25,340)</u>	<u>667</u>	<u>(200)</u>	<u>33,415</u>	<u>(25,540)</u>	<u>7,875</u>

Tangible and intangible assets in progress (including advances on tangible and intangible assets) in the periods ending on 30 June 2014 were as follows:

	In progress	Impairment	Net
Research and exploration of oil in Brazil	1,000,424	(21,217)	979,207
Research and exploration of oil in Angola and Congo	293,064	(2,246)	290,818
Research in Mozambique	150,595	-	150,595
Industrial investment relating to refineries	60,384	-	60,384
Research in Portugal	56,024	(8,430)	47,594
Research of gas in Angola and Guinea	32,676	(1,336)	31,340
Renewal and expansion of the network	25,755	(17)	25,738
Floating LNG-Brazil	19,431	-	19,431
Upgrade projects of the Sines and Porto refineries	7,430	-	7,430
Oil exploration in blocks 3 and 4 in Uruguay	8,876	(1,671)	7,205
Transportation and logistics	6,963	-	6,963
Research in Morocco	4,646	-	4,646
Energy and steam production	9,965	(8,371)	1,594
Underground storage of natural gas	1,144	-	1,144
Research in Namibia	42,609	(42,406)	203
Research in Timor	2,609	(2,609)	-
Other projects	15,263	-	15,263
	<u>1,737,858</u>	<u>(88,303)</u>	<u>1,649,555</u>

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## 13. GOVERNMENT GRANTS

Government grants received (accumulated) as on 30 June 2014 and 31 December 2013 were as follows:

Programme	Amount received	
	June 2014	December 2013
Economic Operational Programme	285,871	285,871
Energy Programme	114,919	114,919
Desulphurisation of Sines	39,513	39,513
Desulphurisation of Porto	35,307	35,307
Protede	19,708	19,708
Interreg II	19,176	19,176
Regional Centre Operational Programme	2,102	2,102
Regional North Operational Programme	550	550
Algarve Operational Programme	174	174
Innovation incentives system	68	73
Other	21,776	21,806
	<b>539,164</b>	<b>539,199</b>
Accumulated amount recognised as income	(267,761)	(262,664)
Government grants — receivable (Note 14)	1	1
Government grants to be recognised (Note 24)	<b>271,404</b>	<b>276,536</b>

During the periods ended 30 June 2014 and 31 December 2013 the income statement includes the amounts of €5,097 k and €5,180 k, respectively, regarding government grants recognition (Note 5).

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## 14. OTHER RECEIVABLES

The non-current and current caption “Other receivables” as on 30 June 2014 and 31 December 2013 was as follows:

Captions	June 2014		December 2013	
	Current	Non-current	Current	Non-current
State and other public entities:				
ISP — Portuguese tax on oil products	7,627	-	6,833	-
VAT — reimbursement requested	1,036	-	667	-
Others	178	-	122	-
Loans to Sinopec	166,102	640,411	164,500	706,993
Advances to suppliers of fixed assets	165,984	-	155,225	-
Underlifting	45,855	-	31,071	-
Subsoil rates	20,403	32,771	18,728	32,771
Over cash-call from partner Petrobrás in operated blocks	12,496	-	10,057	-
Means of payment	8,645	-	8,371	-
Other receivables — associated, related and participated companies	8,328	-	6,360	13,011
Advances to suppliers	7,039	-	40,203	-
Receivable concerning the consortium of Block 14 in Angola (receivable profit-oil excess)	2,506	-	1,648	-
Personnel	1,717	-	2,030	-
Spanish bitumen process	385	-	385	-
Loans to associated, jointly controlled related and participated companies	220	25,649	-	27,878
contract for the cession of rights to use telecommunications infrastructures	201	-	251	-
Loans to clients	119	1,550	70	1,561
Government grants — receivable (Note 13)	1	-	1	-
Other receivables	100,687	8,710	87,412	5,172
	549,529	709,091	533,934	787,386
Accrued income				
Sales and services rendered not yet invoiced	175,058	-	208,967	-
Adjustment to tariff deviation — pass through — ERSE regulation	39,936	-	38,128	-
Adjustment to tariff deviation — regulated revenue — ERSE regulation	37,017	43,291	34,324	50,752
Adjustment to tariff deviation — energy tariff — ERSE regulation	28,025	31,525	28,025	45,537
Financial neutrality — ERSE regulation	10,591	-	15,133	-
Accrued interest	2,058	-	1,614	-
Commercial discount on purchases	1,172	-	1,503	-
Sale of finished goods to be invoiced by the service stations	1,020	-	1,100	-
Compensation for the uniform tariff	917	-	917	-
Management charges not yet invoiced	807	-	1,683	-
Other	11,283	31	7,613	31
	307,884	74,847	339,007	96,320
Deferred costs				
Prepaid insurance	19,018	-	797	-
Catalyser costs	13,003	-	6,223	-
Prepaid rent relating to service station concession contracts	3,261	29,789	2,478	31,339
Costs relating to prepaid rent	2,589	-	601	-
Interest and other financial costs	299	-	9,244	-
Retirement benefits (Note 23)	-	20,572	-	4,916
Other deferred costs	16,801	-	11,912	-
	54,971	50,361	31,255	36,255
	912,384	834,299	904,196	919,961
Impairment of other receivables	(7,466)	-	(6,990)	-
	904,918	834,299	897,206	919,961

The movements occurred in the caption “Impairments of other receivables” for the periods ending 30 June 2014 were as follows:

Captions	Opening balance	Increase	Decrease	Utilisation	Adjustments	Ending balance
Other receivables	6,990	457	(20)	-	39	7,466

The increase and decrease of the caption “Impairment of other receivables” in the net amount of €437 k was recorded in the caption “Provisions and impairments – other receivables” (Note 6).

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The caption “Loans granted” includes the amount of €806,513 k (\$1,101,535,777.14) regarding the loan that the Group granted to Tip Top Energy, SALR (included in Sinopec Group) on 28 March 2012, for a period of four years, of which €166,102 k (\$226,861,950.00) in current and €640,411 k (\$874,673,827.14) in non-current, which earns a three-month LIBOR interest rate plus a spread. This caption also includes the value of €23,533 k (\$32,141,201.82) in non-current regarding capitalised interests. In the period ended on 30 June 2014 the records show the amount of €7,237 k in the caption “Interest”, which corresponds to interests on loans granted to related companies.

The caption “Subsoil rates” amounting to €53,174 k refers to rates of subsoil occupation already paid to municipalities. According to the natural gas supply concession agreement between the Portuguese Government and the Group companies, and with the Council of Ministers decision No. 98/2008, dated April 8, companies have the right to pass on to commercialisation entities or to end customers, the full amount of subsoil rates paid to the local authorities in the concession area.

The amount of €45,855 k recorded in “Other receivables – underlifting” represents the amounts receivable by the Group for lifting barrels of crude oil production under quota (underlifting) and is valued at the lower price between the market price at the date of sale and the market price on 30 June 2014.

The caption “Means of payment” in the amount of €8,645 k corresponds to amounts receivable for sales made with resource to Visa/ATM cards, which as on 30 June 2014 were pending collection.

The amount of €8,328 k recorded in the current and non-current caption “Other receivables associated, related and participated companies” refers to amounts receivable from companies which were not consolidated.

The non-current caption “Other receivables” includes €3,746 k receivable from Gestmin, SGPS, S.A. for the purchase of COMG Comercialização de Gás, S.A. on 3 December 2009 and earns a six-month Euribor interest rate plus a spread of 3.12% per year, and is expected to be received every semester and until 3 December 2016.

Accrued income sales and services rendered and not yet invoiced” includes natural gas and electricity consumption and other income provided in June and to be invoiced to customers in July. The most relevant accruals are as follows:

Company	TOTAL	Natural gas	Power
Galp Gás Natural, S.A.	75,683	75,683	-
Galp Power, S.A.	15,599	9,024	6,575
Galp Energia España, S.A., Unipessoal	13,345	12,309	1,036
Lusitaniagás Comercialização, S.A.	7,881	7,881	-
Lisboagás Comercialização, S.A.	6,096	6,096	-
Madrileña Suministro de Gas	5,818	5,818	-
Sinecogeração, S.A.	5,319	-	5,319
Portogeração, S.A.	5,289	-	5,289
Madrileña Suministro de Gas SUR	3,845	3,845	-
Transgás, S.A.	3,287	3,287	-
Carriço Cogeração, S.A.	2,355	-	2,355
Setgás Comercialização, S.A.	1,451	1,451	-
Powercer, S.A.	477	-	477
Agroger, S.A.	388	-	388
	<b>146,833</b>	<b>125,394</b>	<b>21,439</b>

The amount of €1,020 k in the caption “Sale of finished goods to be invoiced by the service stations” relates to sales made up to 30 June 2014 through “Galp Frota” cards, which will be invoiced in the following months.



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Expenses recorded in the caption “Deferred costs” in the amount of €33,050 k, are in respect of advance payments of income related to service station rental contracts which are expensed during the concession period, which ranges between 17 and 32 years.

Galp Energia has recovered during 2014 an amount of €14,012 k related with energy tariff deviation. This recovery is in accordance with the estimated recovery of the tariff deficit for a six-year period, as published by ERSE.

The caption “Adjustments to tariff deviation – regulated revenue” amounting to €80,308 k respects to the difference between the estimated regulated revenue published for each regulated activity and the invoiced amount. These amounts are remunerated at a three-month Euribor interest rate.

Payable or receivable amounts in respect of each regulated Gas Year are presented for each activity on a net basis, depending on their nature each gas year, given that this is the method for approval of deviations from regulated revenue by ERSE.

From 2010 onwards, the regulated financial statements (ERSE accounts) started being reported in accordance with the calendar year. Therefore the opening balances have been reclassified according to this change.

The total recoverable amount was included by ERSE in the recoverable regulated revenue Gas Year 2013-2014, therefore the Group recognises in the income statement the reversal of the amount which corresponds to the approved tariff deviation.

The caption “Accrued income – financial neutrality – ERSE regulation” concerns the gradual reposition of financial neutrality associated with the extinction of the mechanism of smoothing capital cost on the first regulatory period, resulting from the difference between the cost of capital smoothed and not smoothed, to be recovered during six years. Accrued amounts relate to the recoverable amounts from gas tariff in the 13-14 and 14-15 regulatory Gas Year.

The Group considers as amounts not yet due, the balance of other receivables that are not in arrears and the captions “Accruals of income” and “Deferred costs” amounting to €477,664 k and €502,837 k in 2014 and 2013, respectively.

The balance of other receivables overdue which has not suffered impairment corresponds to claims which have payment agreements, are covered by credit insurance or for which there is an expectation of partial or total liquidation.

Accounts receivable are collateralised, namely with bank guarantees and other collaterals which amount, approximately, to €102,923 k as on 30 June 2014.

### 15. TRADE RECEIVABLES

The caption “Trade receivables” as on 30 June 2014 and 31 December 2013 was as follows:

Caption	June 2014		December 2013	
	Current	Non-current	Current	Non-current
Trade receivables – current accounts	1,455,808	24,242	1,317,791	24,322
Trade receivables – doubtful accounts	217,162	-	201,375	-
Trade receivables – notes receivable	6,583	-	7,075	-
	<b>1,679,553</b>	<b>24,242</b>	<b>1,526,241</b>	<b>24,322</b>
Impairment of trade receivables	(213,791)	-	(199,678)	-
	<b>1,465,762</b>	<b>24,242</b>	<b>1,326,563</b>	<b>24,322</b>

The balance of non-current receivables, amounting to de €24,242 k e €24,322 k, in the period ended 30 June 2014 and 31 December 2013 respectively, corresponds to payment agreements with customers with maturities greater than one year.

The changes in the caption “Impairment of trade receivables” in the periods ended 30 June 2014 were as follows:

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Caption	Opening balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Impairment of trade receivables	199,678	22,737	(7,572)	(1,412)	360	213,791

The increase and decrease in the caption “Impairment of trade receivables” in the net amount of €15,165 k was recorded in the caption “Provision and impairment loss on receivables” (Note 6).

Overdue balances which have not suffered impairment correspond to claims which have payment agreements, are covered by credit insurance or for which there is an expectation of partial or total liquidation.

### 16. INVENTORIES

Inventories as on 30 June 2014 and 31 December 2013 were as follows:

Caption	June 2014	December 2013
Raw and subsidiary materials:		
Crude oil	272,299	53,840
Other raw materials	37,873	41,980
Raw material in transit	311,016	622,017
	<b>621,188</b>	<b>717,837</b>
Adjustments to raw and subsidiary materials	(11,467)	(11,019)
	<b>609,721</b>	<b>706,818</b>
Finished and semi-finished products:		
Finished products	126,097	244,254
Semi-finished products	363,588	325,271
Finished products in transit	315	12,083
	<b>490,000</b>	<b>581,608</b>
Adjustments to finished and semi-finished products	(5,642)	(23)
	<b>484,358</b>	<b>581,585</b>
Work in progress	141	91
	<b>141</b>	<b>91</b>
Merchandise	567,470	558,784
Merchandise in transit	14	100
	<b>567,484</b>	<b>558,884</b>
Adjustments to merchandise	(1,735)	(1,771)
	<b>565,749</b>	<b>557,113</b>
	<b>1,659,969</b>	<b>1,845,607</b>

Merchandise as on 30 June 2014, in the amount of €567,484 k is mainly comprised of natural gas in pipelines in the amount of €117,452 k, inventories of crude oil derivative products of the subsidiaries Galp Energia España, S.A., Petrogal Moçambique and Empresa Nacional de Combustíveis – Enacol, S.A.R.L., Lda. in the amounts of €401,521 k, €19,639 k e €12,597 k respectively.

As on 30 June 2014 and 31 December 2013, the Group’s liability towards competitors for strategic reserves, which can only be satisfied by product delivery, amounted to €119,263 k and €149,312 k respectively and are recorded in the caption “Advances on sales” (Note 24).

The changes in the caption “Impairment of inventories” in the period ended on 30 June 2014 were as follows:

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Captions	Opening balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Impairment of raw and subsidiary materials	11,019	448	-	-	-	11,467
Impairment of finished and semi-finished products	23	5,619	-	-	-	5,642
Impairment of merchandise	1,771	19	(15)	(23)	(17)	1,735
	12,813	6,086	(15)	(23)	(17)	18,844

The net increase in impairment, amounting to €6,071 k was recorded against the caption “Cost of sales – impairment in inventories” in the income statement (Note 6).

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## 17. OTHER INVESTMENTS

Current and non-current investments as on 30 June 2014 and 31 December 2013 were as follows:

	June 2014		December 2013	
	Current	Non-current	Current	Non-current
<b>Other investments</b>				
<b>Financial instruments at fair value through profit and loss (Note 27)</b>				
Swaps over commodities	10,663	16,146	9,383	6,066
Swaps over interest rate	-	-	-	-
Swaps over currency	1,577	-	105	-
	<b>12,240</b>	<b>16,146</b>	<b>9,488</b>	<b>6,066</b>
<b>Bank deposits (Note 18)</b>				
Term deposits	340	-	640	-
	<b>340</b>	<b>-</b>	<b>640</b>	<b>-</b>
<b>Other financial assets</b>				
Other	-	18,643	-	18,464
	<b>-</b>	<b>18,643</b>	<b>-</b>	<b>18,464</b>
	<b>12,580</b>	<b>34,789</b>	<b>10,128</b>	<b>24,530</b>

As on 30 June 2014 and 31 December 2013 derivative financial instruments are recorded at their fair value at those dates (Note 27).

## 18. CASH AND CASH EQUIVALENTS

The caption “Cash and cash equivalents” as on 30 June 2014 and 31 December 2013 was as follows:

Captions	June 2014	December 2013	June 2013
Cash	4,904	3,961	6,837
Current account	166,961	154,635	569,694
Term deposits	1,159	5,394	2,273
Other negotiable securities	112,601	72,100	217,687
Other treasury applications	658,395	1,267,300	1,168,735
<b>Cash and cash equivalents in the consolidated statement of financial position</b>	<b>944,020</b>	<b>1,503,390</b>	<b>1,965,226</b>
Other current investments (Note 17)	340	640	642
Bank overdrafts (Note 22)	(153,515)	(98,792)	(181,752)
<b>Cash and cash equivalents in the consolidated statement of cash flow</b>	<b>790,845</b>	<b>1,405,238</b>	<b>1,784,116</b>

The caption “Other negotiable securities” mainly includes:

- €107.232 k regarding bank deposit certificates;
- €3.937 k on electricity futures;
- €1.710 k on CO<sub>2</sub> futures; and
- €280 k (negative) on commodities futures (Brent).

These futures are recorded in this caption due to their high liquidity (Note 27).

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The caption “Other treasury applications” includes applications of cash surplus, with maturities less than three months, of the following Group companies:

	June 2014	December 2013
Galp Energia E&P, B.V.	573,019	1,146,987
Galp Gás Natural, S.A.	31,302	24,654
Galp Sinopec Brazil Services B.V.	25,626	-
Petróleos de Portugal – Petrogal, S.A.	8,054	67,435
CLCM – Companhia Logística de Combustíveis da Madeira, S.A.	5,000	8,550
Galp Energia Brasil S.A.	4,271	6,396
Beiragás – Companhia de Gás das Beiras, S.A.	3,000	2,075
Carriço Cogeração – Sociedade de Geração de Electricidade e Calor, S.A.	3,000	6,300
Galp Exploração Serviços do Brasil, Lda.	1,909	1,863
Powercer – Sociedade de Cogeração da Vialonga, S.A.	1,750	2,340
Galp East Africa, B.V.	1,464	-
Sempre a Postos – Produtos Alimentares e Utilidades, Lda.	-	700
	<b>658,395</b>	<b>1,267,300</b>

## 19. SHARE CAPITAL

### Capital Structure

In 2012, after the shareholders agreement in place since March 2006 between Amorim Energia, CGD and Eni, collectively referred to as the Parties, agreements were signed which stipulated the conditions under which Eni could sell its stake in Galp Energia. Eni, which at year-end 2011 held a stake of 33.34%, thus acquired the right to sell in the market up to 20% of the share capital of the Company. In turn, CGD was now able to exercise a tag along right, referring to its 1% stake in the share capital of Galp Energia.

On 27 November 2012, Eni placed on the market shares representing approximately 4% of Galp Energia’s share capital through an accelerated bookbuilding, while CGD exercised its tag-along right. On that date, Eni also issued bonds exchangeable into Galp Energia shares, corresponding to approximately 8% of the Company’s share capital.

Also under the agreement signed in 2012, Amorim Energia acquired from Eni a 5% stake on Galp Energia’s share capital, at a price of 14.25 per share, thus holding a 38.34% interest in the Company. Furthermore, Amorim Energia, or a designated third party, had the right to purchase, until the end of 2013, a 5% stake, as well as a right of first refusal over a stake of 3.34% or 8.34%, depending on whether the first right would be exercised or not.

At the end of May 2013, Eni announced the sale of a 6.7% interest in Galp Energia’s share capital. In the meantime, Eni had already sold an interest of approximately 1.3% directly in the regulated market.

On 28 March 2014, Eni placed in the market shares representing approximately 7% of the share capital of Galp Energia through an accelerated bookbuilding process, having sold in the meantime, on regulated market, shares representing approximately 0.34% of Galp Energia’s share capital. On both sales Amorim Energia, did not exercise the right of first refusal.

On 23 June 2014 Eni announced the completion of the sale on the regulated market of common shares representing approximately 1% of the share capital of Galp Energia, and corresponding to the residual portion of shares subject to the right of first refusal of Amorim Energia as established in the agreement previously announced to the market, which was not exercised by that company. Thus, following this transaction, Eni held 66,337,592 ordinary shares representing approximately 8% of the share capital of Galp as an asset underlying the convertible bonds issued by Eni on 30 November 2012.

Following these changes in Galp Energia’s owner structure, free-float went from 38.32% by the end of 2013 up to 46.66% in the first semester of 2014.

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

Thus, at the end of the first semester of 2014, Eni held a qualified holding of 8.00% of Galp Energia's share capital, and the corresponding voting rights, while a total percentage of 46.34% were attributable to Amorim Energia.

As result of the above, the Company's capital structure as on 30 June 2014 was as follows:

	No. of shares	% of capital	Voting rights (%)
Amorim Energia, B.V.	317,934,693	38.34%	46.34%
Eni, S.p.A.	66,337,592	8.00%	8.00%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free-float	386,898,836	46.66%	46.66%
<b>Total</b>	<b>829,250,635</b>	<b>100.00%</b>	<b>-</b>

### 20. RESERVES

As on 30 June 2014 and 31 December 2013 the caption "Conversion reserve and other reserves" is detailed as follows:

	June 2014	December 2013
<b><u>Translation reserves:</u></b>		
Reserves — financial allocations ( <i>quasi</i> equity)	(105,498)	(133,485)
Reserves — tax on financial allocations ( <i>quasi</i> equity) (Note 9)	47,621	57,265
	(57,877)	(76,220)
Reserves — conversion of financial statements	(136,594)	(208,958)
Reserves — goodwill exchange rate update	(825)	1,060
	(195,296)	(284,118)
<b><u>Hedging reserves:</u></b>		
Reserves — financial derivatives	(548)	(1,743)
Reserves — deferred tax on financial derivatives	-	335
	(548)	(1,408)
<b><u>Other reserves:</u></b>		
Legal reserve	165,850	165,850
Free distribution reserves	27,977	27,977
Special reserves	(443)	(443)
Reserves — capital increase in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services, B.V.	2,493,088	2,493,088
Reserves — increase of 10.7532% in 2012 and 0.3438% in 2013 in the share capital of subsidiary Lusitaniagás — Companhia de Gás do Centro, S.A.	(2,027)	(2,027)
Reserves — increase of 40% in the capital of subsidiary Probigal — Ligantes Betuminosos, S.A.	(3,975)	(3,975)
Reserves — increase of 99% in the capital of subsidiary Enerfuel, S.A.	(31)	(31)
	2,680,439	2,680,439
	<b>2,484,595</b>	<b>2,394,913</b>

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## Translation reserve:

The change occurred in the caption “Translation reserve”, is as follows:

- i) €136,594 k regarding negative exchange rate differences resulting from the conversion of the financial statements in foreign currency to euros;

	Exchange rate on 31 December 2013	Opening balance	Movement	Closing balance	Exchange rate on 30 June 2014
<b>Translation reserves – by currency:</b>					
Gambian dalasi	51.69	(743)	136	(607)	53.53
USA Dollar	1.38	(122,330)	42,487	(79,843)	1.37
Cape Verdean escudo	110.27	(69)	-	(69)	110.27
West African CFA franc	655.96	(202)	-	(202)	655.96
Angolan kwanza	134.47	(1,774)	667	(1,107)	133.58
Swazi lilangeni	14.40	(436)	(27)	(463)	14.53
Mozambican metical	41.53	(5,525)	(187)	(5,712)	42.85
Brazilian real	3.26	(77,879)	29,288	(48,591)	3.00
		<b>(208,958)</b>	<b>72,364</b>	<b>(136,594)</b>	

- ii) €57,877 k regarding negative exchange rate differences of the financial allocations of Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal – Petrogal, S.A. and Winland International Petroleum, SARL (WIP) to Petrogal Brasil, S.A., in euros and US dollars, which are not remunerated and for which there is no intention of reimbursement, thus being similar to share capital (quasi capital) and integrating the net investment in that foreign operational unit in accordance with IAS 21;
- iii) On 5 September 2013 and 29 January 2014, the subsidiary Petrogal Brasil, B.V. and WIP, shareholders of Petrogal Brasil, S.A. subscribed a capital increase totalling €306,394 k and €131,312 k respectively and, simultaneously, Petrogal Brasil, S.A. repaid loans that were recorded in equity in the amount of €431,257 k (\*). These operations do not affect the accounting classification of exchange differences, thus remaining in the same caption, “CTA (cumulative translation adjustments)” in equity.

(\*) Loans that essentially have equity characteristics, integrating the net investment in that operational unit.

- iv) €825 k regarding negative exchange rate differences resulting from goodwill exchange rate update.

## Hedging reserves:

Hedging reserves reflect changes that have occurred in financial derivatives on interest rates that are contracted for hedging changes in interest rate loans (cash flow hedge) and their respective deferred taxes.

In the period ended on 30 June 2014 the amount of €548 k corresponds to negative changes occurred in the financial derivatives – cash flow hedge.

## Other reserves:

### Legal reserves

In accordance with the Company’s Bylaws and the Commercial Code, the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of the share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been utilised. In 2014 the caption did not change as the legal reserve has already reached 20% of the share capital.

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## Special reserves

The amount of €443 k in the caption “Special reserves” includes €463 k relating to a deferred tax correction – revaluation of equity in the subsidiary Lisboa GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. and the negative amount of €20 k relating to a donation reserve in subsidiary Gasinsular – Combustíveis do Atlântico, S.A.

## Reserves – capital increases in Petrogal Brazil, S.A. and Galp Brazil Services, B.V.

On 28 March 2012 the company WIP, a subsidiary of Tip Top Energy, SARL (Sinopec Group), subscribed and paid for an increase in capital in the amount of \$4,797,528,044.74 in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services, B.V. (formerly Galp Brazil Services, B.V.), thus holding 30% of shares and voting rights of both subsidiaries.

With this capital increase operation, the Galp Energia Group kept the operational and financial control of the Company, owning 70% of capital and voting rights, and continuing, under IAS 27, to consolidate their assets by the integral method. Therefore, the difference between the amount realised from the capital increase and the book value of equity at the date of the increase was recognised in equity in reserves by the amount of €2,493,088 k.

## Reserves – increase of 11.097% stake in the capital of subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A.

In July 2012, the Group acquired 10.7532% stake in subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A., which was previously controlled by the Group and consolidated using the integral method. Thus the difference between the amount paid and the book value of equity at the acquisition date is recognised in equity in reserves by the amount of €1,935 k.

In May 2013, the Group acquired a 0.3438% stake in subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A. from Revigrés – Indústria de Revestimentos de Grés, Lda. and recognised in equity reserves in the amount of €92 k due to the difference between the amount paid and the book value.

## Reserves – 40% increase in the share capital of the subsidiary Probigalp – Ligantes Betuminosos, S.A.

In September 2013, the Group acquired a 40% stake in subsidiary Probigalp – Bituminous Binders, S.A., which was previously controlled by the Group and consolidated by the full consolidation method. Thus the difference between the amount paid and the book value of equity at the acquisition date was recognised in equity in reserves by the amount of €3,975 k.

## Reserves – increase of 99% in the capital of subsidiary Enerfuel, S.A.

Under the agreement dated August 2013 under which the Group had agreed to purchase the remaining capital participation at the conclusion of the industrial unit project, the Group acquired 99% of the share capital of Enerfuel, S.A. However, as it was previously controlled by the Group, it was already consolidated using the integral method. Thus the difference between the amount paid and the book value of equity at the acquisition date, is recognised in equity in reserves by the amount of €31 k.



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## 21. NON-CONTROLLING INTERESTS

The equity caption “Non-controlling interests” as on 30 June 2014 and 31 December 2013 refers to the following subsidiaries:

	Balance in December 2013	Capital and reserves	Dividends granted (d)	Prior year results	Conversion reserves	Net result for the year	Balance in June 2014
Galp Sinopec Brazil Services, B.V.	981,838	-	-	-	9,588	8,174	999,600
Petrogal Brasil, S.A. (a)	205,356	9,302	-	-	24,269	15,216	254,143
Setgás — Sociedade de Produção e Distribuição de Gás, S.A.	23,151	-	(1,159)	-	-	593	22,585
Empresa Nacional de Combustíveis — Enacol, S.A.R.L.	19,222	-	-	(205)	-	625	19,642
Beiragás — Companhia de Gás das Beiras, S.A.	13,846	-	-	-	-	665	14,511
Lusitaniagás — Companhia de Gás do Centro, S.A. (b)	2,362	(7)	-	(16)	-	129	2,468
Petromar — Sociedade de Abastecimentos de Combustíveis, Lda.	1,950	-	-	-	-	684	2,634
Carriço Cogeração — Sociedade de Geração de Electricidade e Calor, S.A.	1,428	-	(1,407)	-	-	37	58
Sopor — Sociedade Distribuidora de Combustíveis, S.A.	1,338	-	-	-	-	(210)	1,128
Saaga — Sociedade Açoreana de Armazenagem de Gás, S.A.	1,250	-	(314)	(7)	-	126	1,055
CLCM — Companhia Logística de Combustíveis da Madeira, S.A.	1,004	-	(854)	-	-	358	508
Sempre a Postos — Produtos Alimentares e Utilidades, Lda.	900	-	(16)	-	-	78	962
Setgás Comercialização, S.A.	884	-	-	-	-	29	913
Powercer — Sociedade de Cogeração da Vialonga, S.A.	598	-	(580)	-	-	313	331
Petrogás Guiné Bissau — Importação, Armazenagem e Distribuição de Gás, Lda. (c)	(233)	-	-	(3)	2	5	(229)
	<b>1,254,894</b>	<b>9,295</b>	<b>(4,330)</b>	<b>(231)</b>	<b>33,859</b>	<b>26,822</b>	<b>1,320,309</b>

(a) On 29 January 2014, the subsidiary Petrogal Brasil, BV and WIP, shareholders of Petrogal Brasil, S.A. subscribed a capital increase totalling € 21,705 k and € 9,302 k respectively. The amount of € 9,302 k corresponds to the change of non-controlling share interests reflected on share issue premium caption.

(b) The subsidiary Lusitaniagás — Companhia de Gás do Centro, S.A., which was previously owned in 96.8109% is now owned in 96.84293% by the Group. Due to the increase of 0.032%, a negative amount of €23 k was recorded under the heading Non-controlling interests, corresponding to the change of the percentage held by the Group (Note 3).

The negative amount of €7 k corresponds to the change on non-controlling interests on the captions of “Share capital” and “Share premium issue”.

The negative amount of €16 k corresponds to the change on non-controlling interests on the captions of accumulated results until the capital increase date.

(c) As on 30 June 2014, the subsidiary has negative equity. Thus, the Group only recognised accumulated losses in proportion to the capital owned in that subsidiary, which is why the minority interests have a debit balance.

(d) The amount of €4,330 k corresponds to attributed dividends, already paid as on 30 June 2014 (Note 30).

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## 22. LOANS

### Loans detail

Loans obtained as on 30 June 2014 and 31 December 2013 were as follows:

	June 2014		December 2013	
	Current	Non-current	Current	Non-current
Bank loans:				
Loans	76,389	1,319,226	129,407	1,466,909
Bank overdrafts (Note 18)	153,515	-	98,792	-
Discounted notes	4,866	-	5,118	-
	<b>234,770</b>	<b>1,319,226</b>	<b>233,317</b>	<b>1,466,909</b>
Origination Fees	(5,565)	(3,755)	(6,777)	(2,193)
	<b>229,205</b>	<b>1,315,471</b>	<b>226,540</b>	<b>1,464,716</b>
Other loans obtained:				
IAPMEI	2	178	2	194
	<b>2</b>	<b>178</b>	<b>2</b>	<b>194</b>
Origination fees	-	-	-	-
	<b>2</b>	<b>178</b>	<b>2</b>	<b>194</b>
	<b>229,207</b>	<b>1,315,649</b>	<b>226,542</b>	<b>1,464,910</b>
Bonds and notes:				
Bonds	-	1,350,000	150,000	1,350,000
Notes	-	500,000	-	500,000
	<b>-</b>	<b>1,850,000</b>	<b>150,000</b>	<b>1,850,000</b>
Origination fees	-	(19,646)	(3,222)	(11,188)
	<b>-</b>	<b>1,830,354</b>	<b>146,778</b>	<b>1,838,812</b>
	<b>229,207</b>	<b>3,146,003</b>	<b>373,320</b>	<b>3,303,722</b>

The non-current loans, excluding origination fees, as on 30 June 2014 had the following repayment plan:

2015	474,469
2016	597,863
2017	578,207
2018	786,442
2019	569,432
2020	56,999
2021 and subsequent years	105,992
	<b>3,169,404</b>

Domestic and foreign loans as on 30 June 2014 and 31 December 2013 are expressed in the following currencies:

		June 2014		December 2013	
Divisa		Total amount	Amount due (€k)	Total amount	Amount due (€k)
USA Dollar	USD	456,000	333,870	456,673	329,737
Cape Verdean escudo	CVE	354,159	3,212	146,338	1,327
Euros	EUR	1,709,628	1,058,533	1,888,432	1,265,252
			<b>1,395,615</b>		<b>1,596,316</b>

The average cost of loans in the first half of 2014, including spread and commissions, corresponded to 4.85%.

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## Description of the main loans

### Commercial paper issuance

As on 30 June 2014, the Group has contracted commercial paper totalling €965,000 k. Of this amount, €390,000 k is being used with medium and long term maturity.

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

### Bank loans

Detail of the main bank loans as on 30 June 2014:

Entity	Amount	Interest rate	Maturity	Reimbursement
BTG Pactual	95,182	Libor 6M + spread	December 2016	50% @ December 2015 50% @ December 2016
Banco Itaú	92,254	Libor 6M + spread	April 2017	50% @ April 2016 50% @ April 2017
ICBC	146,434	Libor 6M + spread	December 2018	December 2018

Additionally, the Group recorded the amount of €44,413 k in non-current loans obtained by: Agrocér-Sociedade de Cogeração do Oeste S.A., Beiragás – Companhia de Gás das Beiras, S.A, CLCM – Companhia Logística de Combustíveis da Madeira, S.A. and Petrogal Moçambique, Lda.

Detail of the loans obtained from the European Investment Bank (EIB) as on 30 June 2014:

Entity	Amount	Interest rate	Maturity	Reimbursement
EIB (Porto cogeneration)	50,000	Fixed rate	October 2017	October 2017
EIB (Tranche A – Sines cogeneration)	27,175	Fixed rate	September 2021	Semi-annual amortisations starting in March 2010
EIB (Tranche B – Sines cogeneration)	13,950	Euribor 6M + spread	March 2022	Semi-annual amortisations starting in September 2012
EIB (Tranche A – refineries upgrade)	273,000	Revisable fixed rate	February 2025	Semi-annual amortisations starting in August 2012
EIB (Tranche B – refineries upgrade)	182,000	Fixed rate	February 2025	Semi-annual amortisations starting in August 2012

Additionally, the Group recorded the amount of €61,828 k in other loans obtained from the EIB.

Loans contracted with the EIB, with the purpose of financing the cogeneration projects in the Sines and Porto refineries and instalment A of the project for the upgrade of Sines and Porto refineries are granted under Petrogal, S.A. guaranties.

The remaining loan with the EIB, in the amount of €243,828 k, is guaranteed by a bank syndicate.

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## Bonds

Bonds' detail as on 30 June 2014:

Emission	Amount	Interest rate	Maturity	Reimbursement
GALP ENERGIA / 2012-2020	100,000	Euribor 6M + spread	June 2020	June 2020
GALP ENERGIA / 2013 – €600 M. FRN – 2017	600,000	Euribor 6M + spread	May 2017	50% @ May 2016 50% @ May 2017
GALP ENERGIA / 2012 – 2017	80,000	Euribor 6M + spread	December 2017	December 2017
GALP ENERGIA / 2012 – FRN – 2018	260,000	Euribor 3M + spread	December 2018	December 2018
GALP ENERGIA / 2013 – 2018	110,000	Euribor 3M + Spread	March 2018	March 2018
GALP ENERGIA / 2013 – €200 M. – 2018	200,000	Euribor 6M + spread	April 2018	April 2018

Galp Energia made an early repayment of the total outstanding amount of the bond issue GALP ENERGIA/2010 – € 300 M. FRN DUE 2014 (€150,000 k), on May 12<sup>th</sup>.

## Note issue

Galp Energia has established, as part of its financing plan, one Euro Medium Term Note (EMTN) Programme (€5,000,000,000 EMTN Programme).

On 15 November 2013, Galp Energia held its first issuance of notes under the EMTN Programme, amounting to €500,000 k, maturing on 25 January 2019 and a coupon of 4.125%, which are admitted to trading on the London Stock Exchange.

On this transaction, BBVA, BNP Paribas, Caixa – Banco de Investimento, Deutsche Bank and JP Morgan acted as Joint Bookrunners.

## **23. RETIREMENT AND OTHER EMPLOYEE BENEFITS**

During the period ended on 30 June 2014, there were no significant changes compared to the consolidated financial statements of the Company on 31 December 2013. For additional queries refer to the consolidated financial statements of the Company on 31 December 2013 and the corresponding Notes.

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## 24. OTHER PAYABLES

The non-current and current caption “Other payables” as on 30 June 2014 and 31 December 2013 is as follows:

Captions	June 2014		December 2013	
	Current	Non-current	Current	Non-current
State and other public entities:				
VAT payables	231,871	-	257,732	-
Tax on oil products	69,031	-	75,229	-
Personnel and corporate income tax withheld	13,455	-	8,250	-
Social Security contributions	9,915	-	6,530	-
Other taxes	22,390	-	27,261	-
Suppliers — tangible and intangible assets	167,058	97,594	139,329	98,938
Advances on sales (Note 16)	119,263	-	149,312	-
Overlifting	51,419	-	4,889	-
Personnel	6,212	-	7,433	-
Guarantee deposits and guarantees received	3,113	-	2,666	-
Trade receivables credit balances	2,957	-	2,989	-
ISP — congeners debit	1,609	-	1,409	-
Trade receivables advances	1,259	-	978	-
Other payables — other shareholders	1,237	-	1,235	-
Loans — associated, participated and related companies	365	137,775	365	135,319
Other payables — associated, participated and related companies	2	-	2,238	-
Loans — other shareholders	-	12,448	-	12,648
Other payables	39,226	4,096	31,081	3,717
	<b>740,382</b>	<b>251,913</b>	<b>718,926</b>	<b>250,622</b>
Accrued costs:				
External supplies and services	78,406	-	72,729	-
Accrued interest	26,749	-	23,276	-
Holiday pay, holiday subsidy and corresponding personnel costs	24,502	-	29,877	-
Adjustment to tariff deviation — other activities — ERSE regulation	19,940	-	15,399	-
Adjustment to tariff deviation — regulated revenue — ERSE regulation (Note 14)	16,406	11,141	5,618	13,309
Fast Galp prizes	7,368	-	7,836	-
Overdrafts interest	6,085	-	5,486	-
Accrued insurance premiums	2,436	-	2,510	-
Productivity bonus	949	3,050	15,570	2,814
Financial costs	930	-	940	-
Financial neutrality — ERSE regulation	279	-	394	-
Accrued personnel costs — other	101	-	74	-
Adjustment to tariff deviation — energy tariff — ERSE regulation (Note 14)	-	18,560	-	10,138
Other accrued costs	19,053	-	11,593	-
	<b>203,204</b>	<b>32,751</b>	<b>191,302</b>	<b>26,261</b>
Deferred income:				
Services rendered	22,466	-	5,016	-
Investment government grants (Note 13)	10,353	261,051	10,384	266,153
Optic fiber	404	1,597	404	1,799
Other	10,378	64	10,684	69
	<b>43,601</b>	<b>262,712</b>	<b>26,488</b>	<b>268,021</b>
	<b>987,187</b>	<b>547,376</b>	<b>936,716</b>	<b>544,904</b>

The caption “Advances on sales” includes the amount of €119,263 k in respect of Group liabilities towards competitors from strategic reserves (Note 16).

The caption “Suppliers — non-current tangible and intangible assets” refers essentially to surface rights.

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The amount of €51,419 k in caption “Overlifting” represents the Group’s liability for crude oil lifted in excess of its production quota and is measured as described in Note 2.7 e) of the accompanying notes to the consolidated financial statements of the Company as on 31 December 2013.

The amount of €3,113 k recorded in the caption “Guarantee deposits and guarantees received” includes €2,094 k relating to Petrogal’s liability as on 30 June 2014 for customer deposits received on gas containers in use that were recorded at acquisition cost, which is, approximately, their fair value.

The amount of €137,775 k recorded in the caption “Loans – Associated, participated and related companies” concerns:

- In March 2012, WIP granted loans in the amount of €137,775 k (\$188,873,000). The amount recorded under “Loans – other shareholders” (non-current) comprises loans obtained by the subsidiary Petrogal Brasil, S.A. that bear interest at market rates and have defined maturity of 10 years. In the period ended 30 June 2014 the amount of €3,069 k was recognised under “Interest caption” regarding loans obtained concerning related companies.

The amount of €12,448 k in the caption “Loans – Other shareholders” mainly relates to:

- €8,938 k recorded as non-current payable to Enagás, SGPS, S.A. for shareholders loans obtained by subsidiary Setgás - Sociedade de Distribuição de Gás Natural, S.A., which bear interest at market rate;
- €1,205 k recorded as non-current payable to EDP Cogeração, S.A. related to shareholders loans obtained by the subsidiary Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A., which bear interests at market rate; and
- €2,281 k recorded as non-current payable to Visabeira Telecomunicações, SGPS, S.A., relates to shareholder loans obtained by the subsidiary Beiragás – Companhia de Gás das Beiras, S.A., which bear interest at market rates.

The amount of €7,368 k recorded under “Accrued costs – Fast Galp prizes” corresponds to Petrogal’s liability for Fast Galp card points issued but not yet claimed until 30 June 2014, which are expected to be exchanged for prizes in subsequent periods.

Investment government grants are to be recognised as income over the useful life of the assets. The amount to be recognised in future periods amounts to €271,404 k (Note 13).

Income from the contract of assignment of rights to use telecommunication infrastructures is recorded in caption “Deferred income – optic fiber” and is recognised in earnings during the period of the contract. The balance of deferred income on 30 June 2014 to be recognised in future periods amounts to €2,001 k.

### 25. PROVISIONS

The changes in provisions in the periods ended on 30 June 2014 were as follows:

Caption	Opening balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Legal processes	14,256	543	(406)	(1,101)	(2)	13,290
Investments (Note 4)	3,130	272	-	-	17	3,419
Taxes	32,890	-	(5,322)	(18,308)	1,929	11,189
Environment	3,781	-	-	(303)	-	3,478
Abandonment costs	88,227	9,186	-	-	1,099	98,512
Other risks and charges	11,865	12,056	(200)	(1,600)	36	22,157
	154,149	22,057	(5,928)	(21,312)	3,079	152,045

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The increase in provisions, net of the decreases, was recorded against the following captions of the consolidated income statement:

Provisions (Note 6)	(3,747)
Capitalisation of costs of provision for abandonment of blocks	9,186
Results in investments in associates and jointly controlled entities (Note 4)	272
Extraordinary contribution on the energy sector	10,418
	<u>16,129</u>
Provisions (Note 6)	(3,747)
Capitalization of costs of provision for abandonment of blocks	9,186
Results in investments in associates and jointly controlled entities (Note 4)	272
Extraordinary contribution on the energy sector	10,418
	<u>16,129</u>

## Legal processes

The provisions for current “legal processes” in the amount of €13,290 k mainly includes: €5,472 k regarding liabilities concerning the subsoil occupation taxes of the subsidiary Petróleos de Portugal – Petrogal, S.A., in respect of the process opposing the Municipal Council of Matosinhos, €641 k related to the non-compliance with the contractual conditions of service station management, €408 k relating to tax litigations with public entities by Galp Energia España, S.A. and the amount of €1,434 k regarding the dispute by contract inaccuracy in the monthly amount of €17,708 since October 2007, between the subsidiary CLCM – Companhia Logística de Combustíveis da Madeira, S.A. and APRAM – Administração dos Portos da Região Autónoma da Madeira, S.A.

## Financial investments

The provision for investments reflects the statutory commitment of the Group to its associates that present negative equity as detailed in note 4.

## Taxes

The caption “Tax provisions”, in the amount of €11,189 k, includes mainly:

- i) €7,394 k concerning a tax contingency, related with corrections to 2001 and 2002 corporate income tax of the subsidiary Petrogal;
- ii) €3,377 k concerning the tax risk associated with the sale of the interests in ONI, SGPS, to Galp Energia, SGPS, S.A.

The reduction in the provision for taxes in the amount of €5,322 k originated in the favourable decision of the court in the legal process on the corrections made to the tax base, resulting from the inspection to the income tax return of 2005 and 2006 of Galp Energia, SGPS, S.A. and the subsidiary GDP – Gás de Portugal, SGPS, S.A. The tax contingency was related to the interpretation of the taxation of capital gains in pre-2000 periods.

The utilisation amounting to €18,308 k corresponds to an additional collection of oil tax (IRP) in Angola.

## Environmental

The amount of €3,478 k in the caption “Environmental provisions” aims to sustain the costs related with legally mandatory soil decontamination of some facilities occupied by the Group where by legal enforcement there is a decision for decontamination. During the period ended 30 June 2014 an amount of €303 k was used on refinery’s soil decontamination.

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## Abandonment of blocks

The amount of €98,512 k recorded in provisions for the abandonment of blocks includes, essentially, the amount of €84,924 k for facilities located in blocks 1 and 14 in Angola and the remaining amount of €13,588 k for Brazilian facilities. This provision aims to cover all costs to be incurred with the dismantling of assets and soil decontamination at the end of the useful life of those areas. During the period ended on 30 June 2014 increases of €6,756 k and €2,430 k were recorded for Angola and Brazil, respectively.

## Other risks and charges

On 30 June 2014 the caption “Provisions – other risks and charges”, amounting to €22,157 k, mainly comprises:

- i) €4,561 k concerning processes related to “sanctions” applied by customs authorities due to the late submission of the customs destination declaration of some shipments received in Sines;
- ii) €2,364 k to address impairment of assets of subsidiaries, Moçamgalp Agroenergias de Moçambique, S.A. and Galpbúzi – Agro-Energia, S.A. in the amount of €1,844 k and €520 k, respectively;
- iii) €1,790 k related to charges made by Administração do Porto de Lisboa during 2012 for the land occupation (in Cabo Ruivo); and
- iv) €10,418 k regarding a provision for the extraordinary contribution on the energy sector (Note 9).

## **26. TRADE PAYABLES**

As on 30 June 2014 and 31 December 2013 the amounts recorded in the caption “Suppliers” were as follows:

Captions	June 2014	December 2013
Trade payables – current accounts	570,485	859,334
Trade payables – invoices pending	657,074	650,299
	<b>1,227,559</b>	<b>1,509,633</b>

The balance of the caption “Trade payables – pending invoices” corresponds mainly to the purchase of crude oil raw material, natural gas and goods in transit.

## **27. OTHER FINANCIAL INSTRUMENTS – DERIVATIVES**

The Group uses financial derivatives to hedge interest rate and market fluctuation risks, namely risks of change in crude oil prices, finished products and refining margins, as well as risks of change in natural gas and electricity prices, which affect the amount of assets and future cash flows resulting from its operations.

Financial derivatives are defined, in accordance with IAS/IFRS, as “financial assets at fair value through profit and loss” or “financial liabilities at fair value through profit and loss”. The interest rate financial derivatives that are contracted to hedge the change in interest rates on borrowings are designated as “cash flow hedges”. Interest rate financial derivatives that are contracted to hedge changes in the fair value of borrowings or to cover other risks that might affect the profit and loss are designated as “fair value hedges”.

The fair value of financial derivatives was determined by financial entities, applying generally accepted techniques and evaluation models.

In accordance with IFRS 13 an entity must classify the fair value measurement based on a hierarchy that reflects the meaning of the inputs used in measurement. The fair value hierarchy must have the following levels:

- Level 1 – quoted prices (not adjusted) for similar instruments;
- Level 2 – other directly or indirectly observable market inputs for the asset or the liability; and



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- Level 3 – inputs for the asset or the liability not based on observable market data (not observable).

The fair value of financial derivatives (swaps) was determined by financial entities using observable market inputs and using generally accepted techniques and models (Level 2). Futures are traded on the stock exchange and subject to a clearing house, and as such their valuation is determined by quoted prices (Level 1).

Derivative financial instruments in the Group's portfolio on 30 June 2014 and 2013 are presented in the following table:

Fair value 30 June 2014				Fair value 31 December 2013			
Assets		Liabilities		Assets		Liabilities	
Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
-	-	-	-	-	-	-	(1,241)
-	-	-	-	-	-	-	(1,241)
10,635	16,137	(165)	-	9,350	6,066	(456)	(297)
28	9	(3)	(7)	33	-	(40)	-
5,367	-	-	-	6,946	-	-	-
<b>16,030</b>	<b>16,146</b>	<b>(168)</b>	<b>(7)</b>	<b>16,329</b>	<b>6,066</b>	<b>(496)</b>	<b>(297)</b>
334	-	(1,047)	-	20	-	-	-
117	-	(120)	-	85	-	-	-
1,126	-	(2,260)	-	-	-	(9,974)	-
<b>1,577</b>	<b>-</b>	<b>(3,427)</b>	<b>-</b>	<b>105</b>	<b>-</b>	<b>(9,974)</b>	<b>-</b>
<b>17,607</b>	<b>16,146</b>	<b>(3,595)</b>	<b>(7)</b>	<b>16,434</b>	<b>6,066</b>	<b>(10,470)</b>	<b>(1,538)</b>

As on 30 June 2014 the Galp Energia Group does not have any open positions in financial derivatives on interest rates.

The accounting impact as on 30 June 2014 and 2013 in the income statement is presented below:

unit: k€	30 June 2014				30 June 2013			
	Income statement			Equity	Income statement			Equity
	Potencial (MTM)	Real	MTM + Real	Potencial (MTM)	Potencial (MTM)	Real	MTM + Real	Potencial (MTM)
<b>Derivatives on interest rate</b>								
Swaps	-	(1,417)	(1,417)	1,241	(13)	(3,343)	(3,356)	3,692
	-	(1,417)	(1,417)	<b>1,241</b>	<b>(13)</b>	<b>(3,343)</b>	<b>(3,356)</b>	<b>3,692</b>
<b>Derivatives on commodities</b>								
Swaps	11,944	3,286	15,230	-	(1,727)	(2,253)	(3,980)	-
Options	34	-	34	-	-	-	-	-
Futures	1,690	(13,349)	(11,659)	-	(6,066)	(8,561)	(14,627)	-
	<b>13,668</b>	<b>(10,063)</b>	<b>3,605</b>	-	<b>(7,793)</b>	<b>(10,814)</b>	<b>(18,607)</b>	-
<b>Derivatives on currency</b>								
Non-deliverable forwards	(733)	-	(733)	-	5,083	-	5,083	-
Forwards	(88)	352	264	-	(5)	-	(5)	-
Currency interest rate swaps	8,906	8,947	17,853	-	3,335	-	3,335	-
	<b>8,085</b>	<b>9,299</b>	<b>17,384</b>	-	<b>8,413</b>	-	<b>8,413</b>	-
	<b>21,753</b>	<b>(2,181)</b>	<b>19,572</b>	<b>1,241</b>	<b>607</b>	<b>(14,157)</b>	<b>(13,550)</b>	<b>3,692</b>

## Notes:

MTM — change on Mark-to-Market from January until the reporting date.

Real — value of closed positions.

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The potential value of mark-to-market (MTM) recognised under “Income on financial instruments” includes the potential valuation of derivatives and interest rate derivatives on commodities, amounting to €12,678 k, as shown in the table below:

unit €k	<u>June 2014</u>
<b>Income from financial instruments</b>	
<b>Derivatives on commodities</b>	
Swaps	11,944
Options	34
Futures	1,690
<b>Derivatives on currency</b>	
Currency interest rate swaps (interest)	(664)
<b>Other trading operations</b>	(326)
	<u>12,678</u>

\* Interest component in the negative amount of €664 k included in the positive variation of the MTM exchange rate derivative amounting to €8,906 k. The positive difference in the amount of €9,570 k for the change of MTM is reflected in exchange rate differences.

The real value of financial derivatives recognised under “Cost of sales” amounted to €10,063 k comprising derivatives on commodities.

Movements in the fair value reflected in equity, resulting from a cash flow hedge, are as follows:

<u>Change in fair value on equity</u>	<u>June 2014</u>	<u>June 2013</u>
Group companies	1,241	3,692
Non-controlling interests	-	(5)
	<u>1,241</u>	<u>3,687</u>
Associated companies	(47)	147
	<u>1,194</u>	<u>3,834</u>

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Outstanding financial derivatives have the following nominal values:

unid:k€		June 30, 2014	
		Maturity	
		< 1 year	> 1 year
<b>Derivatives on interest rate</b>			
Swaps	Buy	-	-
	Sell	-	-
<b>Derivatives on commodities</b>			
Swaps	Buy	76,241	18,779
	Sell	12,322	-
Options	Buy	2,893	426
	Sell	2,220	880
Futures	Buy	62,717	-
	Sell	1,022	-
<b>Derivatives on currency</b>			
Non-deliverable forwards	Buy	50,414	-
	Sell	-	-
Forwards	Buy	19,924	-
	Sell	19,920	-
Currency interest rate swaps	Buy	901,669	-
	Sell	-	-
		1,149,342	20,085

Note: equivalent nominal value in thousands of euros.

The Galp Energia Group trades financial instruments denominated as futures. Due to their high liquidity, arising from the fact that they are traded in the stock exchange, they are classified as financial assets at fair value through profit and are part of cash and cash equivalents. Gains and losses on futures on commodities (Brent and electricity) are classified under “Cost of sales”, while futures on CO<sub>2</sub> are classified under “Other operating costs”. Changes in the fair value of open positions are recorded in financial results. Given that futures are traded on the NYSE Stock Exchange, subject to the clearing house, gains and losses are recorded continuously in the income statement.

As on 30 June 2014, Galp Power, S.A. has a portfolio of 1,900 lots of CO<sub>2</sub> futures maturing in December 2014. These futures represent 1,900,000 tons/CO<sub>2</sub> recorded as on 30 June 2014 by an amount of €1,710 k and classified as financial assets at fair value through results – held for trading presented under the caption “Cash and cash equivalents” (Note 18).

## 28. RELATED PARTIES

During the period ended on 30 June 2014, there were no significant changes in related parties comparing with the consolidated financial statements as on 31 December 2013. For additional information refer to the consolidated financial statements of the Company, on 31 December 2013 and the respective accompanying notes.

# Report and Accounts – First half of 2014

## 29. REMUNERATION OF THE BOARD

The remuneration of Galp Energia corporate board members for the periods ended on 30 June 2014 and 30 June 2013 is detailed as follows:

	June 2014						June 2013					
	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent and travels	Bonuses	Other charges and adjustments	Total
<b>Corporate Boards of Galp Energia, SGPS</b>												
Executive Directors	1,714	405	155	(9)	36	2,301	1,627	405	76	1,961	16	4,085
Non-executive Directors	350	-	-	-	-	350	350	-	-	-	-	350
Supervisory Board	43	-	-	-	-	43	43	-	-	-	-	43
General shareholders assembly	2	-	-	-	-	2	2	-	-	-	-	2
	<b>2,109</b>	<b>405</b>	<b>155</b>	<b>(9)</b>	<b>36</b>	<b>2,696</b>	<b>2,022</b>	<b>405</b>	<b>76</b>	<b>1,961</b>	<b>16</b>	<b>4,480</b>
<b>Corporate Boards of associated companies</b>												
Executive management	1,008	-	3	5	-	1,016	1,098	-	2	21	-	1,121
General shareholders assembly	-	-	-	-	-	-	13	-	-	-	-	13
	<b>1,008</b>	<b>-</b>	<b>4</b>	<b>5</b>	<b>-</b>	<b>1,016</b>	<b>1,111</b>	<b>-</b>	<b>2</b>	<b>21</b>	<b>-</b>	<b>1,134</b>
	<b>3,117</b>	<b>405</b>	<b>159</b>	<b>(4)</b>	<b>36</b>	<b>3,712</b>	<b>3,133</b>	<b>405</b>	<b>78</b>	<b>1,982</b>	<b>16</b>	<b>5,614</b>

The amounts of €3,712 k and €5,614 k, recorded in the periods ended June 30, 2014 and 2013, respectively, include €3,216 k and €5,015 k recorded as employee costs (Note 6) and €496 k and €599 k recorded as external supplies and services.

In accordance with the current policy, remuneration of Galp Energia corporate board members includes all the remuneration due for the positions held in Galp Energia Group and all accrued amounts.

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

## 30. DIVIDENDS

Dividends attributed to the Group's shareholders, resulting from 2013 net profit, amounted to €238,824 k in accordance with the decision of the general shareholders meeting of 28 April 2013. On September 18, 2013, interim dividends were paid in the amount of €119,412 k and on 22 May 2014 the remaining €119,412 k were paid.

During the period ended 30 June 2014 dividends were paid in the amount of €4,330 k to minority shareholders, regarding Galp Energia's subsidiaries and minority shareholders (Note 21.d)).

As such, the Group paid dividends in a total amount of €123,742 k during the period ended on 30 June 2014.

## 31. OIL AND GAS RESERVES

The information regarding Galp Energia's oil and gas reserves is subject to independent assessment by a suitably qualified company with the methodology established in accordance with the Petroleum Resources Management System (PMRS), approved in March 2007 by the Society of Petroleum Engineers (SPE), the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The information on reserves is included in the document entitled "Supplementary Information on oil and gas (unaudited)" attached to the notes of the consolidated financial statements on 31 December 2013.

## 32. FINANCIAL RISK MANAGEMENT

During the period ended on 30 June 2014, there were no significant changes in the management of financial risks, compared to the already disclosed in the consolidated financial statements of the Company on 31 December 2013. For additional information refer to the consolidated financial statements of the Company, on 31 December 2013 and the corresponding accompanying notes.

## 33. CONTINGENT ASSETS AND LIABILITIES

During the period ended on 30 June 2014, there were no significant changes in contingent assets and liabilities. For additional information refer to the consolidated financial statements of the Company, on 31 December 2013 and the corresponding accompanying notes.

## 34. INFORMATION REGARDING ENVIRONMENTAL MATTERS

As on 30 June 2014, Galp Power, S.A. holds 1,900 lots of CO<sub>2</sub> futures with maturity in December 2014 (Note 27). These futures represent 1,900,000 ton/CO<sub>2</sub>. The futures acquired are expected to be sufficient to address any shortfalls that might exist in licenses.

For other information on environmental matters, refer to the accompanying notes to the consolidated financial statements of the Company on 31 December 2013.

## 35. SUBSEQUENT EVENTS

On 7 July 2014, Galp Energia has issued notes under the EMTN Programme, amounting to €500,000 k, maturing on 14 January 2021 and a coupon of 3% which are admitted to trading on the London Stock Exchange.

In this transaction Bank of America Merrill Lynch, ING, Millennium, Santander and Société Générale acted as Joint Bookrunners.

## 36. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 25 July 2014.

### THE BOARD OF DIRECTORS

Chairman:

Américo Amorim

Vice-Chairmen:

Manuel Ferreira De Oliveira

Luís Palha da Silva

Members:

Paula Amorim

Filipe Crisóstomo Silva

Carlos Gomes da Silva

Sérgio Gabrielli de Azevedo

Stephen Whyte

Vitor Bento

Abdul Magid Osman

Luís Manuel Moreira de Campos e Cunha

Miguel Athay de Marques

Carlos Costa Pina

Rui Paulo Gonçalves

Luís Manuel Pego Todo Bom

Fernando Gomes

Diogo Mendonça Rodrigues Tavares

Joaquim José Borges Gouveia

José Carlos da Silva Costa

Jorge Manuel Seabra de Freitas

### THE ACCOUNTANT:

Carlos Alberto Nunes Barata

## 37. EXPLANATION ADDED FOR TRANSLATION

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

## 5. REPORTS AND OPINIONS

### LIMITED REVIEW REPORT FOR STOCK EXCHANGE REGULATORY PURPOSES ON THE FIRST HALF CONSOLIDATED FINANCIAL INFORMATION

(Free translation from the original in Portuguese)

#### Introduction

1. Under the terms of CMV, we present our Limit Review Report about the consolidated information of Galp Energia SGPS, S.A. in the six month period ended on 30 June 2014, included in: the consolidated accounts report, the consolidated statement of financial position (which shows total assets of €13,341,764 k and total shareholder's equity of €6,543,541 k, including non-controlling interests of €1,320,309 k and a net profit of €74,780 k), in the consolidated income statement, in the consolidated statement of comprehensive income, in the consolidated statement of changes in equity and in the consolidated cash flows statement for the period ended, and the corresponding notes to the accounts.

2. The amounts in the consolidated financial statements, as well as those contained in additional financial information, are presented in the accounting records.

#### Responsibilities

3. It is the responsibility of the Company's Board of Directors (a) to prepare the consolidated accounts report and the consolidated financial statements which present fairly, in an appropriated manner, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (b) to prepare historic financial information in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU and which is complete, true, up-to-date, clear, objective and lawful, as required by the CVM; (c) to adopt appropriate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

4. Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the CVM, for the purpose of issuing an independent and professional report based on our scope of review.

#### Scope

5. The review was executed in order to obtain reasonable assurance on whether the consolidated financial statements do not contain any material misstatement. Our review was conducted in accordance with the Technical Standards and Review/Audit Guidelines issued by the Portuguese Statutory Auditing Standards, which was planned for that goal, and consisted mainly in inquiries and analytical procedures to review: (i) reliability of the assertions contained in the financial information; (ii) appropriateness of the accounting principles used, taking into account the circumstances and the consistency of their application; (iii) the applicability of the going concern basis of accounting; (iv) presentation of the consolidated financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

## Report and Accounts – First half of 2014

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6. Our review also covered the verification that the information included in the consolidated accounts report is consistent with the remaining documents mentioned above.

7. We believe that our review provides a reasonable basis for our opinion about the first half period information.

### **Opinion**

8. Based on the review performed, which was executed in order to obtain moderate assurance, nothing came to our attention that causes us to believe that the consolidated financial information for the six months ended on 30 June 2014 contains any materially relevant distortions to affect its compliance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted in the EU and that it is not complete, true, up-to-date, clear, objective and lawful.

### **Report on other legal requirements**

9. Based on the work review performed, there is nothing to our knowledge that leads us to conclude that the information included in the consolidated accounts report is not consistent with the consolidated financial information of the period.

28 July 2014

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

Registered in the Comissão do Mercado de Valores Mobiliários with no. 9077

represented by:

António Joaquim Brochado Correia, ROC.



# Report and Accounts – First half of 2014

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## 6. ADDITIONAL INFORMATION

### 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 Sullom 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.

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## 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<sub>2</sub>:** 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

**kbbbl:** thousand barrels

**kboepd:** thousand barrels of oil equivalent per day

**kbopd:** thousand barrels of oil per day

**LNG:** liquefied natural gas

**m:** million

**m<sup>3</sup>:** cubic metres

**mbbl:** million barrels

**mmbtu:** million british thermal units

**mm<sup>3</sup>:** million cubic metres

**mton:** million tonnes

**n.m.:** not meaningful

**NBP:** National Balancing Point

**NYSE:** New York Stock Exchange

**OTC:** Over-The-Counter

**OWC:** *Oil-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

## DISCLAIMER:

This report has been prepared by Galp Energia, SGPS, S.A. (“Galp Energia” or the “Company”) and may be amended and supplemented.

This report does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or otherwise acquire securities of the Company or any of its subsidiaries or affiliates in any jurisdiction or an inducement to enter into investment activity in any jurisdiction. Neither this report nor any part thereof, nor the fact of its distribution, shall form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever in any jurisdiction.

This report may include forward-looking statements. Forward-looking statements are statements other than in respect of historical facts. The words “believe”, “expect”, “anticipate”, “intends”, “estimate”, “will”, “may”, “continue”, “should” and similar expressions usually identify forward-looking statements. Forward-looking statements may include statements regarding: objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; economic outlook and industry trends; energy demand and supply; developments of Galp Energia’s markets; the impact of regulatory initiatives; and the strength of Galp Energia’s competitors.

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.

The information, opinions and forward-looking statements contained in this report speak only as at the date of this report, and are subject to change without notice. Galp Energia and its respective representatives, agents, employees or advisors do not intend to, and expressly disclaim any duty, undertaking or obligation to, make or disseminate any supplement, amendment, update or revision to any of the information, opinions or forward-looking statements contained in this report to reflect any change in events, conditions or circumstances.

## Galp Energia, SGPS, S.A.

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Reuters: GALP.LS  
Bloomberg: GALP PL