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RESULTS AND CONSOLIDATED INFORMATION

FIRST QUARTER 2016

May 2016
Investor Relations

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1. Executive summary

Main highlights during the first quarter of 2016

- Consolidated Group Ebitda amounted to €293 m, a 22% decrease year-on-year (YoY), on a replacement cost adjusted (RCA) basis, following the lower contribution from the Exploration & Production (E&P) and Gas & Power (G&P) businesses, with the Refining & Marketing (R&M) business maintaining its positive contribution to results.
- Net income reached €114 m, down €7 m YoY, on a RCA basis. International Financial Reporting Standards (IFRS) net income was negative €58 m, including a €92 m negative inventory effect, following a decrease in commodity prices in the period, as well as €80 m in non-recurring items, mainly related to the R&M and G&P businesses.
- The working interest production of oil and natural gas increased 36% to 56.3 kboepd, due to higher production from Brazil.
- Galp's refining margin was \$4.1/boe, on the back of lower refining margins in the international market. The marketing of oil products maintained its contribution to results.
- Natural gas sold decreased to 1,860 million cubic metres (mm³), mainly due to the decrease in volumes sold in the trading segment.
- Capital expenditure amounted to €343 m, of which 92% was allocated to the E&P business, mainly in the development of block BM-S-11 in Brazil and of block 32, in Angola.
- Net debt at the end of the quarter amounted to €1,841 m, considering the loan to Sinopec as cash and equivalents, with a net debt to Ebitda of 1.4x.

Recent changes in accounting:

Effective on 1 January 2016, exchange rate differences from operating activities are allocated to operating results of the respective business segment. Until the end of 2015, these exchange rate differences were accounted for under financial results.

Following an accounting interpretation from Portuguese Securities Market Commission (CMVM) regarding the accounting treatment for CESE I, Galp started to recognise the total amount of the cost and liability as of 1 January, instead of deferring the cost along the year.

Regarding the energy sector contribution in Spain, to the Fondo Nacional de Eficiencia Energética, the impact was also fully accounted for during the first quarter of 2016.

These changes were applied to 2015 figures in order to make periods comparable.

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2. Key figures

Financial data

€ m (RCA)

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
Ebitda RCA	375	293	(82)	(21,8%)
Exploration & Production	94	48	(45)	(48,4%)
Refining & Marketing	143	148	5	3,4%
Gas & Power	131	90	(41)	(31,5%)
Ebit RCA	227	137	(90)	(39,5%)
Ebit IFRS	58	(3)	(61)	n.m.
Net income RCA	121	114	(7)	(6,1%)
Net income IFRS	(39)	(58)	(18)	46,5%
Capex	283	343	60	21,0%
Net debt including loan to Sinopec¹	1.429	1.841	412	28,8%
Net debt to Ebitda	1,0x	1.4x²	-	-

¹ Considering loan to Sinopec as cash and equivalents.² Ratio considers net debt including loan to Sinopec of €627 m as cash, plus €165 m corresponding to Sinopec MLT Shareholder Loan to Petrogal Brasil and LTM Ebitda RCA €1,437 m.

Operational data

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
Average working interest production (kboepd)	41,5	56,3	14,9	35,8%
Average net entitlement production (kboepd)	38,7	53,7	15,0	38,7%
Oil and gas average sale price (USD/boe)	50,6	26,1	(24,5)	(48,3%)
Raw materials processed (mmboe)	26,2	25,2	(1,0)	(3,9%)
Galp refining margin (USD/boe)	5,9	4,1	(1,8)	(30,4%)
Oil sales to direct clients (mton)	2,2	2,1	(0,1)	(4,8%)
NG supply sales to direct clients (mm ³)	999	901	(99)	(9,9%)
NG/LNG trading sales (mm ³)	1.195	960	(235)	(19,7%)

Market indicators

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
Exchange rate (EUR:USD)	1,13	1,10	(0,02)	(2,1%)
Dated Brent price ¹ (USD/bbl)	53,9	33,9	(20,0)	(37,1%)
Heavy-light crude price spread ² (USD/bbl)	(1,3)	(2,3)	(0,9)	(69,6%)
UK NBP natural gas price ³ (GBP/therm)	47,6	29,9	(17,7)	(37,3%)
LNG Japan and Korea price ¹ (USD/mmbtu)	7,8	5,0	(2,8)	(35,7%)
Benchmark refining margin ⁴ (USD/bbl)	5,3	3,3	(2,0)	(37,3%)
Iberian oil market ⁵ (mton)	14,8	14,7	(0,0)	(0,2%)
Iberian natural gas market ⁶ (mm3)	9.074	8.653	(420)	(4,6%)

¹ Source: Bloomberg.² Source: Platts. Dated Urals NWE for heavy crude; Dated Brent for light crude.³ Source: Platts.⁴ For a complete description of the method of calculating the benchmark refining margin see "Definitions".⁵ Source: Apetro for Portugal; CORES for Spain; the figures include an estimate for March 2016.⁶ Source: Galp and Enagás.

3. Market environment

EUR:USD

During the first quarter of 2016, the average EUR:USD exchange rate was 1.102, as the Dollar appreciated 2.1% against the Euro YoY.

Dated Brent

During the first quarter of 2016, the average dated Brent decreased \$20.0/bbl YoY to \$33.9/bbl, following a successive surplus production and large inventories as a result of increased crude oil production, mainly by the OPEC countries.

The average price spread between the Urals and the dated Brent widened from -\$1.3/bbl, in the previous year, to -\$2.3/bbl. The lower price for Urals crude resulted from its increased production and lower runs by the Russian refineries.

Natural gas

The natural gas price in Europe (NBP) decreased to 29.9 GBp/therm in the first quarter of 2016, from 47.6 GBp/therm in the previous year, as a result of lower oil prices, to which natural gas contracts are typically indexed, and of a mild winter in Europe.

During the quarter, the Asian liquefied natural gas (LNG) reference price (JKM) decreased from \$7.8/mmbtu to \$5.0/mmbtu YoY, as a result of an inventory increase, with a lower demand in Japan and South Korea.

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Refining margins

During the first quarter of 2016, the benchmark refining margin decreased by \$2.0/bbl YoY to \$3.3/bbl, mainly following the lower middle distillates cracks, which stemmed from a lower demand.

The gasoline crack remained stable at \$10.0/bbl YoY, supported by demand in the USA and Western Africa.

The utilisation of the European refining system remained unchanged at 12.0 mmbopd due to gasoline demand, and continued generating a production surplus of middle distillates, impacting the jet and diesel cracks.

The jet crack decreased \$8.1/bbl YoY to \$9.2/bbl, conditioned by large stocks and imports from the Middle East and Asia.

During the first quarter of 2016, the diesel crack was at \$9.1/bbl, down by \$9.1/bbl YoY, due to large stocks and exports from Russia and Asia to Europe.

Iberian market

During the first quarter of 2016, the Iberian market for oil products was stable YoY at 14.7 million tonnes (mton), although impacted by lower seasonal demand for heating oil.

During the first quarter of 2016, the Iberian natural gas market decreased 5% YoY to 8,653 mm³, with conventional consumption (ie, from industrial and retail segments) down 4%, as a result of a warmer winter than normal, and with the electrical segment consumption decreasing 11%, affected by high hydroelectric and wind power generation.



4. Exploration & Production

4.1. Development activities

Brazil

During the first quarter of 2016, Galp and its partners continued with the development works on the Lula/Iracema project.

FPSO Cidade de Maricá (#5) started production on time, in the Lula Alto area, at the beginning of February. This unit has a production capacity of 150 kbopd and 6 mm³ of natural gas per day, with the development plan including the connection of 17 wells, of which 12 are already drilled. This unit reached an average production of around 33 kbopd during March from one producer well, with the connection of the second producer well and first gas injector well having taken place in April.

FPSO Cidade de Itaguaí (#4), in the Iracema North area, reached an average production of c.75 kbopd during the period, with the unit production still restricted until the connection to the Cabiúnas gas export pipeline, which is expected during the second quarter. The fourth producer well was connected to that FPSO at the end of March.

Production from FPSO #2, in the Lula Northeast area, was affected by maintenance works during the quarter, although it benefitted from the connection of the sixth injector well. It is worth highlighting that the consortium brought forward additional maintenance works, originally planned later in the year, in order to reduce annual downtime. In the Iracema South area, FPSO #3 continued to produce from five producer wells.

FPSO #1 continued producing steadily in the Lula Pilot area. In April, the unit was subject to

planned maintenance, which has meanwhile been completed.

Regarding the gas export pipeline to Cabiúnas, commercial operation has already started after the completion of installation works at the end of 2015 and the commissioning of the onshore treatment unit which was completed in March. FPSO #2 has already started exporting gas through the pipeline, and it is expected that FPSO #3 and #4 will be connected during the second quarter. The connection of FPSO #5 and #6 is expected during the second half of 2016.

FPSO Cidade de Saquarema (#6), a unit chartered from SBM Offshore (SBM) that will develop the Lula Central area, is now at the SBM shipyard, in Brazil, where integration works are close to conclusion.

Regarding the replicant FPSO units, the first stage of the topsides' integration works of the unit to be allocated to the Lula South area is expected to be completed during the second quarter of 2016, in the Keppel Fels shipyard, in Brazil. The second stage will consist of integrating the CO₂ and gas compression and injection modules, built by BJC in Thailand, and which transportation to Brazil started in April. During the quarter, the hull of the FPSO allocated to the Lula North area arrived to the COOEC shipyard, in China, where the topsides integration works are already being executed.

Regarding the unit assigned to the Lula Extreme South area, the hull construction works proceeded in the COSCO shipyard, in China.

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Development wells in the Lula/Iracema areas

	Project	Type of wells			
			Planned	Drilled	Connected
#1	Lula Pilot	Producers	7	6	5
	FPSO Cidade de Angra dos Reis	Injectors	5	5	5
#2	Lula Northeast	Producers	8	6	6
	FPSO Cidade de Paraty	Injectors	6	6	6
#3	Iracema South	Producers	8	7	5
	FPSO Cidade de Mangaratiba	Injectors	8	7	5
#4	Iracema North	Producers	8	7	4
	FPSO Cidade de Itaguaí	Injectors	9	7	3
#5	Lula Alto	Producers	10	7	2
	FPSO Cidade de Maricá	Injectors	7	5	1

Mozambique

In Mozambique, the consortium for Area 4 is finalising negotiations of the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) proposals, as well as the conditions for the offshore Coral project LNG sales contract. The consortium is also preparing the financing solution for the project. In the first quarter of 2016, the Mozambican Government approved this area's development plan.

Regarding the Mamba onshore project, the EPCIC proposals are being assessed. The

unitisation process was concluded during 2015, between the partners of the Mamba project (Area 4) and of the Prosperidade project (Area 1), which is still pending approval from the Mozambican Government.

Angola

Regarding block 32, the development drilling campaign of the Kaombo project proceeded in the quarter, as well as the conversion works of the two FPSO at the Sembcorp shipyard, in Singapore. Also during the quarter, the onshore logistics base started to be built.

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4.2. Operating performance

€ m (RCA, except otherwise stated; unit figures based on net entitlement production)

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
Average working interest production¹ (kboepd)	41,5	56,3	14,9	35,8%
Oil production (kbopd)	38,4	52,9	14,5	37,8%
Average net entitlement production¹ (kboepd)	38,7	53,7	15,0	38,7%
Angola	7,8	7,9	0,1	1,7%
Brazil	31,0	45,8	14,9	48,0%
Average realised sale price² (USD/boe)	50,6	26,1	(24,5)	(48,3%)
Royalties³ (USD/boe)	4,1	2,8	(1,3)	(31,5%)
Production costs (USD/boe)	11,8	8,9	(2,8)	(24,2%)
Amortisation⁴ (USD/boe)	16,3	15,8	(0,5)	(3,2%)
Ebitda RCA	94	48	(45)	(48,4%)
Depreciation & Amortisation ⁴	51	70	20	38,6%
Provisions	-	-	-	-
Ebit RCA	43	(22)	(65)	n.m.
Ebit IFRS	(10)	(31)	(21)	n.m.

¹ Includes natural gas exported; excludes natural gas used or injected.² Galp average realised sale price, including change in production effects.³ Based on production in Brazil.⁴ Includes abandonment provisions.

Operations

During the first quarter of 2016, the average working interest production of oil and natural gas increased 36% YoY to 56.3 kboepd, of which 94% was oil production.

Production from Brazil increased 14.9 kboepd YoY to 45.8 kboepd, due to the increase in production from FPSO #3 and the start-up of FPSO Cidade de Itaguaí (#4) and of FPSO Cidade de Maricá (#5). FPSO #1 and #2 produced on average 10.9 kboepd and 12.0 kboepd, respectively. Gas exports also increased, from 3.1 kboepd to 3.5 kboepd, of which 3.0 kboepd from the Lula field.

In Angola, working interest production stood at 10.5 kbopd, in line YoY, with the start of production in block 14k offsetting the natural decline of the BBLT and Tômbua-Landana (TL) fields.

Net entitlement production increased 39% YoY to 53.7 kboepd in the quarter, a progress in line with the working interest production. Net entitlement production in Angola was stable at 7.9 kbopd.

Production from Brazil accounted for 85% of total net entitlement production in the period, compared to 80% in the previous year.

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Results

In the first quarter of 2016, RCA Ebitda amounted to €48 m, down €45 m YoY, as the increase in production did not offset the lower average sale price of oil and natural gas.

The average sale price during the period was \$26.1/boe, down from \$50.6/boe the previous year, following the decrease in the oil price in the international market.

Production costs increased €3 m YoY to around €40 m in the quarter, following increased production in Brazil, namely from FPSO #4 and #5. In unit terms and on a net entitlement basis, production costs decreased \$2.8/boe YoY to \$8.9/boe, as a result of production dilution.

On a working interest basis, and taking into account the impact from associated companies

related to ongoing production activities, production costs stood at \$7.0/boe.

Depreciation charges (including abandonment provisions) in the first quarter of 2016 increased €20 m YoY to €70 m, not only on the back of the increased asset base in Brazil, but also due to the depreciation charges of block 14k in Angola. On a net entitlement basis, unit depreciation charges decreased to \$15.8/boe from \$16.3/boe the previous year.

RCA Ebit was negative in €22 m in the period, compared to a positive Ebit of €43 m in the previous year. Ebit on an IFRS basis was also negative in €31 m, impacted by €9 m in non-recurring items, of which c.€6 m were related to a compensation for early termination of a contract for drilling rigs in block 14, in Angola.



5. Refining & Marketing

€ m (RCA, except otherwise stated)

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
Galp refining margin (USD/boe)	5,9	4,1	(1,8)	(30,4%)
Refining cash cost¹ (USD/boe)	1,8	2,0	0,2	10,4%
Impact of refining margin hedging² (USD/boe)	(0,6)	0,1	0,7	n.m.
Raw materials processed (mmboe)	26,2	25,2	(1,0)	(3,9%)
Crude processed (mmbbl)	23,1	23,9	0,7	3,2%
Total refined product sales (mton)	4,4	4,2	(0,2)	(5,1%)
Sales to direct clients (mton)	2,2	2,1	(0,1)	(4,8%)
Ebitda RCA	143	148	5	3,4%
Depreciation & Amortisation	68	65	(3)	(5,1%)
Provisions	9	5	(4)	(45,6%)
Ebit RCA	65	78	12	19,1%
Ebit IFRS	(41)	(47)	(6)	15,2%

¹ Excluding impact of refining margin hedging operations.

² Impact on Ebitda

Operations

Raw materials processed during the first quarter of 2016 decreased 4% YoY to 25.2 million barrels (mmboe). This reduction was mainly a result of the hydrocracker planned outage at the Sines refinery in order to replace the catalyst, and which lasted c.60 days. Crude oil accounted for 95% of raw materials processed, of which 75% corresponded to medium and heavy crudes.

The production of middle distillates (diesel and jet) in the quarter accounted for 44% of total production, down 3 p.p. YoY, following the

hydrocracker outage. In turn, gasoline production increased 3 p.p YoY and accounted for 25% of production. Consumption and losses in the quarter accounted for 6% of raw materials processed.

Volumes sold to direct clients stood at 2.1 mton, down 5% YoY, impacted by the hydrocracker outage and following the diversion of volumes to higher margin trading clients. Volumes sold in Africa accounted for 8% of total volumes sold to direct clients, in line with the previous year.

Results

Effective on 1 January 2016, exchange rate differences from operating activities are allocated to operating results. Until the end of 2015, these exchange rate differences were accounted for under financial results. This change was applied to 2015 figures in order to make periods comparable. For additional detail, please see

section 9. Basis of presentation on page 25 of this report.

RCA Ebitda for the R&M business in the first quarter of 2016 increased €5 m YoY to €148 m.

Galp's refining margin stood at \$4.1/boe in the quarter, compared to \$5.9/boe the previous year, as refining margins decreased in the international markets. The spread over the benchmark margin

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amounted to \$0.8/boe in the period, up \$0.2/boe YoY, benefiting from arbitrage opportunities for gasoline exports to the USA and also from the lower middle distillates production whose prices decreased in the international market. It should be noted that in the previous year the spread had been impacted by outages for maintenance, as well as by the lag of pricing formulas of some raw materials.

Refining cash costs increased €4 m YoY to €45 m, or \$2.0/boe in unit terms.

However, the refining activity benefitted from the Dollar appreciation against the Euro, and especially from the results relating to hedging of the refining margin.

In fact, the hedging of the refining margin generated a €3 m gain in the first quarter of 2016, compared to a €14 m loss in the previous year.

Marketing of oil products maintained its contribution to results, in spite of the lower volumes sold.

Depreciation charges and provisions reached €70 m in the first quarter of 2016, down €8 m YoY, with RCA Ebit reaching €78 m.

IFRS Ebit decreased €6 m during the period and was negative in €47 m, including an inventory effect of €108 m, following the decrease in oil and oil products' prices, as well as €17 m in non-recurring items, mainly related to impairments on equipment allocated to the refining activity.

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6. Gas & Power

€ m (RCA except otherwise stated)

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
NG supply total sales volumes (mm³)	2.195	1.860	(334)	(15,2%)
Sales to direct clients (mm ³)	999	901	(99)	(9,9%)
Trading (mm ³)	1.195	960	(235)	(19,7%)
Sales of electricity (GWh)	1.127	1.192	65	5,8%
Ebitda RCA	131	90	(41)	(31,5%)
Natural Gas	98	60	(38)	(38,7%)
Infrastructure	34	32	(1)	(3,8%)
Power	(1)	(3)	(2)	n.m.
Depreciation & Amortisation	15	15	0	0,5%
Provisions	4	0	(4)	(98,7%)
Ebit RCA	112	75	(37)	(33,2%)
Ebit IFRS	102	69	(34)	(32,9%)

Operations

Volumes sold of natural gas amounted to 1,860 mm³ during the first quarter of 2016, down 15% YoY, mostly as a result of the decrease in volumes sold in the trading segment.

Trading volumes decreased 20% to 960 mm³, following the lower number of LNG cargoes sold in the international market. During the quarter, eight LNG trading operations were carried out, compared to 10 during the previous year. Cargoes were mostly shipped to the Asian market. Network trading volumes decreased 24% to 278 mm³.

Volumes sold in the conventional segment, i.e. to industrial and retail clients, decreased 146 mm³ YoY to 670 mm³. In the industrial segment, volumes sold decreased 14% to 556 mm³, mainly due to the lower consumption of Galp's hydrocracker, following the outage during the quarter.

Volumes sold in the retail segment decreased 34% to 114 mm³, following the sale of the natural gas marketing activities in the Madrid region during the second half of 2015.

In the electrical segment, volumes increased 26% to 231 mm³, with electrical production in Iberia registering a higher utilisation of alternatives sources to coal.

Sales of electricity in the quarter stood at 1,192 GWh, up 65 GWh YoY, mainly as a result of the expansion of the marketing of electricity activity. Sales of electricity to the grid decreased 34 GWh YoY to 356 GWh due to the lower contribution from the Carrigo cogeneration, a Galp associate, and despite the start of operations of a new 22.6 MW wind farm, where Galp holds an interest.

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Results

RCA Ebitda for the G&P business was down €41 m YoY to €90 m, following lower results from the natural gas supply and trading activities.

Ebitda for the natural gas segment decreased €38 m YoY to €60 m, impacted by lower volumes sold and lower natural gas and LNG prices in international markets.

Ebitda for the regulated infrastructure business stood at €32 m, compared to €34 m in the previous year. This was a result of the downwards revision of the rate of return to 7.94%, effective on 1 July 2015.

Ebitda for the power business was negative €(3) m, impacted by the cogenerations performance, namely considering the outage at the Matosinhos cogeneration, as well as by the lag in natural gas purchase price indexes compared to the pricing formulas of energy produced.

Depreciation and amortisation in the G&P business stood at €15 m.

During the first quarter of 2016, RCA Ebit decreased 33% YoY to €75 m. IFRS Ebit stood at €69 m, down from €102 m in the previous year, and includes a €9 m inventory effect.

7. Financial performance

7.1. Income statement

€ m (RCA, except otherwise stated)

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
Turnover	3.931	2.829	(1.103)	(28,0%)
Cost of goods sold	(3.174)	(2.155)	(1.019)	(32,1%)
Supply & Services	(310)	(313)	3	1,1%
Personnel costs	(83)	(75)	(8)	(9,8%)
Other operating revenues (expenses)	11	8	(3)	(24,6%)
Ebitda RCA	375	293	(82)	(21,8%)
Ebitda IFRS	259	164	(95)	(36,8%)
Depreciation & Amortisation	(135)	(151)	16	12,1%
Provisions	(13)	(5)	(8)	(62,0%)
Ebit RCA	227	137	(90)	(39,5%)
Ebit IFRS	58	(3)	(61)	n.m.
Net income from associated companies	26	21	(5)	(18,6%)
Net income from investments	0	-	(0)	n.m.
Financial results	(50)	3	53	n.m.
Net income before taxes and non-controlling interests	204	162	(42)	(20,5%)
Taxes ¹	(71)	(39)	(32)	(44,6%)
Non-controlling interests	(11)	(9)	(2)	(22,0%)
Net income RCA	121	114	(7)	(6,1%)
Non recurring items	(74)	(80)	(5)	(7,4%)
Net income RC	47	34	(13)	(27,6%)
Inventory effect	(86)	(92)	(5)	(6,2%)
Net income IFRS	(39)	(58)	(18)	46,4%

¹ Includes the Special Participation tax payable in Brazil and IRP payable in Angola.

In the first quarter of 2016, turnover amounted to €2,829 m, down 28% YoY. This was mainly due to the decrease in the prices of oil, natural gas and oil products on the international market, but also to lower volumes sold in the R&M and G&P businesses.

Operating costs decreased by 29% YoY to €2,535 m, following a 32% fall in the cost of goods sold. The supply and services cost remained in line, whilst personnel costs decreased by 10%.

RCA Ebitda fell 22% to €293 m in the period as a result of a lower contribution from the E&P and G&P businesses. IFRS Ebitda also decreased, by

€95 m to €164m in the first quarter of 2016.

RCA Ebit was €137 m, down €90 m YoY, whilst IFRS Ebit fell by €61 m to negative in €3 m.

Net income from associated companies totalled €21 m, against €26 m in the previous year, due to the lower contribution from Tupi B.V.

Financial results were positive by €3 m, a €53 m improvement YoY, due to the €22 m gain related to the mark-to-market of financial instruments, and which compares to an €18 m loss in the previous period.

Net interest expenses in the first quarter decreased by €5 m YoY, to €28 m.

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RCA taxes fell by €32 m to €39 m due to lower results across all business segments. Taxes on oil production from E&P decreased by €23 m to €1 m.

Non-controlling interests, mainly attributable to Sinopec's interest in the E&P subsidiary in Brazil, decreased to €9 m, as a result of lower income.

RCA net income reached €114 m, a €7 m decrease YoY.

IFRS net income was negative by €58 m, including a €92 m negative inventory effect which stemmed from lower commodity prices, as well as €80 m in non-recurring items.

The Portuguese Extraordinary Energy Sector Contribution (CESE) had a negative impact on IFRS results of around €33 m, of which €27 m related to CESE I, whose annual impact is fully

accounted for in the first quarter of the year. This provision, related with CESE, results from the strict applicability of accounting standards. However, Galp's opinion, based on the opinion of renowned legal experts, is that the laws regarding CESE have no legal grounds and, accordingly, these amounts are not due.

In 2015, the CESE taxes and the Spanish energy sector contribution to the Fondo Nacional de Eficiencia Energética had been booked evenly throughout the year. To make periods comparable, the full year impact of these taxes has been applied to the first quarter of 2015.

Non-recurring items in the first quarter of 2016 also included €14 m related to taxes on income from the associated Europe Maghreb Pipeline (EMPL) and €11 m related to impairments, mainly related to the R&M business.

Results and consolidated information - First quarter 2016

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7.2. Capital expenditure

€ m

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
Exploration & Production	273	316	43	15,9%
Exploration and appraisal activities	37	10	(27)	(73,1%)
Development and production activities	236	306	70	29,7%
Refining & Marketing	5	23	19	n.m.
Gas & Power	3	3	(0)	(8,7%)
Others	3	1	(2)	(80,7%)
Investment	283	343	60	21,0%

Capital expenditure during the first quarter of 2016 amounted to €343 m, of which 92% was allocated to the E&P business.

Investment in the E&P business was mainly allocated to development and production (D&P) activities, namely to the development of block BM-S-11 in Brazil, which accounted for 72% of investment in D&P in the period. Activities in block 32, in Angola, accounted for around 20% of that total.

Investment in exploration and appraisal activities totalled €10 m in the period.

Capital expenditure in R&M and G&P totalled €26 m, including investment in the Sines refinery – mainly allocated to maintenance activities –, in the natural gas infrastructure and also in the construction of a logistics terminal in Mozambique.

Results and consolidated information - First quarter 2016

May, 2016

7.3. Cash flow**7.3.1 Indirect Method**

€ m (IFRS figures)

	Quarter	
	1Q15	1Q16
Ebit	58	(3)
Dividends from associates	0	-
Depreciation, Depletion and Amortization (DD&A)	188	162
Change in Working Capital	105	141
Cash flow from operations	351	300
Net capex	(303)	(343)
Net financial expenses	(33)	(28)
SPT and Corporate taxes	(33)	(25)
Dividends paid	-	-
Others ¹	184	50
Change in net debt	(167)	45

¹Includes CTAs (Cumulative Translation Adjustment) and partial reimbursement of the loan granted to Sinopec.

In the first quarter of 2016, the €300 m cash flow from operating activities benefitted from a €141 m reduction in working capital, due to lower inventories.

Considering the cash flow from operating activities and the €68 m loan reimbursement by Sinopec, net debt increased by only €45 m during the first quarter of the year.

7.3.2 Direct Method

€ m

	Quarter	
	1Q15	1Q16
Cash and equivalents at the beginning of the period¹	1.023	1.045
Received from customers	4.423	3.265
Paid to suppliers	(2.954)	(1.836)
Staff related costs	(77)	(76)
Dividends from associated companies	0	-
Taxes on oil products (ISP)	(516)	(604)
VAT, Royalties, PIS, Cofins, Others	(457)	(380)
Total operating flows	418	369
Net capex	(355)	(379)
Net Financial Expenses	(46)	(52)
Dividends paid	-	-
SPT and Corporate taxes	(33)	(25)
Net new loans	(215)	(44)
Sinopec loan reimbursement	78	68
FX changes on cash and equivalents	139	(28)
Cash and equivalents at the end of the period¹	1.010	954

¹ Cash and equivalents differ from the Balance Sheet amounts due to IAS 7 classification rules. The difference refers to overdrafts which are considered as debt in the Balance Sheet and as a deduction to cash in the Cash Flow Statement.

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7.4. Financial situation

€ m (IFRS figures)

	31 December, 2015	31 March, 2016	Chg. vs 31 December, 2015
Net fixed assets	7,892	8,077	185
Working capital	510	369	(141)
Loan to Sinopec	723	627	(96)
Other assets (liabilities)	(515)	(573)	(58)
Capital employed	8,610	8,499	(111)
Short term debt	493	485	(7)
Medium-Long term debt	3,060	3,015	(45)
Total debt	3,552	3,500	(52)
Cash and equivalents	1,130	1,033	(97)
Net debt	2,422	2,467	45
Total equity	6,188	6,032	(156)
Total equity and net debt	8,610	8,499	(111)

On 31 March 2016, net fixed assets stood at €8,077 m, €2,133 m of which related to work-in-progress, namely in the E&P business.

Capital employed at the end of the period amounted to €8,499 m, including the €627 m loan granted to Sinopec.

7.5. Financial debt

€ m (except otherwise stated)

	31 December, 2015	31 March, 2016	Chg. vs 31 December, 2015
Bonds	2,154	2,155	2
Bank loans and other debt	1,398	1,345	(53)
Cash and equivalents	(1,130)	(1,033)	97
Net debt	2,422	2,467	45
Net debt including loan to Sinopec¹	1,699	1,841	142
Average life (years)	3.1	2.9	(0.2)
Average debt interest rate	3.8%	3.5%	(0.2 p.p.)
Net debt to Ebitda	1.2x	1.4x ²	-

¹ During the first quarter of 2016, net debt of €2,467 m adjusted for the €627 m loan to Sinopec.

² Ratio considers net debt including loan to Sinopec of €627 m as cash, plus €165 m corresponding to Sinopec MLT Shareholder Loan to Petrogal Brasil and LTM Ebitda RCA €1,437 m.

On 31 March 2016, net debt amounted to €2,467 m, up €45 m compared to the end of 2015.

Considering the €627 m balance of the Sinopec loan as cash and equivalents, net debt at the end of the year totalled €1,841 m, resulting in a net debt to Ebitda ratio of 1.4x. This ratio also considers Sinopec's €165 m shareholder loans to Petrogal Brasil as of the end of the quarter.

At the end of the first quarter of 2016, the average interest rate was 3.5%, with 42% of total debt on a fixed-rate basis.

Debt had an average maturity of 2.9 years, and medium and long-term debt accounted for 86% of the total.

Results and consolidated information - First quarter 2016

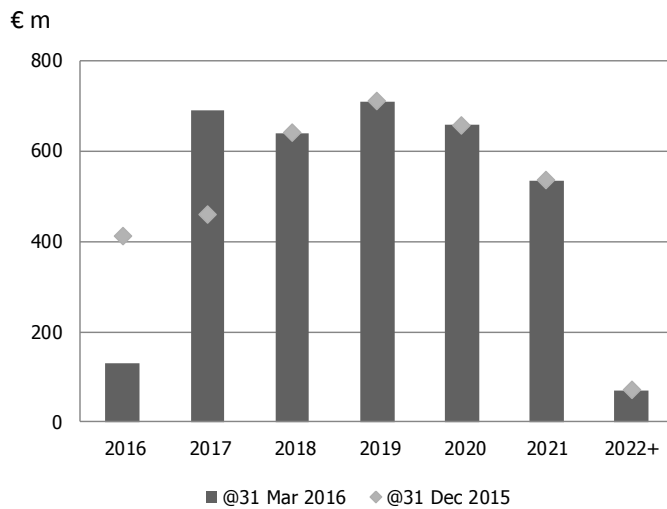
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On 31 March 2016, around 55% of total debt was scheduled to mature from 2019 onwards.

It is also worth mentioning that, at the end of the first quarter of 2016, Galp had unused credit

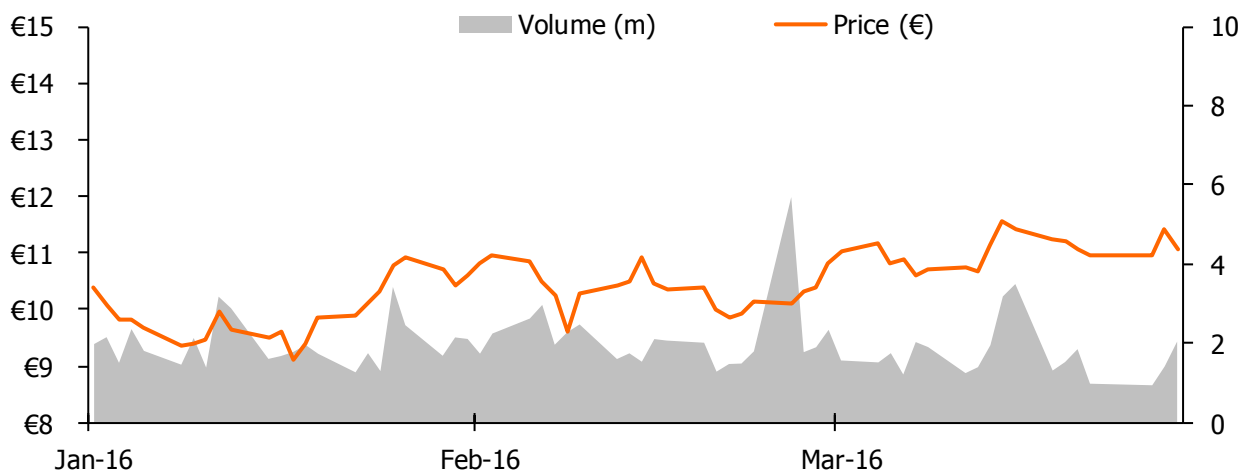
lines of approximately €1.3 bn. Of this amount, around 65% was contractually guaranteed.

Debt maturity profile



8. Galp share

Performance of Galp share



Source: Euroinvestor.

Galp's share price ended the first quarter of 2016 at €11.05, a 3% gain during the period. The share price reached a low of €9.03 and a high of €11.78.

During the first quarter, around 225 m shares were traded on regulated markets, 122 m of

which on Euronext Lisbon. Thus, the average daily volume traded on regulated markets was approximately 3.6 m shares, 2.0 m of which on Euronext Lisbon. Galp's market capitalisation at the end of the quarter was €9.2 bn.

Main indicators		
	2015	1Q16
Min (€)	7.81	9.03
Max (€)	12.48	11.78
Average (€)	10.17	10.40
Close price (€)	10.72	11.05
Market cap ¹ (€m)	8,890	9,163
Regulated markets volume (m shares)	711.6	225.4
Average volume per day (m shares)	2.8	3.6
<i>of which Euronext Lisbon (m shares)</i>	<i>1.6</i>	<i>2.0</i>

¹ As of the last trading day of the period.

9. Additional information

9.1. Basis of presentation

Galp's consolidated financial statements for the quarters ended on 31 March 2016 and 2015 and 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial information in the consolidated income statement is reported for the quarters ended on 31 March 2016 and 2015, and 31 December 2015. The financial information in the consolidated financial position is reported on 31 March of 2016 and on 31 December 2015.

Galp's financial statements are prepared in accordance with IFRS, and the cost of goods sold is valued at weighted-average cost (WAC). When goods and commodity prices fluctuate, the use of this valuation method may cause volatility in

results through gains or losses in inventories, which do not reflect the Company's operating performance. This is called the inventory effect.

Another factor that may affect the Company's results, without being an indicator of its true performance, is the set of non-recurring items, namely 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's operating performance, RCA profit measures exclude non-recurring items and the inventory effect, the latter because the cost of goods sold and materials consumed has been calculated according to the Replacement Cost (RC) valuation method.

Recent changes

Effective on 1 January 2016, exchange rate differences from operating activities are allocated to operating results of the respective business segment. Until the end of 2015, these exchange rate differences were accounted for under financial results.

Following an accounting interpretation from Portuguese Securities Market Commission (CMVM) regarding the accounting treatment for CESE I, Galp started to recognise the total amount of the cost and liability as of 1 January, instead of deferring the cost along the year.

Regarding the energy sector contribution in Spain, to the Fondo Nacional de Eficiencia Energética, the impact was also fully accounted for during the first quarter of 2016.

These changes were applied to 2015 figures in order to make periods comparable.

Results and consolidated information - First quarter 2016

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9.2. Reconciliation of IFRS and replacement cost adjusted figures

9.2.1 Replacement Cost adjusted Ebitda by segment

€ m

2016	First quarter				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	164	115	278	15	293
E&P	42	-	42	6	48
R&D	31	108	139	9	148
G&P	83	7	90	0	90
Outros	7	-	7	0	8

€ m

2015	First quarter				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	259	113	372	3	375
E&P	94	-	94	(0)	94
R&D	36	104	140	3	143
G&P	121	9	130	1	131
Outros	8	-	8	-	8

9.2.2 Replacement Cost adjusted Ebit by segment

€ m

2016	First quarter				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	(3)	115	112	26	137
E&P	(31)	-	(31)	9	(22)
R&D	(47)	108	61	17	78
G&P	69	7	75	(0)	75
Outros	6	-	6	0	7

€ m

2015	First quarter				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	58	113	171	56	227
E&P	(10)	-	(10)	53	43
R&D	(41)	104	63	2	65
G&P	102	9	111	1	112
Outros	7	-	7	-	7

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9.3. Replacement Cost adjusted turnover

€ m

	Quarter			
	1Q15	1Q16	YoY Chg.	YoY % Chg.
RCA Turnover	3.931	2.829	(1.103)	(28,0%)
Exploration & Production ¹	144	111	(32)	(22,6%)
Refining & Marketing	2.859	2.167	(693)	(24,2%)
Gas & Power	1.026	676	(350)	(34,1%)
Other	29	28	(1)	(4,3%)
Consolidation adjustments	(128)	(154)	26	20,4%

¹ Does not include change in production. RCA turnover in the E&P segment, including change in production, amounted to €122 m in the first quarter of 2016

9.4. Non-recurring items - Replacement Cost adjusted Ebitda by segment

€ m

	Quarter	
	1Q15	1Q16
Non-recurring items impacting Ebitda	3,3	15,0
Accidents caused by natural facts and insurance compensation	(0,2)	0,1
Gains/losses on disposal of assets	(0,6)	(0,5)
Asset write-offs	0,0	0,0
Employee restructuring charges	4,1	5,0
Compensation early termination rigs agreement	-	5,8
Litigation cost	-	4,5
Non-recurring items impacting non-cash costs	53,2	10,8
Provisions for environmental charges and others	(0,2)	0,1
Asset impairments	53,4	10,7
Non-recurring items impacting financials	(0,0)	14,1
Capital gains/losses on disposal of financial investments	(0,0)	-
Tax on results from EMPL (Associates)	-	14,1
Provision for impairment of financial investments	-	-
Non-recurring items impacting taxes	26,3	39,8
Income taxes on non-recurring items	(14,0)	(5,4)
Tax deferral reversions	-	-
Energy sector contribution tax	40,3	45,2
Non-controlling interest	(8,5)	(0,0)
Total non-recurring items	74,2	79,8

Results and consolidated information - First quarter 2016

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9.5. Consolidated Financial Statement

Galp Energia, SGPS, S.A. and subsidiaries
Consolidated Statement of Financial Position as of 31 March 2016 and 31 December 2015
(Amounts stated in thousand Euros - € k)

ASSETS	Notes	march 2016	december 2015
Non-current assets:			
Tangible assets	12	5,363,427	5,215,723
Goodwill	11	135,950	137,035
Intangible assets	12	1,387,781	1,402,977
Investments in associates and joint ventures	4	1,164,307	1,113,576
Assets held for sale	4	2,487	2,487
Trade receivables	15	4,996	24,162
Other receivables	14	303,307	298,149
Deferred tax assets	9	427,193	462,134
Other financial investments	17	27,191	24,430
Total non-current assets:		8,816,639	8,680,673
Current assets:			
Inventories	16	733,256	872,518
Trade receivables	15	830,975	804,880
Loans to Sinopec	14	626,649	722,936
Other receivables	14	597,572	576,960
Other financial investments	17	10,698	4,458
Cash and cash equivalents	18	1,035,966	1,130,606
Total current assets:		3,835,116	4,112,358
Total assets:		12,651,755	12,793,031
EQUITY AND LIABILITIES	Notes	march 2016	december 2015
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	2,598,846	2,682,394
Retained earnings		1,178,427	1,055,861
Consolidated net income for the period	10	(57,744)	122,566
Total equity attributable to shareholders:		4,630,786	4,772,078
Non-controlling interests	21	1,401,247	1,416,046
Total equity:		6,032,033	6,188,124
Liabilities:			
Non-current liabilities:			
Bank loans	22	1,102,925	1,151,416
Bonds	22	1,909,673	1,908,109
Other payables	24	550,207	551,287
Post-employment and other employee benefits liabilities	23	421,129	421,540
Deferred tax liabilities	9	93,033	109,384
Other financial instruments	27	1,574	2,498
Provisions	25	456,938	428,762
Total non-current liabilities:		4,535,479	4,572,996
Current liabilities:			
Bank loans and overdrafts	22	242,003	246,791
Bonds	22	245,774	245,756
Trade payables	26	658,392	656,346
Other payables	24	896,134	844,333
Other financial instruments	27	22,593	29,471
Current income tax payable	9	19,347	9,214
Total current liabilities:		2,084,243	2,031,911
Total liabilities:		6,619,722	6,604,907
Total equity and liabilities:		12,651,755	12,793,031

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 March 2016.

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Galp Energia, SGPS, S.A. and subsidiaries
Consolidated Income Statement for period ended 31 March 2016 and 2015
(Amounts stated in thousand Euros - € k)

	Notes	march 2016	march 2015 restated
Operating income:			
Sales	5	2,656,641	3,781,047 (a)
Services rendered	5	172,026	150,188 (a)
Other operating income	5	17,867	22,983 (a)
Total operating income:		2,846,534	3,954,218 (a)
Operating costs:			
Cost of sales	6	2,269,957	3,286,877 (a)
External supplies and services	6	323,689	309,893 (a)
Employee costs	6	79,997	87,278 (a)
Amortisation, depreciation and impairment loss on fixed assets	6	161,610	188,017
Provisions and impairment losses on receivables	6	5,152	13,102
Other operating costs	6	9,313	11,325 (a)
Total operating costs:		2,849,718	3,896,492 (a)
Operating result:		(3,184)	57,726 (a)
Financial income	8	5,906	6,952
Financial costs	8	(17,642)	(30,361)
Exchange (loss) gain		(6,694)	(8,050) (a)
Income from financial investments and impairment losses on Goodwill	4 and 11	7,018	26,002
Income from financial instruments	27	21,696	(18,123)
Income before taxes:		7,100	34,146
Income tax	9	(10,972)	(30,613) (a)
Energy sector extraordinary contribution	9	(45,180)	(40,336) (a)
Consolidated net income for the period		(49,052)	(36,803) (a)
Income attributable to:			
Non-controlling interests	21	8,692	2,603 (a)
Galp Energia SGPS, S.A. Shareholders	10	(57,744)	(39,406) (a)
Consolidated net income for the period		(49,052)	(36,803) (a)
Earnings per share (in Euros)	10	(0.07)	(0.05) (a)

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.1.

The accompanying notes form an integral part of the consolidated income statement for the period ended 31 March 2016.

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energy creates energy



Galp Energia, SGPS, S.A and subsidiaries Consolidated Statement of Comprehensive Income for the period ended 31 March 2016 and 2015

(Amounts stated in thousand Euros - € k)

	Notes	march 2016		march 2015 restated	
		Atributable to the Shareholders	Non-controlling interests (Note 21)	Atributable to the Shareholders	Non-controlling interests (Note 21)
Consolidated net income for the period	10	(57,744)	8,692	(39,406)	2,603 ^(a)
<u>Other comprehensive income for the period which will not be recycled in the future for net income of the period:</u>					
Actuarial Gains and losses - pension fund:					
Actuarial Gains and losses - pension fund	23	-	-	1	-
Tax related to actuarial gains and losses - pension fund	9	-	-	-	-
		-	-	1	-
<u>Other comprehensive income for the period which will be recycled in the future for net income of the period:</u>					
Currency exchange differences:					
Currency exchange differences (Group companies)	20	(130,757)	(66,558)	222,269	123,993
Currency exchange differences (Associates/ joint ventures)	4 and 20	(47,226)	-	83,447	-
Currency exchange differences - Goodwill	11 and 20	(1,085)	-	2,452	-
Currency exchange differences - Financial allocation ("quasi capital")	20	152,188	65,223	(108,297)	(46,413)
Deferred tax related to components of currency exchange differences - Financial allocations ("quasi capital")	9 and 20	(51,744)	(22,175)	36,821	15,780
		(78,624)	(23,510)	236,692	93,360
Hedging reserves:					
Increases / decreases in hedging reserves (Group companies)	27 and 20	(5,885)	-	(337)	-
Deferred tax related to hedging reserves components (Group companies)	9 and 20	1,324	-	101	-
Increases / decreases in hedging reserves (Associates/joint ventures)	27 and 20	(363)	-	(839)	-
Deferred tax related to hedging reserves components (Associates/joint ventures)	9 and 20	-	-	(10)	-
		(4,924)	-	(1,085)	-
<u>Other increases/decreases</u>					
Changes on the financial interests held in the share capital of subsidiaries (Note 3 and 21):					
Increase in the financial interests held in the share capital of subsidiaries (Note 3 and 21)		-	(17,921)	-	-
Liquidation of subsidiaries		-	-	-	-
		-	(17,921)	-	-
		-	17,940	-	-
		-	19	-	-
		(83,548)	(23,491)	235,608	93,360
Other Comprehensive income for the period net of taxes		(141,292)	(14,799)	196,202	95,963 ^(a)
Comprehensive income for the period attributable to shareholders		(141,292)	(14,799)	196,202	95,963 ^(a)
Comprehensive income for the period attributable to non-controlling interests	21		(14,799)		95,963 ^(a)
Total Comprehensive income for the period		(141,292)	(14,799)	196,202	95,963 ^(a)

(a) Estes montantes foram reexpressos tendo em conta as alterações de classificação contabilística referida na Nota 2.1.

The accompanying notes form an integral part of the consolidated statement of comprehensive Income for the period ended 31 March 2016.

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Galp Energia, SGPS, S.A and subsidiaries
Consolidated Statement of changes in equity for the period ended 31 March 2016 and 2015
(Amounts stated in thousand Euros - € k)

Changes in the period	Notes	Share Capital	Share Premium	Translation reserves (Note 20)	Other reserves (Note 20)	Hedging reserves (Note 20)	Retained earnings - actuarial Gains and losses - pension fund (Note 23)	Retained earnings	Consolidated net income for the year	Sub-Total	Non-controlling interests (Note 21)	Total
Balance as of 1 January 2015		829,251	82,006	17,669	2,684,414	(744)	(99,570)	1,664,905	(173,394)	5,004,537	1,420,184	6,424,721
Consolidated net income for the period	10	-	-	-	-	-	-	-	(39,406)	(39,406)	2,603	(36,803) (a)
Changes in the consolidation perimeter		-	-	-	-	-	-	-	-	-	-	-
Other gains and losses recognised in Equity		-	-	236,692	-	(1,085)	1	-	-	235,608	93,360	328,968
Comprehensive income for the period		-	-	236,692	-	(1,085)	1	-	(39,406)	196,202	95,963	292,165 (a)
Dividends distributed / Interim dividends		-	-	-	-	-	-	-	-	-	-	-
Increase of equity in subsidiaries		-	-	-	-	-	-	-	-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-	-	-	(173,394)	173,394	-	-	-
Balance as of 31 March 2015		829,251	82,006	254,361	2,684,414	(1,829)	(99,569)	1,491,511	(39,406)	5,200,739	1,516,147	6,716,886 (a)
Balance as of 1 January 2016		829,251	82,006	(233)	2,684,293	(1,666)	(120,402)	1,176,263	122,566	4,772,078	1,416,046	6,188,124
Consolidated net income for the period	10	-	-	-	-	-	-	-	(57,744)	(57,744)	8,692	(49,052)
Changes in the consolidation perimeter	3 and 21	-	-	-	-	-	-	-	-	-	-	-
Other gains and losses recognised in Equity		-	-	(78,624)	-	(4,924)	-	-	-	(83,548)	(23,491)	(107,039)
Comprehensive income for the period		-	-	(78,624)	-	(4,924)	-	-	(57,744)	(141,292)	(14,799)	(156,091)
Dividends distributed / Interim dividends	30	-	-	-	-	-	-	-	-	-	-	-
Increase of equity in subsidiaries	3 and 20	-	-	-	-	-	-	-	-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-	-	-	122,566	(122,566)	-	-	-
Balance as of 31 March 2016		829,251	82,006	(78,857)	2,684,293	(6,590)	(120,402)	1,298,829	(57,744)	4,630,786	1,401,247	6,032,033

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.1.

The accompanying notes form an integral part of the consolidated statement of changes in equity for the period ended 31 March 2016.

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Galp Energia, SGPS, S.A and subsidiaries

Consolidated Statement of Cash Flow for the period ended 31 March 2016, 31 March 2015 and 31 December 2015

(Amounts stated in thousand Euros - € k)

	Notes	march 2016	march 2015	december 2015
Operating activities:				
Cash received from customers		3,264,951	4,422,857	17,665,676
Cash (payments) to suppliers		(1,835,854)	(2,954,193)	(11,420,662)
(Payments) relating to Tax on oil products ("ISP")		(603,741)	(515,815)	(2,632,665)
(Payments) relating to VAT		(327,430)	(431,494)	(1,624,430)
(Payments) relating to Royalties, levies, "PIS" and "COFINS" and Others		(11,888)	(15,765)	(50,022)
Operating gross margin		486,038	505,590	1,937,897
Salaries, contributions to the pension fund and other benefits (payments)		(43,039)	(39,929)	(209,348)
Withholding to third parties (payments)		(16,323)	(19,524)	(85,246)
Social Security contributions ("TSU")		(17,121)	(17,978)	(76,389)
Payments relating to employees		(76,483)	(77,431)	(370,983)
Other receipts/(payments) relating to the operational activity		(40,411)	(9,949)	(46,074)
Cash flows from operations		369,144	418,210	1,520,840
(Payments)/receipts of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(24,896)	(33,171)	(127,016)
Cash flows from operating activities (1)		344,248	385,039	1,393,824
Investing activities:				
Cash receipts from sale of tangible and intangible assets		70	63	68,893
Cash (payments) for the acquisition of tangible and intangible assets		(287,675)	(274,630)	(989,812)
Cash receipts relating to financial investments		-	-	35,370
Cash (payments) relating to financial investments		(91,088)	(80,091)	(308,346)
Net financial investment		(378,693)	(354,658)	(1,193,895)
Cash receipts from loans granted		67,612	77,959	260,784
Cash (payments) relating to loans granted		-	(400)	(400)
Cash receipts from interests and similar income		4,939	6,886	21,855
Cash receipts relating to dividends	4	-	174	72,901
Cash flows from investing activities (2)		(306,142)	(270,039)	(838,755)
Financing activities:				
Cash receipts from loans obtained		152,226	153,434	1,282,504
Cash (payments) relating to loans obtained		(196,255)	(368,777)	(1,407,753)
Cash receipts/(payments) from interests and similar costs		(56,833)	(52,452)	(132,411)
Dividends paid	30	-	-	(318,211)
Other financing activities		45	494	1,904
Cash flows from financing activities (3)		(100,817)	(267,301)	(573,967)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(62,711)	(152,301)	(18,898)
Effect of foreign exchange rate changes in cash and cash equivalents		(27,967)	138,554	41,393
Cash changes by changes in the consolidation perimeter	3	-	-	(1,040)
Cash and cash equivalents at the beginning of the period	18	1,044,851	1,023,396	1,023,396
Cash and cash equivalents at the end of the period	18	954,173	1,009,649	1,044,851

The accompanying notes form an integral part of the consolidated statement of cash flow for the period ended 31 March 2016.

In the year ended 31 December 2015, the Galp group, when compared with the previous reports, has decided to change the form of presentation of the statement of cash flow, as it considers that will improve its comprehension. The amounts of 31 March 2015 were presented according to the new format.

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Notes to the consolidated financial statements as of 31 March 2016

1. Introduction

a) Parent Company:

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

The Company shareholder structure as of 31 March 2016 is stated in Note 19.

The Company is listed on the Euronext Lisbon stock exchange.

b) The Group:

As of 31 March 2016 the Galp group (the Group) consists of Galp and its subsidiaries, which includes, among others: (i) Petróleos de Portugal – Petrogal, S.A. (Petrogal) and its subsidiaries, which carry out their activities in the refining of crude oil and distribution of its derivatives; (ii) Galp Gas & Power, SGPS, S.A. and its subsidiaries, which operate in the natural gas sector, electricity sector and renewable energy sector; (iii) Galp Energia E&P, B.V. and its subsidiaries, which develop Oil and Gas Exploration & Production activities and biofuels and (iv) Galp Energia, S.A. which integrates the corporate support services.

b1) Upstream activities

The Exploration & Production (E&P) business segment is responsible for the presence of Galp in the oil industry upstream sector, which consists in the supervision and performance of all activities relating to exploration, development and production of hydrocarbons, essentially in Angola, Brazil and Mozambique.

b2) Midstream and Downstream activities

The Refining & Marketing (R&M) business segment owns two refineries in Portugal and also includes all activities relating to the retail and wholesale marketing of oil products (including LPG). The Refining & Marketing segment also comprises the oil products storage and transportation infrastructure in Portugal and Spain, for both export/import and marketing of its products to the main consumer centres. This retail marketing activity, using the Galp brand, also includes Angola, Cape Verde, Spain, Gambia, Guinea-Bissau, Mozambique and Swaziland through controlled subsidiaries of the Group.

b3) Natural gas activity and energy production and supply

The Gas & Power (G&P) business segment encompasses the areas of sourcing, supply, distribution and storage of natural gas and electric and thermal power generation.

Galp group natural gas business encompasses a set of regulated and liberalised activities, including the sourcing in a liberalised regime, the operation of infrastructure in a regulated regime and the supply to final customers in the Iberia in liberalised and regulated regimes.

The natural gas activity includes (i) Sourcing and supply and (ii) Distribution and supply.

The sourcing and supply of natural gas segment supplies natural gas to large industrial customers, with annual consumption of more than 2 million m³, power generation companies, natural gas distribution

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companies and Autonomous Gas Units (AGU). So as to meet the demand of its customers, Galp has long-term sourcing contracts with companies in Algeria and Nigeria.

The natural gas distribution and supply activity in Portugal includes the natural gas distribution and supply companies. Its purpose is to sell natural gas to those residential, commercial and industrial customers with annual consumptions of less than 2 million m³.

The natural gas subsidiaries of the Galp group that storage and supply natural gas in Portugal operate based on concession contracts entered into with the Portuguese State. At the end of the concession period, 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.

Under the terms covered by the sectorial regulations applicable in Portugal, approved by the respective regulator ("ERSE" - www.erse.pt), described in the respective regulations in more detail, there are:

Distribution Network Operators:

- Access to the Natural Gas National Transportation Network (NGNTN) and the Natural Gas National Distribution Network (NGNDN) activities developed by the distribution network operators.
- Natural gas distribution activity exercised by the distribution network operators.

Last resort wholesale retailer

- Natural Gas purchase and sale activity in connection to the management of the long-term sourcing contracts in the Take or Pay (ToP) scheme signed prior to the publication of Directive 2003/55/ EC of 26 June, exercised by the Natural Gas National System (NGNS) supplier.

To cover the planned natural gas requirements in Portugal, a natural gas purchase contract of 2.3 bcm was signed, for a period of 23 years, with Sonatrach, a Company owned by the Algerian State. The commencement of this contract and the first deliveries of natural gas started in January 1997, simultaneously with the connection of the Europe - Maghreb gas pipeline to the transport and distribution network in Portugal.

Additionally, three contracts were signed for a period of 20 years, with NLNG, a Nigerian Company, to acquire a total of 3.5 bcm of LNG. The supply under these contracts started in 2000, 2003 and 2006, respectively.

Natural Gas and LNG acquisition contracts:

Contracts	Country	Quantity (mm ³ /year)	Period (years)	Initial year
NLNG I	Nigeria	420	20	2000
NLNG II	Nigeria	1,000	20	2003
NLNG +	Nigeria	2,000	20	2006
Sonatrach	Algeria	3,000	23	1997

The purchase price of natural gas under long-term purchase agreements is generally calculated according to a set price formula based on the price of alternative fuels, as the benchmark price of crude oil and other elements, including inflation and exchange rates. Typically, the price formula of these contracts foresees the periodic adjustment based on variations of the chosen benchmark.

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Usually the long-term natural gas purchase contracts define a minimum annual quantity to acquire and a flexible margin for each year. These contracts usually establish an obligation to take or pay, which obliges the purchase of the agreed quantities of natural gas, regardless of the respective need that may or not occur. These contracts allow the transfer of quantities from one year to another within certain limits, if demand is lower than the established minimum annual levels.

When Galp's capital was listed on the stock exchange, an analysis of these contracts was performed in order to detect any embedded derivatives, namely contractual clauses that could be considered as financial derivatives. Joint analysis carried out by external consultants and the Group, did not detect financial derivatives that should be recognised at fair value, since the characteristics of these contracts are intrinsic to the gas activity.

When embedded derivatives are noted in other financial instruments or other contracts, they are treated as separately recognised derivatives in situations where the risks and characteristics are not closely related to contracts and in situations where the contract is not stated at fair value with unrealized gains or losses recorded in the income statement.

Although the maturity of the contracts is of or over 20 years, long-term sourcing contracts provide for the possibility of renegotiation over the term of the contract in accordance with contractually defined rules.

- The natural gas purchase and sale activity for supply to the last resort, developed by the last resort wholesaler, includes the following functions:
 - Natural gas purchase and sale function, resulting from the acquisition of natural gas, directly or through auctions, under long-term sourcing contracts, of the supplier of natural gas national system;
 - Natural gas purchase and sale function in organized markets or through bilateral contracts (not applicable in Galp for the year under review).

Supply of last resort retailers

- The natural gas supply activity , exercised by the last resort retailers, includes the following functions:
 - Natural gas purchase and sale;
 - Purchase and sale of the access to the NGNTN and NGNDN;
 - Natural gas supply.

The Group Power business includes the generation of energy through the portfolio of cogeneration plants in Portugal and the supply of electricity to end customers. This business proves to be complementary to the natural gas business, by means of natural gas auto consumptions in cogeneration plants and combined electricity and gas supply.

- The activity of the Power sub- segment currently consists of operating cogeneration plants and wind power.

Geographic markets for developed activities are as follows:

- Natural gas sourcing;
- Natural gas distribution: Portugal;
- Natural gas and electricity sale: Portugal and Spain;
- Electricity production: Portugal.

2. Significant accounting policies

Galp 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 in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic exercise beginning in 1 January 2016. These standards include International Financial Reporting Standards (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 Standing Interpretation Committee ("SIC") and International Financial Reporting Interpretation Committee ("IFRIC"). These standards and interpretations are hereinafter referred to as "IFRS".

The Board of Directors considers that these consolidated financial statements and the accompanying notes provide a fair presentation of the consolidated interim financial information prepared in accordance with "IAS 34 – Interim Financial Reporting". In preparing the consolidated financial statements estimates were used that affect the reported amounts of assets and liabilities, as well as the amounts of income and costs of the reporting period. The estimates and assumptions used by the Board of Directors were based on the best information available of the events and transactions in process, at the time of approval of the consolidated financial statements.

In respect to the construction contracts under the scope of IFRIC12, the construction of assets under concession contracts 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 income and Other operating costs.

As of 31 March 2016 were disclosed only material changes required by IFRS 7 – Financial Instruments: Disclosures. For all other disclosures under this standard refer to the Company's consolidated financial statements as of 31 December 2015.

As a result of the available storage space, Galp is executing Contango operations. Thus, the stock acquired under these transactions is valued at fair value through profit and loss, namely Gross Margin in accordance with IAS 2§5, and the MTM (Mark -to Market) of the financial derivatives acquired for the operation is also reflected in the same "Gross Margin" caption.

For a detailed description of the accounting policies adopted by Galp refer to the consolidated financial statements of the Company as of 31 December 2015.

2.1. Changes in accounting policies

As referred in the notes to the financial statements as of 31 December 2015, Galp has changed the accounting treatment for the Energy sector extraordinary contribution ("CESE") established by Law 82-B/2014 of 31 December, in its interim financial statements, following an accounting interpretation from Portuguese Securities Market Commission issued in 2015, with the objective of standardising the accounting policies followed by the different market players. Thus, Galp started to recognise the total amount of the cost and liability as of 1 January, instead of deferring the cost along the year. Resulting from this change in accounting policy the Company retrospectively reflected the impact on their comparative figures in accordance with IAS 8.

The Company decided to change its accounting policy regarding the presentation of exchange differences in the income statement arising from balances in foreign currency of Other receivables (customers and other debtors) and Other accounts payable (suppliers and other creditors). Such exchange differences were presented in Financial Income, along with other exchange differences generated during the financial year. Thus, from 2016 exchange differences generated by foreign currency balances in "Other accounts receivable and payable" referred above will be presented in the same operational nature income statement caption where the income and losses associated with these transactions are reflected. The Company considers that this change in accounting policy follows the recommendations of IAS 8§14 al. b) and better reflects the operational and financial events of the Group. As such, and in accordance with the standard IAS8§19 par. b), the Company retrospectively reflected the impact on their comparative figures.

In addition, the Group reclassified €15,431 k that were recorded under "External Supplies and services – Transport of goods" to the caption "Cost of sales". The Company believes that this reclassification better reflects the nature of the operation.

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The consolidated financial statements were restated as of 31 March 2015, with the effects on the statement of financial position and income statement presented below:

Income statement:

	Notes	march 2015	restatement reclassifications	restatement exchange differences	restatement CESE	march 2015 restated
Operating income:						
Sales	05	3,773,670	-	7,377	-	3,781,047
Services rendered	05	149,132	-	1,056	-	150,188
Other operating income	05	22,187	-	796	-	22,983
Total operating income:		3,944,989	-	9,229	-	3,954,218
Operating costs:						
Cost of sales	06	3,241,934	15,341	29,602	-	3,286,877
External supplies and services	06	323,881	(15,341)	1,353	-	309,893
Employee costs	06	87,012	-	266	-	87,278
Amortisation, depreciation and impairment loss on fixed assets	06	188,017	-	-	-	188,017
Provisions and impairment losses on receivables	06	13,102	-	-	-	13,102
Other operating costs	06	10,227	-	1,098	-	11,325
Total operating costs:		3,864,173	-	32,319	-	3,896,492
Operating result:		80,816	-	(23,090)	-	57,726
Financial income	08	6,952	-	-	-	6,952
Financial costs	08	(30,361)	-	-	-	(30,361)
Exchange (loss) gain		(31,645)	-	23,595	-	(8,050)
Income from financial investments and impairment losses on Goodwill	04 and 11	26,002	-	-	-	26,002
Income from financial instruments	27	(18,123)	-	-	-	(18,123)
Income before taxes:		33,641	-	505	-	34,146
Income tax	09	(30,108)	-	(505)	-	(30,613)
Energy sector extraordinary contribution	09	(10,420)	-	-	(29,916)	(40,336)
Consolidated net income for the period		(6,887)	-	-	(29,916)	(36,803)
Income attributable to:						
Non-controlling interests	21	3,228	-	-	(625)	2,603
Galp Energia SGPS, S.A. Shareholders		(10,115)	-	-	(29,291)	(39,406)
Consolidated net income for the period	10	(6,887)	-	-	(29,916)	(36,803)
Earnings per share (in Euros)	10	(0.01)	-	-	(0.04)	(0.05)

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Statement of financial position:

ASSETS	Notes	march 2015	restatement CESE	march 2015 restated
Non-current assets:				
Tangible assets	12	5,126,164	-	5,126,164
Goodwill	11	227,813	-	227,813
Intangible assets	12	1,438,362	-	1,438,362
Investments in associates and joint ventures	04	949,451	-	949,451
Assets held for sale	04	2,513	-	2,513
Trade receivables	15	24,162	-	24,162
Loans to Sinopec	14	152,879	-	152,879
Other receivables	14	185,654	-	185,654
Deferred tax assets	09	424,072	-	424,072
Other financial investments	17	24,011	-	24,011
Total non-current assets:		8,555,081	-	8,555,081
Current assets:				
Inventories	16	1,112,157	-	1,112,157
Trade receivables	15	1,180,659	-	1,180,659
Loans to Sinopec	14	771,654	-	771,654
Other receivables	14	749,777	-	749,777
Other financial investments	17	6,348	-	6,348
Non current assets available for sale	03 and 05	66,921	-	66,921
Cash and cash equivalents	18	1,103,689	-	1,103,689
Total current assets:		4,991,205	-	4,991,205
Total assets:		13,546,286	-	13,546,286
EQUITY AND LIABILITIES	Notas	march 2015	restatement CESE	march 2015 restated
Equity:				
Share capital	19	829,251	-	829,251
Share premium	19	82,006	-	82,006
Reserves	20	2,936,946	-	2,936,946
Retained earnings		1,391,942	-	1,391,942
Consolidated net income for the period	10	(10,115)	(29,291)	(39,406)
Total equity attributable to shareholders:		5,230,030	(29,291)	5,200,739
Non-controlling interests	21	1,516,772	(625)	1,516,147
Total equity:		6,746,802	(29,916)	6,716,886
Liabilities:				
Non-current liabilities:				
Bank loans	22	917,369	-	917,369
Bonds	22	2,249,122	-	2,249,122
Other payables	24	585,266	-	585,266
Post-employment and other employee benefits liabilities	23	409,037	-	409,037
Deferred tax liabilities	09	118,970	-	118,970
Other financial instruments	27	528	-	528
Provisions	25	210,908	21,250	232,158
Total non-current liabilities:		4,491,200	21,250	4,512,450
Current liabilities:				
Bank loans and overdrafts	22	290,828	-	290,828
Trade payables	26	1,001,646	-	1,001,646
Other payables	24	956,224	8,666	964,890
Other financial instruments	27	35,644	-	35,644
Current income tax payable	09	23,942	-	23,942
Total current liabilities:		2,308,284	8,666	2,316,950
Total liabilities:		6,799,484	29,916	6,829,400
Total equity and liabilities:		13,546,286	-	13,546,286

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3. Consolidated companies

During the period ended 31 March 2016, no changes occurred in the consolidation perimeter. For additional clarifications refer to the consolidated financial statements of the Company as of 31 December 2015 and respective notes.

4. Financial investments

4.1. Investments in joint ventures

Changes in the caption "Investments in joint ventures" for the period ended 31 March 2016, reflected by the equity method, were as follows:

(€ k)						
Companies	Initial balance	Increase in investment	Gains / Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Ending balance
Investments						
Tupi B.V.	(a) 890,515	82,083	3,016	(42,215)	-	933,399
Belem Bioenergia Brasil, S.A.	(b) 57,599	5,932	(1,102)	1,326	-	63,755
C.L.C. - Companhia Logística de Combustíveis, S.A.	20,157	-	902	-	-	21,059
Galp Disa Aviación, S.A.	7,184	-	292	-	-	7,476
Parque Eólico da Penha da Gardunha, Lda.	1,600	-	-	-	-	1,600
Moçamgalp Agroenergias de Moçambique, S.A.	456	-	-	71	-	527
Asa - Abastecimento e Serviços de Aviação, Lda.	28	-	4	-	-	32
	977,539	88,015	3,112	(40,818)	-	1,027,848
Provisions for investments in joint ventures (Note 25)						
Ventinveste, S.A.	(1,604)	-	236	-	(364)	(1,732)
Caiageste - Gestão de Áreas de Serviço, Lda.	(27)	-	(12)	-	-	(39)
	(1,631)	-	224	-	(364)	(1,771)
	975,908	88,015	3,336	(40,818)	(364)	1,026,077

(a) €82,083 k corresponds to the capital increase made by Galp Sinopec Brazil Services BV. Control of Tupi BV is shared between: Galp Sinopec Brazil Services BV, Petrobras Netherlands BV and BG Overseas Holding Ltd, which hold respectively 10 %, 65 % and 25 % of its share capital.

(b) €5,932 k corresponds to the capital increase made in Belem Bioenergia Brasil, S.A.. The control of Belem Bioenergia Brasil, S.A. is shared between: Galp Bioenergy B.V. and Petrobras Biocombustíveis SA, holding each own 50 % of its share capital.

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4.2. Investments in associates

The changes in the caption "Investments in associates" for the period ended 31 March 2016 were as follows:

	(€ k)					
Companies	Initial balance	Increase in investment	Gains / Losses (Note 4.4)	Translation adjustment	Transfers / Adjustments	Ending balance
Investments						
EMPL - Europe Magreb Pipeline, Ltd	61,579	-	(422)	(2,773)	-	58,384
Gasoduto Al-Andaluz, S.A.	20,706	-	1,750	-	-	22,456
Gasoduto Extremadura, S.A.	17,456	-	1,694	-	-	19,150
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	14,169	-	-	-	-	14,169
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	10,807	-	1,261	(2,662)	-	9,406
Metragaz, S.A.	1,347	-	115	(25)	-	1,437
Terparque - Armazenagem de Combustíveis, Lda.	546	-	10	-	-	556
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda.	943	-	63	-	-	1,006
IPG Galp Beira Terminal Lda	4,094	3,074	(490)	(509)	-	6,169
Sodigás-Sociedade Industrial de Gases, S.A.R.L	516	-	28	-	72	616
Galp IPG Matola Terminal Lda	3,874	-	(325)	(439)	-	3,110
	136,037	3,074	3,684	(6,408)	72	136,459
Provisions for investments in associates (Note 25)						
Energim - Sociedade de Produção de Electricidade e Calor, S.A.	(2,416)	-	-	-	-	(2,416)
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	(67)	-	(2)	-	-	(69)
	(2,483)	-	(2)	-	-	(2,485)
	133,554	3,074	3,682	(6,408)	72	133,974

a) The amount of € 3,074 k recorded in increase in investment corresponds to supplementary payments made by the subsidiary Petrogal Moçambique, Lda..

The positive Goodwill related with associates and joint ventures, included in the caption "Investments in associates and joint ventures", is detailed as follows as of 31 March 2016 and 31 December 2015:

	(€ k)	
	march 2016	december 2015
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939
	1,939	1,939

4.3. Financial assets held for sale

During the period ended 31 March 2016, no significant changes occurred in the caption "Financial assets held for sale", when compared with the consolidated financial statements of the Company as of 31 December 2015. For additional clarifications refer to the consolidated financial statements of the Company, as of 31 December 2015, and respective notes.

4.4. Income from financial investments

The caption "Income from financial investments and impairment losses on Goodwill", presented in the consolidated income statement for the period ended 31 March 2016 and 31 March 2015 are comprised as follows:

(€ k)

	march 2016	march 2015
Effect of applying the equity method:		
Associates (Note 4.2)	3,682	17,580
Joint ventures (Note 4.1)	3,336	8,422
	7,018	26,002

4.5. Dividends from financial investments

During the period ended 31 March 2016, no assignment or distribution of dividends has occurred in relation to financial investments in joint ventures and associates.

4.6. Joint operations

During the period ended 31 March 2016, no significant changes occurred in Joint Operations, by geographic area and interest held. For additional clarifications refer to the consolidated financial statements of the Company, as of 31 December 2015, and respective notes.

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5. Operating income

The Group's operating income for the periods ended 31 March 2016 and 2015 is as follows:

Captions	(€ k)	
	2016	2015
Sales:		
Goods	1,322,509	1,881,496
Products	1,338,768	1,892,174
Exchange differences	(4,636)	7,377 (a)
	2,656,641	3,781,047 (a)
Services rendered	172,181	149,132
Exchange differences	(155)	1,056 (a)
	172,026	150,188 (a)
Other operating income		
Supplementary income	10,720	11,724
Revenues arising from the construction of assets under IFRIC12	2,658	2,935
Internally generated assets	(35)	1,772
Investment government grants (Note 13)	2,483	2,499
Gain on fixed and intangible assets	471	726
Exchange differences	(506)	796 (a)
Others	2,076	2,531
	17,867	22,983 (a)
	2,846,534	3,954,218 (a)

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.23.

Fuel sales include the Portuguese Tax on Oil Products ("ISP").

Regarding the construction contracts under IFRIC12, the construction 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:

Captions	(€ k)	
	2016	2015
Costs arising from the construction of assets under IFRIC12 (Note 6)	(2,658)	(2,935)
Revenues arising from the construction of assets under IFRIC12 (Note 6)	2,658	2,935
Margin	-	-

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6. Operating costs

The results for the periods ended 31 March 2016 and 2015 were affected by the following items of operating costs:

CAPTIONS	(€ k)	
	2016	2015
Cost of sales:		
Raw and subsidiary materials	847,154	1,511,035 (a)
Goods	751,752	1,137,662
Tax on Oil Products	627,199	632,989
Variation in production	43,096	60,642
Impairment in inventories (Note 16)	(9,476)	(94,805)
Financial derivatives (Note 27)	13,706	9,842
Exchange differences	(3,474)	29,512 (a)
	2,269,957	3,286,877 (a)
External supplies and services:		
Subcontracts - network use	101,829	104,314
Subcontracts	1,273	3,274
Transport of goods	31,333	30,979
Storage and filling	13,126	14,536
Rental costs	23,366	18,502
Upstream production costs	45,081	34,272
Maintenance and repairs	12,175	12,770
Insurance	12,508	11,316
Royalties	10,753	10,374
IT services	5,616	5,481
Commissions	2,943	3,486
Advertising	2,113	1,953
Electricity, water, steam and communications	15,828	15,033
Technical assistance and inspection	1,664	1,918
Port services and fees	1,901	2,158
Other specialised services	19,141	14,919
Other external supplies and services	5,646	5,408
Exchange differences	(3,069)	1,443 (a)
Other costs	20,462	17,757
	323,689	309,893 (a)
Employee costs:		
Statutory board salaries (Note 29)	(482)	2,621
Employee salaries	56,587	59,126
Social charges	13,613	13,758
Retirement benefits - pensions and insurance (Note 23)	7,136	7,220
Other insurances	2,277	2,346
Capitalisation of employee costs	(1,202)	(376)
Exchange differences	2	267 (a)
Other costs	2,066	2,316
	79,997	87,278 (a)
Amortisation, depreciation and impairment:		
Amortisation and impairment of tangible assets (Note 12)	143,920	170,281
Amortisation and impairment of intangible assets (Note 12)	7,416	7,269
Amortisation and impairment of concession arrangements (Note 12)	10,274	10,467
	161,610	188,017
Provision and impairment losses on receivables:		
Provisions and reversals (Note 25)	1,120	7,007
Impairment losses on trade receivables (Note 15)	3,926	6,277
Impairment losses (gains) on other receivables (Note 14)	106	(182)
	5,152	13,102
Other operating costs:		
Other taxes	2,708	3,325
Costs arising from the construction of assets under IFRIC12 (Note 5)	2,658	2,935
Loss on tangible and intangible assets	26	120
Donations	117	203
CO2 Licenses (Note 35)	1,151	1,662
Exchange differences	(144)	1,096 (a)
Other operating costs	2,797	1,984
	9,313	11,325 (a)
	2,849,718	3,896,492 (a)

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.1.

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The variation in the caption "Cost of sales" is mainly related with a reduction in the prices of purchased products.

The caption "Subcontracts – network use" refers to charges for the use of:

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

The subcontracts heading includes the effect of regulated tariffs for the use of the global system (UGS) and the use of the transportation network (URT), charged by the transportation system operator (REN) to the Distribution Operators who, in turn, through the compensation mechanism of the network access, by the uniform tariff, bill (pass-through) to trading companies (Note 14).

The amount of €101,829 k recorded under this caption mainly includes the amount of €2,846 k charged by Madrileña Red de Gas, €59,060 k charged by EDP Distribuição Energia and €11,517 k charged by Ren Gasodutos.

The amount of €10,753 k of royalties presented in "External supplies and services" mainly relates to the Exploration and Production of oil and gas in Brazil.

7. Segment reporting

Business segments

The Group is organized into three business segments which have been defined based on the type of products sold and services rendered, by the following business units:

- Exploration & Production;
- Refining & Marketing;
- Gas & Power;
- Others.

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 shared services at the corporate level, respectively.

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

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The financial information for the previously identified segments, as of 31 March 2016 and 2015 is presented as follows:

(€ k)												
	Exploration & Production		Refining & Marketing		Gas & Power		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Income												
Sales and Services Rendered	111,362	143,841	2,166,508	2,859,502	676,283	1,026,034	28,172	29,452	(153,658)	(127,594)	2,828,667	3,931,235
Inter-segmental	103,322	47,487	259	257	28,698	58,387	21,379	21,463	(153,658)	(127,594)	-	-
External	8,040	96,354	2,166,249	2,859,245	647,585	967,647	6,793	7,989	-	-	2,828,667	3,931,235
Cost of Sales	10,261	13,001	(1,943,435)	(2,630,066)	(458,651)	(758,305)	22	(40)	121,846	88,533	(2,269,957)	(3,286,877)
Cost of goods sold and materials consumed	(299)	245	(1,881,547)	(2,546,712)	(461,962)	(763,149)	22	(40)	121,846	88,532	(2,221,940)	(3,221,124)
Variation in Production	10,560	12,756	(61,888)	(83,354)	3,311	4,845	-	-	-	-	(48,017)	(65,753)
EBITDA	42,407	93,822	30,626	36,167	83,182	121,145	7,365	7,711	(2)	-	163,578	258,845
Non payable expenses												
Amortisation, depreciation and impairments	(73,303)	(104,147)	(72,716)	(68,132)	(14,457)	(14,668)	(1,134)	(1,070)	-	-	(161,610)	(188,017)
Depreciation and Amortisation	(70,247)	(50,672)	(64,751)	(68,224)	(14,736)	(14,668)	(1,134)	(1,070)	-	-	(150,868)	(134,634)
Impairments	(3,056)	(53,475)	(7,965)	92	279	-	-	-	-	-	(10,742)	(53,383)
Provisions and Impairments	3	-	(5,101)	(8,986)	(54)	(4,116)	-	-	-	-	(5,152)	(13,102)
Provisions	-	-	(2,052)	(7,915)	(46)	(181)	-	-	-	-	(2,098)	(8,096)
Impairments	3	-	(5,180)	(2,268)	(1,270)	(4,041)	-	-	-	-	(6,447)	(6,309)
Provisions - Reversals	-	-	275	982	701	106	-	-	-	-	976	1,088
Impairments - Reversals	-	-	1,856	215	561	-	-	-	-	-	2,417	215
EBIT	(30,893)	(10,325)	(47,191)	(40,951)	68,671	102,361	6,231	6,641	(2)	-	(3,184)	57,726
Income from financial investments	3,015	7,710	629	929	3,372	17,363	-	-	2	-	7,018	26,002
Other financial income	23,726	10,105	7,974	(37,466)	(15,999)	(2,251)	(12,435)	(19,970)	-	-	3,266	(49,582)
Interest expense	15,767	7,508	(12,563)	(16,923)	(8,509)	(9,592)	(27,873)	(34,865)	-	24,837	(33,178)	(29,035)
Interest income	6,206	10,783	1,349	836	489	522	16,966	19,087	-	(24,849)	25,010	6,379
O. Financial charges	1,753	(8,186)	19,188	(21,379)	(7,979)	6,819	(1,528)	(4,192)	-	12	11,434	(26,926)
Income tax	(2,237)	(20,838)	507	12,700	(11,768)	(25,432)	2,526	2,957	-	-	(10,972)	(30,613)
Energy sector extraordinary contribution	-	-	(27,446)	(29,005)	(17,734)	(11,331)	-	-	-	-	(45,180)	(40,336)
Non-controlling interests	(8,033)	(2,299)	(472)	66	(187)	(370)	-	-	-	-	(8,692)	(2,603)
Consolidated net income for the period	(14,422)	(15,647)	(65,999)	(93,727)	26,355	80,340	(3,678)	(10,372)	(1)	-	(57,744)	(39,406)

As of 31 March 2016 and 31 December 2015

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Segment Assets												
Financial investments	933,927	890,971	115,494	108,055	117,203	116,866	170	171	-	-	1,166,794	1,116,063
Other Assets	4,921,771	4,977,938	4,856,053	4,934,275	2,505,006	2,648,981	1,982,111	2,113,399	(2,779,980)	(2,997,625)	11,484,961	11,676,968
Total Consolidated Assets	5,855,698	5,868,909	4,971,547	5,042,330	2,622,209	2,765,847	1,982,281	2,113,570	(2,779,980)	(2,997,625)	12,651,755	12,793,031
Total Consolidated Liabilities	941,502	930,460	2,991,628	2,957,501	1,987,915	2,113,939	3,478,657	3,600,624	(2,779,980)	(2,997,617)	6,619,722	6,604,907
Investment in Tangible and Intangible Assets	255,997	224,443	14,432	5,371	2,846	3,126	508	2,636			273,783	235,576

Inter-segmental Sales and Services Rendered

(€ k)					
Segments	Exploration & Production	Refining & Marketing	Gas & Power	Others	TOTAL
Gas & Power	-	167	-	5,584	5,751
Refining & Marketing	103,322	-	28,697	12,347	144,366
Exploration & Production	-	27	-	3,447	3,474
Others	-	65	1	1	67
	103,322	259	28,698	21,379	153,658

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

- Gas & Power: natural gas sales for the production process of Matosinhos and Sines refineries (Refining & Marketing);
- Refining & Marketing: supply of fuel to all Group company vehicles;
- Exploration & Production: sales of crude oil to the Refining & Marketing 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 between independent companies.

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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 in question, in other words, from comparing the characteristics of operations or companies that might have an impact on the intrinsic conditions of the commercial transactions in analysis. In this context are analysed, amongst others, the goods and services traded, the functions performed by the parties (including the assets used and risks assumed), the contractual terms, the economic situation of the parties as well as their negotiation strategies.

In a related parties context the remuneration thus corresponds to what is considered appropriate, as a rule, to the functions performed by each participating company, taking into account the assets used and risks assumed. Thus, in order to determine the level of remuneration, the activities and risks taken by companies within the chain value of goods/services transacted are identified according to their functional profile, particularly with regard to the functions that 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 by also considering the contribution of these elements to the company's profitability. This analysis assesses whether the profitability indicators of the companies involved fall within the calculated ranges based on an evaluation of a panel of functionally comparable but independent companies, thus allowing the prices to be fixed in order to comply with the arm's length principle.

8. Financial income and costs

Financial income and financial costs for the periods ended 31 March 2016 and 2015 are as follows:

	(€ k)	
Captions	march 2016	march 2015
Financial income:		
Interest on bank deposits	4,739	4,026
Interest and other income with related companies	1,539	2,357
Other financial income	(372)	569
	5,906	6,952
Financial costs:		
Interest on bank loans, overdrafts and others	(29,027)	(32,414)
Interest with related parties	(2,061)	(1,475)
Interests capitalised in fixed assets (Note 12)	21,235	13,767
Net interest on retirement benefits and other benefits	(2,498)	(2,536)
Charges relating to loans	(3,107)	(5,233)
Other financial costs	(2,184)	(2,470)
	(17,642)	(30,361)
	(11,736)	(23,409)

During the period ended 31 March 2016, the Group capitalised under the caption "Fixed assets in progress", the amount of €21,235 k, regarding interests on loans to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

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9. Income taxes

Income tax and Energy sector extraordinary contribution for the period ended 31 March 2016 and 2015 are as follows:

	(€ k)	
Captions	march 2016	march 2015
Current income tax	26,687	22,457
"IRP" - Oil income Tax	2,711	6,849
"PE" - Special Participation Tax	(1,214)	18,967
(Excess)/Insufficiency of income tax for the preceding year	92	(36)
Deferred tax	(17,197)	(18,130)
Exchange differences	(107)	506
Income tax	10,972	30,613
Energy sector extraordinary contribution	45,180	40,336

As at 31 March 2016 and 31 December 2015, the Group has income tax payable amounting to €19,347 k and €9,214 k respectively.

Deferred taxes

The tax rates used by Galp group take into account the risk of substantively enacted tax rates do not become effective, which essentially depends on the reliability associated with the legal certainty of the legislative production.

This analysis takes into account the associated jurisdiction, the respective political risk and its legislative history.

As at 31 March 2016, the balance of deferred tax assets and liabilities is as follows:

	(€ k)					
	Deferred Taxes March 2016 - Assets					
Captions	Initial balance	Effect in results	Effect in equity	Effect of currency translation	Other adjustments	Ending balance
Adjustments to accruals and deferrals	6,512	323	-	-	-	6,835
Adjustments to tangible and intangible assets	41,214	282	-	(1,011)	(1,428)	39,057
Adjustments to inventories	631	310	-	-	-	941
Overlifting adjustments	927	60	-	(43)	-	944
Retirement benefits and other benefits	102,402	(235)	-	-	-	102,167
Double economical taxation	2,752	-	-	-	-	2,752
Financial instruments	254	-	1,324	-	-	1,578
Tax losses carried forward	102,430	(24,369)	-	288	1,427	79,776
Regulated revenue	8,541	3,362	-	-	240	12,143
Non deductible provisions	33,036	11,413	-	1,142	-	45,591
Potential foreign exchange differences Brazil	133,192	9,552	(73,919)	35,989	59	104,873
Others	30,243	(164)	-	457	-	30,536
	462,134	534	(72,595)	36,822	298	427,193

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(€ k)				
Captions	Deferred Taxes March 2016 - Liabilities			
	Initial balance	Effect in results	Effect of currency translation	Ending balance
Adjustments to accruals and deferrals	(13)	-	2	(11)
Adjustments to tangible and intangible assets	(40,132)	14,241	(325)	(26,216)
Adjustments to tangible and intangible assets Fair Value	(15,081)	286	-	(14,795)
Adjustments in Inventories	(181)	14	-	(167)
Underlifting Adjustments	(389)	240	10	(139)
Dividends	(27,612)	(254)	-	(27,866)
Regulated revenue	(22,622)	2,091	-	(20,531)
Accounting revaluations	(2,386)	54	-	(2,332)
Others	(968)	(8)	-	(976)
	(109,384)	16,664	(313)	(93,033)

Changes in deferred taxes reflected in Equity, correspond to:

- €1,324 k for changes in deferred taxes related to hedge reserves components;
- €73,991 k including €51,744 k related to the deferred taxes on the Exchange rate differences resulting from the financial contributions which are similar to "quasi capital" (Note 20) and €22,175 k related to non-controlling interests.

Potential foreign exchange differences in Brazil result from the tax option to tax potential foreign exchange differences only when they are realised.

For more information see the notes to the financial statements as of 31 December 2015.

10. Earnings per share

Earnings per share for the periods ended 31 March 2016 and 2015 are as follows:

(€ k)		
	march 2016	march 2015
Net income		
Net income for purposes of calculating earnings per share (Consolidated net income of the period)	(57,744)	(39,406) ^(a)
Number of shares		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
Basic and diluted earnings per share (amounts in Euros):	(0.07)	(0.05)

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.1.

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

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11. Goodwill

The difference between the amounts paid to acquire an equity share in Group companies and the fair value of the acquired companies' equity as at 31 March 2016 was as follows:

(€ k)								
Subsidiaries	Acquisition year	Acquisition cost	Equity proportion at the acquisition date		Goodwill Movement			
			%	Amount	december 2015	Currency exchange differences (d)	march 2016	
Galp Energia España, S.A.								
Galp Comercialización Oil España, S.L.	(a)	2008	176,920	100.00%	129,471	37,725	-	37,725
Galp Distribución Oil España, S.A.U.	(b)	2008	172,822	100.00%	123,611	11,092	-	11,092
						48,817	-	48,817
Petróleos de Portugal - Petrogal, S.A.								
Galp Comercialização Portugal, S.A.	(c)	2008	146,000	100.00%	69,027	50,556	-	50,556
						50,556	-	50,556
Galp Swaziland (PTY) Limited		2008	18,117	100.00%	651	20,914	(915)	19,999
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	5,568
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	3,893	(170)	3,723
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.		2006	3,094	25.00%	1,454	1,640	-	1,640
Lusitaniagás - Companhia de Gás do Centro, S.A.		2002/3 and 2007/8/9	1,440	1.543%	856	584	-	584
Gasinsular - Combustíveis do Atlântico, S.A.		2005	50	100.00%	(353)	403	-	403
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		2005	858	67.65%	580	278	-	278
Beiragás - Companhia de Gás das Beiras, S.A.		2003/6 and 2007	152	0.94%	107	51	-	51
Galp Sinopec Brazil Services (Cyprus)		2012	3	100.00%	1	2	-	2
						137,035	(1,085)	135,950

- (a) 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 31 December 2010.
- (b) 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 31 December 2011.
- (c) The subsidiary Galp Comercialização Portugal, S.A., was incorporated in Petróleos de Portugal - Petrogal, S.A. through a merger process, during the year ended 31 December 2010.
- (d) The exchange differences result 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 (Notes 2.2 d) and 20).

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12. Tangible and intangible assets

Tangible and intangible assets as of 31 March 2016 and 31 December 2015 are comprised as follows:

	(€ k)					
	march 2016			december 2015		
	Gross acquisition cost	Accumulated amortisation, depreciation and impairment losses	Net Assets	Gross acquisition cost	Accumulated amortisation, depreciation and impairment losses	Net Assets
Tangible assets						
Land and natural resources	275,457	(1,753)	273,704	275,715	(1,947)	273,768
Buildings and other constructions	922,349	(681,151)	241,198	921,343	(675,855)	245,488
Machinery and equipment	7,653,666	(4,945,797)	2,707,869	7,473,925	(4,860,488)	2,613,437
Transport equipment	30,388	(27,859)	2,529	30,474	(27,705)	2,769
Tools and utensils	4,568	(4,063)	505	4,612	(4,070)	542
Administrative equipment	176,565	(168,175)	8,390	176,338	(167,146)	9,192
Reusable containers	159,868	(145,819)	14,049	159,212	(145,272)	13,940
Other tangible assets	89,265	(80,683)	8,582	89,336	(80,337)	8,999
Tangible assets in progress	2,106,601	-	2,106,601	2,047,588	-	2,047,588
Advances to suppliers of tangible assets	-	-	-	-	-	-
	11,418,727	(6,055,300)	5,363,427	11,178,543	(5,962,820)	5,215,723
Intangible assets						
Research and development costs	280	(280)	-	280	(279)	1
Industrial property and other rights	550,481	(312,048)	238,433	548,760	(305,555)	243,205
Reconversion of consumption to natural gas	551	(441)	110	551	(439)	112
Goodwill	11,858	(10,206)	1,652	11,858	(10,206)	1,652
Other intangible Assets	498	(498)	-	498	(498)	-
Concession Arrangements	1,746,301	(626,805)	1,119,496	1,743,641	(616,567)	1,127,074
Intangible assets in progress - Concession Arrangements	1,662	-	1,662	1,701	-	1,701
Intangible assets in progress	26,428	-	26,428	29,232	-	29,232
	2,338,059	(950,278)	1,387,781	2,336,521	(933,544)	1,402,977

Tangible and intangible assets are recorded in accordance with the accounting policy defined by the Group and disclosed in the notes to the consolidated financial statements as of 31 December 2015 (Note 2.3 and Note 2.4). The depreciation/amortisation rates that are being applied are disclosed in the same note.

The net change of increases and decreases noted in the caption "Tangible and Intangible net assets" for the period ended 31 March 2016 in the amount of €132,508 k is comprised by the following movements:

	Tangible			Intangible			Total		
	Gross Assets	Accumulated depreciation	Net Assets	Gross Assets	Accumulated amortisation	Net Assets	Gross Assets	Accumulated depreciation/ amortisation	Net Assets
Balance at 1 January 2016	11,178,543	(5,962,820)	5,215,723	2,336,521	(933,544)	1,402,977	13,515,064	(6,896,364)	6,618,700
Additions	251,447	-	251,447	5,951	-	5,951	257,398	-	257,398
Additions by financial costs capitalisation (Note 8)	21,216	-	21,216	-	-	-	21,216	-	21,216
Write-offs/Disposals	(1,051)	814	(237)	(910)	908	(2)	(1,961)	1,722	(239)
Changes on impairments	(1,949)	-	(1,949)	1,949	-	1,949	-	-	-
Adjustments	(29,479)	37,641	8,162	(5,452)	47	(5,405)	(34,931)	37,688	2,757
Amortisation/Depreciation for the period	-	(130,935)	(130,935)	-	(17,689)	(17,689)	-	(148,624)	(148,624)
Total movements	240,184	(92,480)	147,704	1,538	(16,734)	(15,196)	241,722	(109,214)	132,508
Balance at 31 March 2016	11,418,727	(6,055,300)	5,363,427	2,338,059	(950,278)	1,387,781	13,756,786	(7,005,578)	6,751,208

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The amortisation and depreciation for the periods ended 31 March 2016 and 2015 (note 6) and for the year ended 31 December 2015 are comprised as follows:

	march 2016			march 2015			december 2015		
	Tangible	Intangible	Total	Tangible	Intangible	Total	Tangible	Intangible	Total
Amortisation/depreciation for the period	130,935	7,416	138,351	116,898	7,269	124,167	473,169	29,339	443,988
Amortisation for the period - Concession Arrangements	-	10,274	10,274	-	10,467	10,467	-	41,211	42,005
Impairments	12,985	-	12,985	53,383	-	53,383	161,657	14,258	175,915
Amortisation, depreciation and impairments (Note 6)	143,920	17,690	161,610	170,281	17,736	188,017	634,826	84,808	661,908

Main events occurring during the period ended 31 March 2016:

The increases noted in tangible and intangible assets captions, amounting to € 278,614 k, mainly include:

i) Exploration & Production segment

- €173,226 k regarding exploration and development investments in blocks in Brazil;
- €62,537 k regarding exploration investments in block 32 in Angola;
- €20,344 k regarding exploration and development investments in block 14 in Angola; and
- €5,508 k regarding exploration investments in Area 4 in Mozambique.

ii) Gas & Power segment

- €2,846 k regarding natural gas infrastructure construction (network, plot and other infrastructures) of which the amount of €2,658 k is covered by IFRIC 12 (Note 5 and 6).

iii) Refining & Marketing Segment

- €6,808 k related with the Retail business unit and is due mainly to the improvement of stations, convenience stores, expansion of activities and development of information systems.
- €1,948 k related to the "Monoboia" intervention and TLP project; and
- €1,817 k related to the stoppage of the Sines refinery.
- In the period ended 31 March 2016, tangible and intangible assets amounting to a net €239 k were disposed and written-off, as a result of the update of the assets register that was performed in this period, mainly related to write-offs related to the Retail business unit, due to improvements in stations, convenience stores, expansion activities and development of information systems, the majority of which were fully amortised.

In the period ended 31 March 2016, impairments on tangible and intangible assets have been recognised amounting to €351,034 k which mainly include:

- €85,019 k for impairment losses in exploration in Morocco;
- €73,132 k for impairment losses in blocks in Namibia;
- €73,953 k for impairment losses in the retail network in Portugal and Spain;
- €45,504 k for impairment losses on non-operated and operated blocks and other assets in Brazil and Angola;

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- €39,027 k for impairment losses on the Angola LNG/Sonagas gas exploration project in Angola;
- €8,753 k for impairment losses in exploration in Aljubarrota;
- €6,723 k for impairment losses in exploration in Mozambique; and
- €4,612 k for impairment losses in blocks in East Timor.

The split of tangible and intangible assets in progress (including advances to suppliers on tangible and intangible assets net of impairment losses) in the period ended 31 March 2016 is as follows:

	(€ K)		
	Assets in progress	Impairments	Net
Exploration of oil in Brazil	1,143,307	(17,654)	1,125,653
Exploration of oil in Angola and Congo	619,463	(27,333)	592,130
Exploration in Mozambique	269,274	(6,723)	262,551
Exploration in Portugal	67,585	(8,753)	58,832
Industrial investment relating to refineries	36,360	-	36,360
Renewal and expansion of the network	33,475	(231)	33,244
Transportation and logistics	4,429	-	4,429
Conversion projects of the Sines and Oporto refineries	971	-	971
Exploration in Namibia	38,012	(37,647)	365
Production of energy and steam	56	1	57
Exploration in Morocco	78,431	(78,431)	-
LNG Block Gas - Angola	38,867	(38,868)	(1)
Exploration of oil in Blocks 3 and 4 in Uruguai	7,670	(7,670)	-
Exploration in Timor	2,619	(2,619)	-
Other projects	20,100	-	20,100
	2,360,619	(225,928)	2,134,691

13. Government grants

As of 31 March 2016 and 31 December 2015 the amounts to be recognised as government grants in future years amount to €251,513 k and €253,679 k, respectively (Note 24).

During the periods ended 31 March 2016 and 2015 subsidies of €2,483 k and €2,499 k, respectively (Note 5) were recognised in the income statement.

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14. Other receivables

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

(€ k)				
Captions	march 2016		december 2015	
	Current	Non-current	Current	Non-current
State and Other Public Entities:				
Value Added Tax - Reimbursement requested	1,138	-	539	-
"ISP" - Tax on Oil Products	169	-	558	-
Others	18,639	-	16,769	-
Loans granted to Sinopec Group	626,649	-	722,936	-
Advances to tangible and intangible suppliers	101,083	-	99,795	-
Underlifting	31,019	-	27,792	-
Subsoil levies	22,765	28,068	24,750	28,068
Carry from public participations interests	21,934	-	22,937	-
Over cash-call from partner Petrobras in operated blocks	16,974	-	18,817	-
Guarantees	12,530	-	12,541	-
Means of payment	7,981	-	7,276	-
Other receivables - associates, joint ventures and other related parties	5,610	-	5,821	90
Advances to suppliers	2,243	-	2,457	-
Personnel	1,611	-	1,588	-
Spanish Bitumen process	385	-	385	-
Loans to customers	124	1,316	124	1,355
Ceding rights contract of telecommunications infrastructures usage	7	-	86	-
Loans to associates, joint ventures and other related parties	-	29,656	-	30,271
Other receivables	64,218	36,792	45,259	28,294
	935,079	95,832	1,010,430	88,078
Accrued income:				
Sales and services rendered not yet invoiced - Natural gas	92,106	-	109,809	-
Sales and services rendered not yet invoiced - Electricity	31,242	-	28,698	-
Adjustment to tariff deviation - "pass through" - ERSE regulation	28,808	-	29,424	-
Sales and services rendered not yet invoiced	19,338	-	7,903	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation	16,971	17,761	23,231	17,551
Financial neutrality - regulation ERSE	3,051	-	6,102	-
Commercial discount on purchases	1,402	-	884	-
Accrued management and structure costs	1,031	-	7,581	-
Compensation for the uniform tariff	1,028	-	1,032	-
Sale of finished goods to be invoiced by the service stations	843	-	724	-
Accrued interest	559	-	1,691	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation	-	61,639	-	61,639
Other accrued income	13,387	70	8,531	63
	209,766	79,470	225,610	79,253
Deferred charges:				
Energy sector extraordinary contribution	22,963	102,228	23,370	107,663
Catalyser charges	18,694	-	20,070	-
Prepaid insurance	17,963	-	1,033	-
Prepaid rent relating to service stations concession contracts	4,041	28,237	2,894	25,633
Prepaid rent	2,588	-	2,448	-
Interest and other financial costs	1,170	-	180	-
Retirement benefits (Note 23)	-	177	-	176
Other deferred costs	20,169	116	21,957	99
	87,588	130,758	71,952	133,571
	1,232,433	306,060	1,307,992	300,902
Impairment of other receivables	(8,212)	(2,753)	(8,096)	(2,753)
	1,224,221	303,307	1,299,896	298,149

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The movement occurred in the caption "Impairment of other receivables" for the period ended 31 March 2016 was as follows:

	(€ k)					
Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Other accounts receivable - Current	8,096	106	-	-	10	8,212
Other accounts receivable - Non-Current	2,753	-	-	-	-	2,753
	10,849	106	-	-	10	10,965

The increase and decrease in the caption "Impairment of other receivables" in the net amount of €106 k is included in the caption "Provisions and impairment losses on receivables" (Note 6).

The caption "Loans granted" includes the amount of €626,649 k (US\$713,440 k) relating to a loan granted by the Group to Tip Top Energy, SARL (Company from Sinopec Group) on 28 March 2012, renewable every three months until September 2017, remunerated at a three-month LIBOR interest rate plus a spread and registered as a current asset.

The movement occurred in the caption "Loans granted to Tip Top Energy, SARL", from the establishment of the contract to the period ended 31 March 2016 was as follows:

	Exchange rate		
	USD	31/03/2016	(€ k)
Loan 28/03/2012	1,228,626,253.42	1.1385	1,079,162
Interest capitalisation	64,833,955.53	1.1385	56,948
Interest receipts	(61,012,962.89)	1.1385	(53,591)
Partial receipts	(519,007,500.00)	1.1385	(455,870)
Accounts receivable	713,439,746.06	1.1385	626,649

During the period ended 31 March 2016 an amount of €1,266 k has been recognised under the caption "Interest relating to loans granted to related companies".

For more information see the notes to the financial statements as of 31 December 2015.

The caption "Subsoil levies" amounting to €50,833 k refers to levies on subsoil occupation already paid to local municipalities. According to the natural gas supply concession agreement between the Portuguese Government and the Group companies, and in accordance with the Resolution of the Council of Ministers No. 98/2008, dated 8 April, companies have the right to pass on the full amount of subsoil levies paid to the local authorities for the area under concession to marketing entities or to end customers.

The amount of €31,019 k recorded in the caption "Other receivables – Underlifting" represents the amounts to be received by the Group for the lifting of barrels of crude oil below the production quota (underlifting) and is valued at the lower of the market price at the sale date and the market price on 31 March 2016.

The caption "Carry from public participation interests" amounting to €21,934 k refers to amounts receivable from public partners during the exploration period. Farm-in contracts agreed with partners consider that, during the exploration period, the Group is responsible for investment through cash calls and requested by the operator to the public partner up to their participation limit.

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The caption "Means of payment" amounting to €7,981 k refers to amounts receivable for sales made with Visa/debit cards, which as of 31 March 2016 were pending receipt.

The amount of €5,610 k recorded in the current and non-current caption "Other receivables – associates, joint ventures, affiliates and related entities" refers to amounts receivable from non-consolidated companies.

The caption "Guarantees provided" amounting to €12,530 k includes €11,663 k from payments on account and negotiated guarantees to support transactions and operations in the Spanish and French electricity markets.

The caption "Accrued income - sales and services rendered not yet invoiced", amounting to €123,348 k, is mainly related with the billing of natural gas consumption and electricity in March, to be issued to customers in April and is detailed as follows:

Company	(€ k)		
	TOTAL	Natural gas	Electricity
Galp Gás Natural, S.A.	56,292	56,292	-
Galp Power, S.A.	39,613	13,507	26,106
Lisboagás Comercialização, S.A.	5,173	5,173	-
Portcogeração, S.A.	4,662	-	4,662
Lusitaniagás - Companhia de Gás do Centro, S.A.	3,701	3,701	-
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	3,601	3,601	-
Galp Energia España, S.A.	2,311	1,837	474
Lusitaniagás Comercialização, S.A.	2,077	2,077	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	1,307	1,307	-
Setgás Comercialização, S.A.	1,184	1,184	-
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	994	994	-
Transgás, S.A.	946	946	-
Beiragás - Companhia de Gás das Beiras, S.A.	726	726	-
Agrocer-Sociedade de Cogeração do Oeste S.A.	357	357	-
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	176	176	-
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	174	174	-
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	49	49	-
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	5	5	-
	123,348	92,106	31,242

The caption "Accrued income - sale of finished goods to be invoiced by the service stations" amounting to € 843 k relates to purchases up until 31 March 2016 through the Galp Frota loyalty card scheme and which will be invoiced in the following months.

Expenses recorded in "Deferred Costs" amounting to €32,278 k, relate to prepayments of rents regarding service station leases and are registered as a cost over the respective concession period, which varies between 17 and 32 years.

Galp holds collateral guarantees on receivables, namely bank guarantees and security deposits, which as of 31 March 2016, amount to approximately €106,550 k.

15. Trade receivables

The caption "Trade receivables" as of 31 March 2016 and 31 December 2015 includes the following detail:

(€ k)				
Captions	march 2016		december 2015	
	Current	Non current	Current	Non current
Trade receivables - current accounts	825,591	4,996	797,927	24,162
Trade receivables - doubtful accounts	204,801	-	202,120	-
Trade receivables - notes receivable	3,624	-	4,261	-
	1,034,016	4,996	1,004,308	24,162
Impairment on trade receivables	(203,041)	-	(199,428)	-
	830,975	4,996	804,880	24,162

The non-current caption "Trade receivables - current accounts", amounting to €4,996 k and €24,162 k for the periods ended 31 March 2016 and 31 December 2015, respectively, relates to debts payment agreements from customers with maturities over one year.

The movements in the caption "Impairment of trade receivables" for the period ended 31 March 2016 were as follows:

(€ K)						
Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
Trade receivables	199,428	6,344	(2,418)	-	(313)	203,041

The increase and decrease in the caption "Impairment of trade receivables" in the net amount of €3,926 k net was recorded in the caption "Provision and impairment losses on receivables" (Note 6).

16. Inventories

Inventories as of 31 March 2016 and 31 December 2015 are detailed as follows:

	(€ k)	
CAPTIONS	march 2016	december 2015
Raw, subsidiary and consumable materials:		
Crude oil	107,810	126,476
Other raw materials	51,088	48,435
Raw material in transit	59,240	30,850
	218,138	205,761
Impairment on raw, subsidiary and consumable materials	(9,924)	(11,639)
	208,214	194,122
Finished and semi-finished products:		
Finished products	119,351	141,965
Semi-finished products	155,012	188,573
Finished products in transit	2,533	3,986
	276,896	334,524
Impairment on finished and semi-finished products	(7,397)	(3,677)
	269,499	330,847
Work in progress	70	156
	70	156
Goods	257,689	359,849
Goods in transit	277	1,477
	257,966	361,326
Impairment on goods	(2,493)	(13,933)
	255,473	347,393
	733,256	872,518

The caption "Crude Oil" amounting to €107,910 k as of 31 March 2016 includes product valued at Fair Value in accordance with the accounting policy described in 2. The product valued at Fair Value amounts to €72,414 k, being the acquisition cost of €69,900 k. The caption "Crude Oil" also includes crude oil produced in Brazil, valued at the NRV (Net Realisable Value) by the amount of €13,694 k, as described in the accounting policies adopted by Galp in the notes to the financial statements for the year ended 31 December 2015.

As of 31 March 2016, the caption "Goods", amounting to €257,689 k, corresponds mainly to the natural gas stored in pipelines in the amount of €29,815 k, stock of oil derivative products from the subsidiaries Galp Energia España, S.A., Empresa Nacional de Combustíveis - Enacol, S.A.R.L. and Petrogal Moçambique, Lda. in the amounts of €203,123 k, €6,136 k and €5,065 k respectively.

As of 31 March 2016 and 31 December 2015, the Group's liability to competitors in relation to strategic reserves, which are satisfied by sales in advance, amounted to €18,223 k and €30,002 k respectively (Note 24). This decrease is explained by legislative alterations and the modifications in the activity of national entity for the fuel market ("Entidade Nacional para o Mercado de Combustíveis, E.P.E. (ENMC)"), which decided to increase its responsibilities for the strategic reserves of other operators, having contracted with the Group a "tickets" system that allows it to ensure the stock of products.

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The subsidiary Petróleos de Portugal – Petrogal, SA has a contract with the national entity for the fuel market (“ENMC”) for the storage and exchange of crude oil and for the storage of refined products, for the national strategic reserve. The ENMC’s crude oil and refined products are stored in Petrogal’s facilities, in such a way that allows ENMC to audit them whenever it so wishes, in terms of quantity and quality. In accordance with the contract, Petrogal must, when so required by ENMC, exchange the stored crude oil for refined products, receiving in exchange an amount representing the refining margin as of the date of exchange. Crude oil and refined products stored in the facilities of Petróleos de Portugal – Petrogal, SA under this contract are not reflected in the Group financial statements.

The movement in “Inventories impairment” captions for the period ended 31 March 2016 is as follows:

Captions	(€ K)				
	Initial balance	Increases	Decreases	Utilisation	Ending balance
Impairment on raw, subsidiary and consumable materials	11,639	796	(2,511)	-	9,924
Impairment on finished and semi-finished products	3,677	4,359	(541)	-	7,397
Impairment on goods	13,933	22	(11,601)	-	2,493
	<u>29,249</u>	<u>5,177</u>	<u>(14,653)</u>	<u>-</u>	<u>19,814</u>

The net balance of increases and decreases, amounting to € 9,476 k was recorded against the caption “Cost of sales - Impairment in inventories” (Note 6) in the income statement. This decrease is mainly related to the evolution of market prices.

17. Other financial investments

"Other financial investments" as of 31 March 2016 and 31 December 2015 are detailed as follows:

				(€ k)
Captions	march 2016		december 2015	
	Current	Non-current	Current	Non-current
Financial derivatives at fair value through profit and loss (Note 27)				
Swaps and Options over Commodities	10,698	4,825	4,458	1,041
	10,698	4,825	4,458	1,041
Other Financial Assets				
Other	-	22,366	-	23,389
	-	22,366	-	23,389
	10,698	27,191	4,458	24,430

As of 31 March 2016 and 31 December 2015, the derivative financial instruments are valued at their fair value on those dates (Note 27).

18. Cash and cash equivalents

For the periods ended 31 March 2016, 31 December 2015 and 31 March 2015 the caption "Cash and cash equivalents" is detailed as follows:

(€ k)			
captions	march 2016	december 2015	march 2015
Cash	4,534	3,589	5,634
Cash Deposits	162,749	263,519	143,663
Term deposits	1,457	5,866	1,437
Other negotiable securities	51,876	69,147	23,136
Other treasury applications	815,350	788,485	929,819
Cash and cash equivalents in the consolidated statement of financial position	1,035,966	1,130,606	1,103,689
Bank overdrafts (Note 22)	(81,793)	(85,755)	(94,040)
Cash and cash equivalents in the consolidated statement of cash flow	954,173	1,044,851	1,009,649

The caption "Other negotiable securities" mainly includes:

- €48,554 k regarding bank deposit certificates;
- €3,319 k of electricity Futures, CO₂ Futures and Futures over commodities (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 surplus cash, with maturities up to three months, in respect of the following Group companies:

	(€ k)	
Companies	march 2016	december 2015
Galp Energia E&P, B.V.	537,084	666,662
Galp Sinopec Brazil Services B.V.	138,340	91,853
Petróleos de Portugal - Petrogal, S.A.	41,321	-
Galp Gás Natural, S.A.	26,790	-
Petróleos de Portugal - Petrogal, S.A. Sucursal en España	20,500	13,000
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	20,000	-
Petrogal Brasil, S.A.	15,972	589
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	7,500	6,800
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	2,800	3,700
Galp Exploração Serviços do Brasil, Lda.	2,618	1,881
Galp Energia España, S.A.	1,405	-
Beiragás - Companhia de Gás das Beiras, S.A.	513	4,000
Galp Energia Brasil S.A.	507	-
	815,350	788,485

The funds that Galp has classified as "Cash and Cash equivalents", in various geographies, have no restrictions or relevant legal conditions in order to be used or distributed as dividends to their shareholders (subject to the legal requirements of the Commercial Company Code in each country).

19.Share capital

Capital Structure

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

The qualified participations in the share capital of Galp are calculated in accordance with article 16 and 20 of the Portuguese Securities Code. In accordance with these articles, the shareholders of Galp have to notify the Company whenever their participations reach, exceed or are reduced in relation to certain limits. These limits are 2%, 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of the voting rights.

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

2016

	Number of shares	% of Capital	% of Voting rights
Amorim Energia,BV	317,934,693	38.34%	38.34%
Parpública - Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	453,236,428	54.66%	54.66%
Total	829,250,635	100.00%	-

2015

	Number of shares	% of Capital	% of Voting rights
Amorim Energia,BV	317,934,693	38.34%	38.34%
Parpública - Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	453,236,428	54.66%	54.66%
Total	829,250,635	100.00%	-

20. Reserves

As of 31 March 2016 and 31 December 2015 "Translation reserves" and "Other reserves" are detailed as follows:

	(€ k)	
Captions	march 2016	december 2015
Translation reserves:		
Reserves - financial allocations ("quasi capital")	(274,335)	(426,523)
Reserves - Tax on financial allocations ("quasi capital") (Note 9)	104,993	156,737
	(169,342)	(269,786)
Reserves - Translation of financial statements	87,195	265,178
Reserves - Goodwill currency update (Note 11)	3,290	4,375
	(78,857)	(233)
Hedging reserves:		
Reserves - financial derivatives (Note 27)	(8,168)	(1,920)
Reserves - Deferred tax on financial derivatives (Note 9)	1,578	254
	(6,590)	(1,666)
Other reserves:		
Legal reserves	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 participation in the share capital of the subsidiary Lusitaniagás - Companhia de Gas do Centro, S.A.	(2,027)	(2,027)
Reserves - Increase of 33.05427% in 2015 in the participation in the share capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. (Note 3)	(571)	(571)
Reserves - Increase of 33.0541% in 2015 in the participation in the share capital of the subsidiary Setgás Comercialização, S.A. (Note 3)	450	450
Reserves - Increase of 99% in the participation in the share capital of the subsidiary Enerfuel, S.A.	(31)	(31)
	2,684,293	2,684,293
	2,598,846	2,682,394

Translation reserves:

The caption "Translation reserve" reflects the exchange rate fluctuations:

- €87,195 k relating to positive exchange differences resulting from the translation of financial statements in foreign currency to Euros;
- €169,342 k relating to negative exchange differences on the financial allocations from Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A., Petrogal Brazil, B.V., Galp Sinopec Brazil Services B.V. and Winland International Petroleum, SARL (W.I.P.) to Petrogal Brasil, S.A. stated in Euros and US Dollars, remunerated and not remunerated, and for which there is no intention of reimbursement, and as such are similar to share capital ("quasi capital"), thus being considered an integral part of the net investment in that foreign operational unit in accordance with IAS 21;
- €3,290 k regarding positive exchange differences resulting from the translation of Goodwill.

Hedging reserves:

"Hedging reserves" reflects changes that have occurred in financial derivatives on commodities (e.g. electricity) from Galp Power and interest rates of joint ventures and associates that are contracted to hedge the price variation and the changes in interest rate on loans (cash flow hedge) and their respective deferred taxes.

In the period ended 31 March 2016, the amount of €8,168 k is related with the fair value of financial derivatives - cash flow hedges and € 1,578 k relates to the respective tax impact (note 9).

Other reserves:

During the period ended 31 March 2016, no significant changes have occurred in "Other Reserves". For more information see the notes to the financial statements as of 31 December 2015.

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21. Non-controlling interests

As of 31 March 2016 and 2015, the caption "Non-controlling interests" included in equity refers to the following subsidiaries:

(€ k)							
	% Non-controlling interest deceber 2015	deceber 2015	Prior year results	Translation reserves	Net income for the period	march 2016	% Non-controlling interest march 2016
Galp Sinopec Brazil Services B.V.	30.00%	1,268,700	-	(55,675)	5,625	1,218,650	30.00%
Petrogal Brasil, S.A.	30.00%	105,140	-	32,165	2,408	139,713	30.00%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	0.07%	59	-	-	-	59	0.07%
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	51.71%	19,703	(13)	-	84	19,774	51.71%
Beiragás - Companhia de Gás das Beiras, S.A.	40.50%	17,096	47	-	233	17,376	40.50%
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	20.00%	2,874	(15)	-	234	3,093	20.00%
Lusitaniagás - Companhia de Gás do Centro, S.A.	3.16%	1,999	-	-	6	2,005	3.16%
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	25.00%	1,236	-	-	46	1,282	25.00%
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	32.35%	1,039	-	-	55	1,094	32.35%
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	25.00%	631	-	-	51	682	25.00%
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	(a) 35.00%	(2,240)	-	-	(52)	(2,292)	35.00%
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(a) 35.00%	(191)	-	-	2	(189)	35.00%
		1,416,046	19	(23,510)	8,692	1,401,247	
(€ k)							
	% Non-controlling interest deceber 2014	deceber 2014	Prior year results	Translation reserves	Net income for the period (*)	march 2015 (*)	% Non-controlling interest march 2015
Galp Sinopec Brazil Services B.V.	30.00%	1,127,303	-	145,043	5,138	1,277,484	30.00%
Petrogal Brasil, S.A.	30.00%	225,790	-	(51,678)	(2,839)	171,273	30.00%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	33.12%	23,804	-	-	230	24,034	33.12%
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	51.71%	20,247	-	-	(383)	19,864	51.71%
Beiragás - Companhia de Gás das Beiras, S.A.	40.50%	15,653	-	-	180	15,833	40.50%
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	20.00%	2,622	-	-	145	2,767	20.00%
Lusitaniagás - Companhia de Gás do Centro, S.A.	3.16%	1,771	-	-	7	1,778	3.16%
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	25.00%	1,180	-	-	24	1,204	25.00%
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	32.35%	1,100	-	-	50	1,150	32.35%
Setgás Comercialização, S.A.	33.05%	999	-	-	39	1,038	33.05%
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	25.00%	643	-	-	102	745	25.00%
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	(a) 35.00%	(709)	-	-	(90)	(799)	35.00%
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(a) 35.00%	(219)	(5)	-	-	(224)	35.00%
		1,420,184	(5)	93,365	2,603	1,516,147	

- (a) As of 31 March 2016 and 2015, the subsidiary presents negative equity. Accordingly, the Group only recognised accumulated losses in the proportion of the capital held in that subsidiary, which is why the non-controlling interests' balance is a debit.

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22.Loans

Detail of loans

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

	(€ k)			
	march 2016		december 2015	
	Current	Non-current	Current	Non-current
Bank loans:				
Loans	159,599	1,103,973	162,439	1,152,214
Bank overdrafts (Note 18)	81,793	-	85,755	-
Discounted notes	1,491	-	2,174	-
	242,883	1,103,973	250,368	1,152,214
<i>Origination Fees</i>	(881)	(1,418)	(3,578)	(1,183)
	242,002	1,102,555	246,790	1,151,031
Other loans obtained:				
IAPMEI	1	370	1	384
	1	370	1	384
	242,003	1,102,925	246,791	1,151,415
Bonds and Notes:				
Bonds	250,000	920,000	250,000	920,000
Notes	-	1,000,000	-	1,000,000
	250,000	1,920,000	250,000	1,920,000
<i>Origination Fees</i>	(4,226)	(10,327)	(4,244)	(11,890)
	245,774	1,909,673	245,756	1,908,110
	487,777	3,012,598	492,547	3,059,525

Current and non-current loans, excluding origination fees, bank overdrafts and discounted notes, have the following repayment plan as of 31 March 2016:

		(€ k)		
		Loans		
Maturity		Total	Current	Non-current
2016		363,891	363,891	-
2017		457,436	45,709	411,727
2018		640,056	-	640,056
2019		709,479	-	709,479
2020		657,047	-	657,047
2021		535,091	-	535,091
2022		25,943	-	25,943
2023 and subsequent years		45,000	-	45,000
		3,433,943	409,600	3,024,343

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As of 31 March 2016 and 31 December 2015, Loans obtained are expressed in the following currencies:

Currency		march 2016		december 2015	
		Total initial amount	Due amount (€k)	Total initial amount	Due amount (€k)
United States Dollars	USD	126,000	110,672	126,000	115,734
Cape Verdian Escudos	CVE	-	-	48,377	439
Euro	EUR	3,662,172	3,323,271	3,661,787	3,368,480
			3,433,943		3,484,653

The average interest rate of the loans, including costs associated with overdrafts, incurred by the Group, on the first quarter of 2016 and 2015 amounted to 3.55% and 3.75%, respectively.

Description of the main loans

Commercial paper issuance

As at 31 March 2016, the Group has contracted commercial paper programs amounting to €1,065,000 k which are fully underwritten, and split into €490,000 k medium and long-term and €575,000 k short term. Of these amounts the Group has used the €490,000 k medium and long-term program.

These instruments bear interest at the Euribor rate applicable for the respective period of issuance, plus variable spreads defined in the contractual terms of the commercial paper programs subscribed to by the Group. The referred interest rates are applicable to the amount of each issuance and remain unchanged during the respective period of the issue.

Bank loans

Detail of the main bank loans as of 31 March 2016:

(€ k)				
Entity	Due amount	Interest rate	Maturity	Reimbursement
Itaú	110,672	Libor 6M + spread	april 17	50% @ april 16 50% @ april 17
UniCredit Bank Austria	150,000	Euribor 6M + spread	april 20	april 20
	260,672			

Additionally, the Group has recorded loans amounting to €41,130 k, obtained by the companies Agroger - Sociedade de Cogeração do Oeste S.A., Beiragás – Companhia de Gás das Beiras, S.A., and CLCM – Companhia Logística de Combustíveis da Madeira, S.A..

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Detail of the loans obtained from the European Investment Bank (EIB) as of 31 March 2016:

(€ k)

Entity	Due amount	Interest rate	Maturity	Reimbursement
EIB (Oporto cogeneration)	50,000	Fixed rate	October '17	October '17
EIB (Instalment A - Sines cogeneration)	20,947	Fixed rate	September '21	Semi-annual instalments beginning in March '10
EIB (Instalment B - Sines cogeneration)	10,993	Euribor 6M + Spread	March '22	Semi-annual instalments beginning in September '10
EIB (Instalment A - refinery conversion)	210,000	Revisable fixed rate	February '25	Semi-annual instalments beginning in August '12
EIB (Instalment B - refinery conversion)	140,000	Fixed rate	February '25	Semi-annual instalments beginning in August '12
	431,940			

Additionally, the Group has other loans obtained from the EIB amounting to € 39,831 k.

Loans contracted with the EIB, for the purpose of financing the cogeneration projects in the Sines and Oporto refineries and of instalment A for the conversion project of the Sines and Oporto refineries, are guaranteed by Petróleos de Portugal - Petrogal, S.A..

The remaining loan with the EIB, amounting to € 179,831k, is guaranteed by a Bank Syndicate.

Bonds

Detailed information for bonds as of 31 March 2016:

(€ k)

Emission	Due amount	Interest rate	Maturity	Reimbursement
GALP ENERGIA/2013-2017 €600 M. FRN	500,000	Euribor 6M + spread	May '17	50% @ May'16 50% @ May'17
GALP ENERGIA/2012-2018 FRN	260,000	Euribor 3M + spread	February '18	February '18
GALP ENERGIA/2013 - 2018	110,000	Euribor 3M + Spread	March '18	March '18
GALP ENERGIA/2013-2018 €200 M.	200,000	Euribor 6M + spread	April '18	April '18
GALP ENERGIA/2012-2020	100,000	Euribor 6M + spread	June '20	June '20
	1,170,000			

Notes Issuance

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

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Detail by issuance, as of 31 March 2016:

(€ k)

Emission	Due amount	Interest rate	Maturity	Reimbursement
Galp 4,125% 01.2019	500,000	Fixed rate 4,125%	January 2019	January 2019
Galp 3,000% 01.2021	500,000	Fixed rate 3,000%	January 2021	January 2021
	1,000,000			

23. Post-employment and other employee benefits

On 31 March 2016 and 31 December 2015, the assets of the Petrogal Pension Fund, Sacor Maritima Pension Fund and GDP Pension Fund, valued at fair value, were as follows according to the reports submitted by the respective fund management company:

(€ k)

	march 2016	december 2015
Bonds	187,801	182,803
Shares	58,054	61,862
Alternative Investments	8,359	10,066
Real Estate	32,903	32,840
Liquidity	30,860	30,039
Total	317,977	317,610

On 31 March 2016 and 31 December 2015, the Group had the following amounts related to liabilities for retirement benefits and other benefits:

(€ k)

Captions	march 2016			december 2015		
	Assets (Note 14)	Liabilities	Equity	Assets (Note 14)	Liabilities	Equity
Post employment benefits:						
Relating to the Pension Fund	177	(5,021)	42,009	176	(4,839)	42,009
Retired Employees	-	(3,429)	2,001	-	(3,430)	2,001
Pre-retirement	-	(67,617)	9,006	-	(67,175)	9,006
Early retirement	-	(81,691)	5,806	-	(83,151)	5,806
Retirement bonus	-	(7,015)	43	-	(6,919)	43
Voluntary social insurance	-	(2,219)	3,543	-	(2,319)	3,543
Other	-	(406)	(91)	-	(406)	(91)
Other benefits:						
Healthcare	-	(241,565)	85,769	-	(241,635)	85,769
Life insurance	-	(3,110)	66	-	(3,129)	66
Defined contribution plan minimum benefit	-	(9,056)	(1,621)	-	(8,537)	(1,621)
	177	(421,129)	146,531	176	(421,540)	146,531

For more information see the notes to the financial statements as of 31 December 2015.

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24. Other payables

As of 31 March 2016 and 31 December 2015 the non-current and current captions "Other payables" were as follows:

Captions	(€ k)			
	march 2016		december 2015	
	Current	Non-current	Current	Non-current
State and other public entities:				
Value Added Tax payables	171,088	-	175,698	-
"ISP" - Tax on oil products	102,734	-	90,904	-
Personnel and Corporate Income Tax Withheld	11,095	-	8,500	-
Social Security contributions	6,345	-	6,301	-
Other taxes	28,466	7	19,519	3
Tangible and intangible assets suppliers	149,750	87,526	146,116	88,182
Advances on sales (Note 16)	18,223	-	30,002	-
Overlifting	12,059	-	21,447	-
Personnel	6,372	-	4,946	-
Other payables - Other shareholders	3,644	-	3,495	-
Trade receivables advance payments	2,831	-	2,999	-
Guarantee deposits and guarantees received	2,747	-	2,723	-
Trade receivables credit balances	2,235	-	3,782	-
"ISP" - Congeners debit	900	-	1,821	-
Loans - Associates, affiliates and related companies	365	165,282	365	172,842
Other payables - Associates, affiliates and related companies	137	-	3,652	121
Loans - Other shareholders	-	1,653	-	1,653
Other creditors	41,139	3,746	25,966	3,533
	560,130	258,214	548,236	266,334
Accrued costs:				
External supplies and services	136,051	-	111,293	-
Holiday , holiday subsidy and corresponding contributions	34,760	-	28,967	-
Accrued interest	27,514	-	53,582	-
Productivity bonuses	23,132	6,688	28,457	8,369
Adjustment to tariff deviation - other activities - "ERSE" regulation	17,100	-	16,707	-
Adjustment to tariff deviation - regulated revenue - "ERSE" regulation (Note 14)	9,955	26,408	7,559	16,174
Accrued insurance premiums	5,881	-	992	-
Discounts, bonuses and rappel related to sales	2,733	-	2,139	-
Fastgalp prizes	1,842	-	2,576	-
Financial costs	878	-	876	-
Accrued personnel costs - other	575	-	64	-
Financial neutrality - "ERSE" regulation	81	-	161	-
Adjustment to tariff deviation - energy tariff - "ERSE" regulation	-	16,539	-	15,831
Other accrued costs	19,918	-	16,351	-
	280,420	49,635	269,724	40,374
Deferred income:				
Services rendered	31,638	-	4,322	-
Investment government grants (Note 13)	10,093	241,420	10,142	243,537
Fibre optics	404	890	404	991
Others	13,449	48	11,505	51
	55,584	242,358	26,373	244,579
	896,134	550,207	844,333	551,287

The caption "Advances on sales" amounting to €18,223 k is related with Group liabilities with competitors for strategic reserves (Note 16).

The non-current caption "Tangible and intangible assets suppliers" refers essentially to land use rights.

The amount of €12,059 k presented in the caption "Other payables - Overlifting" represents the Group's liability in respect of excess crude oil lifted considering its production quota and is measured as described in Note 2.7 e) of the notes to the consolidated financial statements for the year ended 31 December 2015, and in its notes.

The amount of €900 k recorded in the caption "ISP – Congeners Debit" is related to the fact that the bonded warehouse is confined to Galp. Therefore, it is Galp's responsibility to collect the "ISP" (tax on petroleum products) from counterparties (partners/competitors) and to deliver it over to the State.

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The amount of €2,747 k recorded in the caption "Guarantee deposits and guarantees received" includes €2,163 k relating to Petrogal's liability as of 31 March 2016 for customer deposits received for gas containers in use, that were recorded at acquisition cost, which corresponds to their approximate fair value.

The amount of €165,282 k recorded in the caption "Loans – associates, affiliates and related companies" refers to the following:

- In March 2012, Winland International Petroleum, SARL, granted loans amounting to €165,282 k (US\$188,173,000). This amount is recorded in the caption "Loans – associates, affiliates and related companies" (non-current) and is related to shareholders loans obtained by the subsidiary Petrogal Brasil, S.A.. This loan bears interest at market rates and has a maturity of 10 years. In the period ended 31 March 2016 the amount of €2,047 k is recognised under the caption "Interest", regarding loans obtained concerning related companies.

The amount of €1,653 k in the caption "Loans – other shareholders" mainly relates to:

- €1,205 k recorded as non-current payable to EDP Cogeração, S.A. related to shareholders loans obtained by the subsidiary Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A., which bears interest at market rates and does not have a defined maturity;
- €448 k recorded as non-current payable to Visabeira Telecomunicações, SGPS, S.A., related to shareholder loans obtained by the subsidiary Beiragás – Companhia de Gás das Beiras, S.A., which bears interest at market rates and does not have a defined maturity.

The amount of €1,842 k recorded under "Accrued costs – Fastgalp prizes" refers to Petrogal's liability for Fast Galp card points issued but not yet claimed by 31 March 2016, and that are expected to be swapped for prizes in subsequent periods.

Government investment grants are recognised as income over the useful life of the assets. The amount to be recognised in future periods amounts to €251,513 k (Note 13).

Income from the contract of assignment of rights to use telecommunication infrastructures is deferred in the caption "Deferred income – Fibre optics" and is recognised as income during the period of the contract. As of 31 March 2016, the balance of deferred income to be recognised in future period's amounts to €1,294 k.

25.Provisions

The changes in provisions in the period ended 31 March 2016 were as follows:

						(€ k)
Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Ending Balance
Lawsuits	29,179	299	(977)	(19)	838	29,320
Financial investments (Note 4)	4,115	(222)	-	-	363	4,256
Taxes	33,405	-	-	-	(1,344)	32,061
Environment	2,208	-	-	-	-	2,208
Abandonment of blocks	128,795	5,745	-	-	(5,805)	128,735
Other risks and charges	231,060	29,135	-	-	165	260,360
	<u>428,762</u>	<u>34,957</u>	<u>(977)</u>	<u>(19)</u>	<u>(5,783)</u>	<u>456,940</u>

The increase in provisions, net of the decreases, in the period ended 31 March 2016 was as follows:

	(€ k)
Energy sector extraordinary contribution - CESE I	26,666
Capitalisation of abandonment blocks provision costs	5,745
Provisions for the period (Note 6)	1,120
Energy sector extraordinary contribution - CESE II	671
Income from investments in associates and joint ventures (Note 4.2)	-222
	<u>33,980</u>

Lawsuits

The provision for current lawsuits amounts to €29,320 k and includes mainly: an amount of € 4,180 k relating to liabilities for fines imposed by the Competition Authority relating to contracts with distributors in the LPG business and an amount of € 18,611 k related to the provision of the estimate for payment of an additional amount of the special participation tax in Brazil.

Financial investments

The provision for financial investments reflects the joint commitment of the Group in respect of its associates and joint ventures that have reported negative equity (Note 4).

Taxes

The caption "Tax provisions", amounting to € 32,061 k includes mainly:

- € 20,817 k of additional liquidations of Oil Income Tax ("IRP") (Note 9);
- € 7,394 k concerning a tax contingency, related with a correction to the 2001 and 2002 corporate income tax of the subsidiary Petrogal (Note 9); and
- € 3,377 k concerning the tax risk associated with the sale of the participation held in ONI, SGPS to Galp Energia, SGPS, S.A..

The adjustment reflected in the caption "Taxes" in the negative amount of €1,344 k mainly corresponds to the exchange difference of the initial balance of Oil Income Tax ("IRP") additional liquidations.

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Environmental issues

The amount of €2,208 k presented in the caption "Environmental provisions" is related to the costs associated with the soil decontamination of certain facilities occupied by the Group, where due to legal obligation a decision has already been taken to carry out the decontamination.

Abandonment of blocks

The amount of €128,735 k recorded in "Provisions for the abandonment of blocks" is destined 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. The changes in provisions for the abandonment of blocks in the period ended were as follows:

	(€ k)						
	Initial balance	Increases	NPV interests increase	Utilisation	Exchange differences (Cta's) (a)	Exchange differences (P/L) (b)	Ending balance
Blocks in Brazil							
- Lula and Gaspeline	24,328	2,500	188	-	1,149	(2,607)	25,558
- Andorinha	618	-	5	-	29	-	652
- Rabo Branco	704	-	3	-	33	(246)	494
- Iracema	18,371	2,313	144	-	867	(1,321)	20,374
	<u>44,021</u>	<u>4,813</u>	<u>340</u>	<u>-</u>	<u>2,078</u>	<u>(4,174)</u>	<u>47,078</u>
Blocks in Angola							
- Block 1	1,209	-	-	-	-	(53)	1,156
- Block 14 - Kuito	15,949	-	113	-	(698)	-	15,364
- Block 14 - BBLT	14,406	-	102	-	(630)	-	13,878
- Block 14 - TL	51,321	-	364	-	(2,245)	-	49,440
- Block 14 - K	1,889	-	13	-	(83)	-	1,819
	<u>84,774</u>	<u>-</u>	<u>592</u>	<u>-</u>	<u>(3,656)</u>	<u>(53)</u>	<u>81,657</u>
Total	<u>128,795</u>	<u>4,813</u>	<u>932</u>	<u>-</u>	<u>(1,578)</u>	<u>(4,227)</u>	<u>128,735</u>

- (a) Exchange differences resulting from conversion of the functional currency to the Group 's currency (Euro) are recorded in equity under caption "Translation reserves" (Cta's)
- (b) The provision is recorded in USD, the currency valuation for the functional currency of the company(ies) is recorded in the income statement(P/L) under the heading Exchange (loss)/ gains.

Other risks and charges

As at 31 March 2016 the caption "Provisions – other risks and charges", amounting to €260,360 k, mainly comprises:

- €4,561 k concerning processes related to sanctions applied by Customs Authorities due to the late submission of the customs destination declaration of some cargo shipments received in Sines;
- €79,694 k relating to the provision to cover the energy sector extraordinary contribution "CESE I":
 - For the year ended 31 December 2014, the Group was subject to a special tax (Energy Sector Extraordinary Contribution "CESE I"), pursuant to Article 228 of Law 83C/2013 of 31 December, which states that the energy companies that detain net assets in certain activities as at 1 January 2014 are subject to a tax calculated on the amount of net assets at that date.

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- As it intends to challenge the Law, the Group decided to record the total value of the liability amounting to €79,694 k under "Provisions" caption. The total value of the liability on 31 December 2015 amounted to €53,027 k. In the period ended 31 March 2016, the provision was reinforced by €26,667 k (Note 9), and recognised in the income statement under the caption "Energy sector extraordinary contribution";
- €158,490 k relating to the provision to cover the Energy sector extraordinary contribution "CESE II":
 - In the period ended 31 December 2015, the Group was subject to a special tax (Energy Sector Extraordinary Contribution "CESE II"), pursuant to Law 33/2015 of 27 April and Order No. 157 -B/2015 of 28 May, which focuses on the value of future sales, based on the four existing long term sourcing contracts which are on a take-or-pay basis. Resulting from the respective Law and Order, Galp recorded a total payable amount of € 158,490 k, which will be settled in instalments of € 52,052k in May of each of the years 2015, 2016 and 2017, respectively, and accrued the amount of €2,334 k related to interest.
 - As it intends to challenge the Law and Regulation, Galp group has accounted for the total value of the liability amounting to €158,490 k under the "Provisions" caption and the respective cost is being deferred under the caption "Other receivables - Deferred costs" over the useful life of the contracts. In the period ended 31 March 2016, the Group recognised in the income statement under the caption "Energy sector extraordinary contribution" the amount of €5,843 k (Note 9) and the current and non-current captions "Other receivables - Deferred costs" amounts to €22,962 k and €102,228 k, respectively (Note 14).
- In the period ended 31 March 2016 the amount of €12,000 k (Note 9) was also paid and recognised in the income statement under the caption "Energy sector extraordinary contribution", relating to the National Fund for Energetic Efficiency ("Fondo Nacional de Eficiencia Energética (FNEE)"), in relation to the Group companies headquartered in Spain.
- €10,256 k as a result of the purchase and sale contract signed between Galp and Endesa relating to the subsidiaries Madrileña Suministro de Gas and Madrileña Suministro de Gas Sur. In accordance with this contract, the selling companies, Petróleos de Portugal – Petrogal, S.A. - Sucursal en España and Galp Energia España, are liable to pay to the buyers, any payments due by the Madrileñas to the distribution companies, as a result of the dispute concerning the differences in pipelines gas measurements (Note 3);
- €1,844 k to cover the impairment of the assets of the affiliate Moçamgalp Agroenergias de Moçambique, S.A.; and
- €2,107 k to cover charges received for the year 2012 made by the Lisbon Port Administration, for the use of the Cabo Ruivo land occupation as claimed by the Company.

26. Trade payables

As of 31 March 2016 and 31 December 2015 the amounts recorded in the caption "Trade payables" were as follows:

	(€ k)	
Captions	march 2016	december 2015
Trade payables - current accounts	263,940	367,891
Trade payables - pending invoices	394,452	288,455
	658,392	656,346

The balance of the caption "Trade payables – pending invoices" mainly corresponds to the purchase of crude oil and, natural gas raw materials and goods in transit at those dates.

27. Other financial instruments – Financial derivatives

The Group uses financial derivatives to hedge interest rate risk, market fluctuation risks, particularly the risks of variation in crude oil prices, finished products and refining margins, as well as price variation risk of natural gas and electricity which affect the financial value of the assets and the future cash flows expected from its activity.

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".

Financial derivatives on commodities that are contracted to hedge the fair value variability or to address any risks that may affect the results of customer contracts are termed as "fair value hedge". On the other hand, financial derivatives on commodities that are contracted to hedge cash flow of customer contracts are termed as "cash flow hedges".

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

- Level 1 - the fair value of assets or liabilities is based on active liquid market quotation at the date of the statement of financial position;
- Level 2 - the fair value of assets or liabilities is determined through valuation models based on observable market inputs;
- Level 3 - the fair value of assets or liabilities is determined through valuation models, whose main inputs are not observable in the market.

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The fair value of financial derivatives (Level 2) was determined by external and independent entities, applying evaluation models (such as "discounted cash flows", Black-Scholes model, Binomial and Trinomial models and Monte-Carlo simulations, among other models depending on the type and characteristics of the financial derivative under analysis) based on generally accepted principles (Level 2).

Futures are traded in the stock exchange and subject to a Clearing House, and as such their valuation is determined by quoted prices (Level 1).

The fair value of the remaining financial derivatives (Swaps, Forwards and Options) booked were determined by financial entities using observable market inputs and using generally accepted techniques and models.

Derivative financial instruments portfolio as of 31 March 2016 and 31 March 2015 are detailed as follows:

	(€ k)							
	Fair value as of 31 March 2016				Fair value as of 31 December 2015			
	Assets		Liabilities		Assets		Liabilities	
	current	non-current	current	non-current	current	non-current	current	non-current
Interest rate Financial Derivatives								
Swaps	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Commodities Financial Derivatives								
Swaps (Note 17)	10,698	4,825	(19,764)	(1,574)	4,458	1,041	(29,091)	(2,498)
Futures (Note 18)	3,319	-	-	-	4,241	-	-	-
	14,017	4,825	(19,764)	(1,574)	8,699	1,041	(29,091)	(2,498)
Currency Financial Derivatives								
Non-deliverable Forwards	-	-	(2,829)	-	-	-	(277)	-
Forwards	-	-	-	-	-	-	(103)	-
Currency Interest Rate Swaps	-	-	-	-	-	-	-	-
			(2,829)	-	-	-	(380)	-
	14,017	4,825	(22,593)	(1,574)	8,699	1,041	(29,471)	(2,498)

Nota:

MTM - variation of the Mark -to-Market from January until the reporting date

Real - value of closed positions

The MTM (Mark-to-Market) of the derivative financial liabilities amounts to €24,167 k. Of this amount, €19,764 k are classified as current liabilities and will be realised over one year. The amount presented in non-current liabilities, amounting to €4,403 k will be realised over the period of two years (meaning, in 2018).

The accounting impact as of 31 March 2016 and 31 December 2015 in the income statement is presented in the following table:

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	31 March 2016				31 March 2015				(€ k)
	Income Statement			Equity	Income Statement			Equity	
	Potential (MTM)	Real	MTM+Real	Potential (MTM)	Potential (MTM)	Real	MTM+Real	Potential (MTM)	
Interest rate Financial Derivatives									
Swaps	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Commodities Financial Derivatives									
Swaps and Options	19,832	(3,964)	15,868	-	(19,932)	(12,045)	(31,977)	-	-
Fair value hedge	200	-	200	-	(2,310)	-	(2,310)	-	-
Futures	6,313	(14,392)	(8,079)	(7,013)	1,900	2,203	4,103	(404)	(404)
	26,345	(18,356)	7,989	(7,013)	(20,342)	(9,842)	(30,184)	(404)	(404)
Currency Financial Derivatives									
Non-deliverable Forwards	(2,552)	312	(2,240)	-	126	237	363	-	-
Forwards	103	1,131	1,234	-	1,010	(2,881)	(1,871)	-	-
Currency Interest Rate Swaps	-	-	-	-	(5,368)	32,924	27,556	-	-
	(2,449)	1,443	(1,006)	-	(4,232)	30,280	26,048	-	-
	23,896	(16,913)	6,983	(7,013)	(24,574)	20,438	(4,136)	(404)	(404)

The potential value of MTM (Mark-to-Market) recognised under the caption "Income from financial instruments" includes the potential value of the interest component of Currency Interest Rate Swaps financial derivatives and Commodities derivatives, in the negative amount of € 21,696 k, as shown in the following table:

	(€ k)	
	march 2016	march 2015
Income on Financial Instruments		
Commodities Financial Derivatives		
Swaps and Options	20,032	(22,242)
Futures	1,664	1,900
Currency Financial derivatives		
Currency Interest Rate Swaps (Juro)	-	667
Other trading operations	-	1,553
	21,696	(18,122)

The real value of financial derivatives recognised in the "Cost of sales" caption amounts to negative € 18,356 k comprising commodities financial derivatives.

The difference between potential (MTM) and the amount reflected in the table above is recognised in the caption "Exchange gains/(losses)" in the income statement in the negative amount of €2,449k and in "Cost of Sales" in the positive amount of €4,650k in connection with the Contango operations.

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The changes in fair value reflected in Equity, resulting from cash flow hedges, are as follows:

Fair Value changes in Equity	(€ k)	
	march 2016	december 2015
Group companies	(5,885)	(1,134)
Non-controlling interests	-	-
	(5,885)	(1,134)
Associates	(671)	(42)
	(6,556)	(1,176)

Financial derivatives open positions have the following nominal values:

		(€ k)			
		31 March 2016		31 December 2015	
		Maturity		Maturity	
		< 1 year	> 1 year	< 1 year	> 1 year
Interest rate Financial Derivatives					
Swaps	Buy	-	-	-	-
	Sell	-	-	-	-
Commodities Financial Derivatives					
Swaps	Buy	85,149	18358	88,161	13,895
	Sell	93,982	35125	77,204	10,256
Options	Buy	451	477	661	477
	Sell	401	432	587	432
Futures	Buy	76,322	16757	98,618	7,980
	Sell	20,234	-	47,742	-
Currency Financial Derivatives					
Non-deliverable Forwards	Buy	19,832	-	29,887	-
	Sell	-	-	-	-
Forwards	Buy	-	-	-	-
	Sell	-	-	29,204	-
Currency Interest Rate Swaps	Buy	-	-	-	-
	Sell	-	-	-	-
		67,137	35	62,590	11,664

Note: Equivalent nominal value in thousand Euro

Galp group has financial derivatives over commodities recognised as Fair Value hedge (fair value hedge and cash-flow hedge). These financial derivatives have been contracted for the reduction of risks associated with contracts signed with customers and suppliers. Accordingly, during the first quarter of 2016 was recorded in the income statement, under the "MTM (Mark-to-market)" caption the positive

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amount of €200 k, against "Accruals and Deferrals" caption, related to the fair value hedge and in Equity, under the caption "Hedging reserves", the negative amount of €5,885 k relating to cash-flow hedge.

Galp group trades financial instruments denominated as Futures. Given their high liquidity, as they are traded on a Stock Exchange, they are classified as financial assets at fair value through profit and loss and included in "Cash and cash equivalents" caption. The gains and losses on commodity futures (Brent, Natural Gas and Electricity) are classified in the caption "Cost of sales". Changes in the fair value of open positions are recorded in financial income. As these Futures are traded on a Stock Exchange, subject to a Clearing House, gains and losses are continuously recorded in the Income Statement.

28. Related parties

During the period ended 31 March 2016, there were no significant changes in the Related parties, as compared to the consolidated financial statements of the Group on 31 December 2015. For more information see the notes to the financial statements as of 31 December 2015.

29. Remuneration of the board

The remuneration of the board members of Galp for the periods ended 31 March 2016 and 2015 is detailed as follows:

(€ k)												
	march 2016						march 2015					
	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total	Remuneração base	Pension plan	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
Board members of Galp Energia SGPS												
Executive management	859	153	70	(1,921)	12	(827)	992	191	82	933	111	2,309
Non-executive management	139	-	-	-	-	139	193	-	-	-	-	193
Supervisory board	23	-	-	-	-	23	25	-	-	-	-	25
	1,021	153	70	(1,921)	12	(665)	1,210	191	82	933	111	2,527
Board members of subsidiaries												
Executive management	272	-	-	(45)	-	227	414	-	-	-	-	414
	272	-	-	(45)	-	227	414	-	-	-	-	414
	1,293	153	70	(1,966)	12	(438)	1,624	191	82	933	111	2,941

Of the negative amount of €438 k recorded in the period ended 31 March 2016, the negative amount of €482 k was recorded as employee costs (Note 6) and €44 k was recorded as external supplies and services. Of the total amount of €2,941 k recorded in the period ended 31 March 2015, the amount of €2,621 k was recorded as employee costs (Note 6) and €320 k was recorded as external supplies and services.

The negative amount of €1,966 k in the caption "Bonuses" as of 31 March 2016 corresponds to the adjustment of the excessive estimate of long-term incentives (LTI).

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

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

30.Dividends

During the period ended 31 March 2016, there were no assignments or distribution of dividends.

31.Oil and gas reserves

Information regarding Galp'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.

Information on reserves can be found in the attached document to the consolidated financial statements, as of 31 December 2015, entitled "Supplementary Information on Oil and Gas (unaudited)".

32.Financial risk management

During the period ended 31 March 2016, there were no situations other than those already mentioned in the Financial risk management note disclosed in the consolidated financial statements of the Group as of 31 December, 2015. For further information refer to the consolidated financial statements of the Group at 31 December 2015 and its respective notes.

33.Contingent assts and liabilities

During the period ended 31 March 2016, there were no significant changes in contingent assets and liabilities, as compared to the consolidated financial statements of the Company on 31 December 2015.

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For further information refer to the Group's consolidated financial statements as of 31 December 2015 and its respective notes.

34. Financial assets and liabilities at book value and fair value

The captions "Financial assets and liabilities" are recorded at carrying value and do not present differences to their fair value, with the exception of the bonds.

"Assets held for sale" (which are equity instruments not admitted to trading on regulated markets) are recorded at cost.

For more information see the notes to the financial statements as of 31 December 2015.

35. Information on environment matters

Cost incurred with CO₂ emissions is accounted for in Operating costs and amounts to €1,151 k as of March 2016.

Galp acquired Futures on CO₂ reaching maturity as of December 2016, for the acquisition of 1,180,000 TON of CO₂ with an average price of € 5,54/ton of CO₂.

No other significant changes noted during the first quarter of the year.

For more information on environmental matters see the notes to the financial statements as of 31 December 2015.

36. Subsequent events

There are no subsequent events for disclosure purposes.

37. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 28 April 2016.

38. Explanation added for translation

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

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THE BOARD OF DIRECTORS:

Chairman:

 Américo Amorim

Vice-Chairmen:

 Paula Ramos Amorim

 Carlos Nuno Gomes da Silva

Members:

 Filipe Crisóstomo Silva

 Thore E. Kristiansen

 Sérgio Gabrielli de Azevedo

 Abdul Magid Osman

 Raquel Rute da Costa David Vunge

 Carlos Manuel Costa Pina

 Francisco Vahia de Castro Teixeira Rêgo

 Miguel Athayde Marques

 Jorge Manuel Seabra de Freitas

 José Carlos da Silva Costa

 Pedro Carmona de Oliveira Ricardo

 João Tiago Cunha Belém da Câmara Pestana

 Rui Paulo da Costa Cunha e Silva Gonçalves

 Luís Manuel Pego Todo Bom

 Diogo Mendonça Rodrigues Tavares

 Joaquim José Borges Gouveia

THE ACCOUNTANT:

 Carlos Alberto Nunes Barata

10. Definitions

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% 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 dated; Freight 2015: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.60/ton. Yields in % of weight.

Rotterdam cracking margin

The Rotterdam cracking margin has the following profile: -100% Brent dated, +2.3% LGP 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 Cg. and +15.3% LSFO 1% FOB Cg.; C&L: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent dated; Freight 2015: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.60/ton. Yields in % of weight.

Rotterdam aromatics margin

Rotterdam aromatics margin: -60% PM UL NWE FOB Bg., -40% Naphtha NWE FOB Bg., +37% Naphtha NWE FOB Bg., +16.6% PM UL NWE FOB Bg., +6.5% Benzene Rotterdam FOB Bg., +18.5% Toluene Rotterdam FOB Bg., +16.6% Paraxylene Rotterdam FOB Bg., +4.9% Ortoxylene Rotterdam FOB Bg. Consumption: -18% LSFO 1% CIF NEW. Yields in % of weight.

Rotterdam base oils margin

Base oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13.0% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, +34.0% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg., +14%; Base Oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% CIF NWE Cg.; Losses: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Arabian Light; Freight 2015: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.60/ton. Yields in % of weight.

Replacement cost (RC)

According to this method of valuing inventories, the cost of goods sold is valued at the cost 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 the Portuguese IFRS and is consequently not adopted for valuing inventories. This method does not reflect the cost of replacing other assets.

Replacement cost adjusted (RCA)

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

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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

bcm: billion cubic metres

Bg: Barges

BJC: BJC Heavy Industries Plc.

bn: billion

boe: barrels of oil equivalent

Cg: Cargoes

CESE: Contribuição Extraordinária sobre o Sector Energético, i.e., Portuguese Extraordinary Energy Sector Contribution

CIF: Costs, Insurance and Freights

CMVM: Portuguese Securities Market Commission

COOEC: Offshore Oil Engineering Co. Ltd

CORES: *Corporación de Reservas Estratégicas de Productos Petrolíferos*

COSCO: China Ocean Shipping Company

CTA: Cumulative Translation Adjustment

Ebit: Earnings before interest and tax

Ebitda: Earnings before interest, tax, depreciation and amortisation

E&P: Exploration & Production

EMPL: Europe Maghreb Pipeline

EPCIC: Engineering, Procurement, Construction, Installation and Commissioning

EUR/€: Euro

EWT: Extended well test

FOB: Free on Board

FPSO: Floating, production, storage and offloading unit

Galp, Company or Group: Galp Energia, SGPS, S.A., subsidiaries and participated companies

G&P: Gas & Power

GWh: Gigawatt per hour

IBAMA: Brazilian Institute of the Environment and Renewable Natural Resources

IFRS: International Financial Reporting Standards

IRP: Oil income tax

JKM: Japan Korea Marker

k: thousand

kbbl: thousand barrels

kboe: thousand barrels of oil equivalent

kboepd: thousand barrels of oil equivalent per day

kbopd: thousand barrels of oil per day

LNG: liquefied natural gas

LSFO: low sulphur fuel oil

m: million

mmbbl: million barrels

mmbtu: million British thermal units

mm³: million cubic metres

mton: million tonnes

MW: Megawatt

NBP: National balancing point

NG: natural gas

n.m.: not meaningful

NWE: North-western Europe

OPEC: Organisation of Petroleum Exporting Countries

p.p.: percentage points

R&M: Refining & Marketing

RC: Replacement Cost

RCA: Replacement Cost Adjusted

SBM: SBM Offshore

TL: Tômbua-Lândana

T: tonnes

USA or US: United States of America

USD/\$: Dollar of the United States of America

VGO: vacuum gas oil

WAC: Weighted-average cost

YoY: year-on-year (annual change rate)

CAUTIONARY STATEMENT

This report has been prepared by Galp Energia, SGPS, S.A. ("Galp" 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's markets; the impact of regulatory initiatives; and the strength of Galp'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 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. No assurance, however, can be given that such expectations will prove to have been correct. 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 or the industry to differ materially from those results expressed or implied in this report by such forward-looking statements.

Actual future results, including financial and operating performance; demand growth and energy mix; Galp's production growth and mix; the amount and mix of capital expenditures; future distributions; resource additions and recoveries; project plans, timing, costs, and capacities; efficiency gains; cost savings; integration benefits; product sales and mix; production rates; and the impact of technology could differ materially due to a number of factors. These include changes in oil or gas prices or other market conditions affecting the oil, gas, and petrochemical industries; reservoir performance; timely completion of development projects; war and other political or security disturbances; changes in law or government regulation, including environmental regulations and political sanctions; the outcome of commercial negotiations; the actions of competitors and customers; unexpected technological developments; general economic conditions, including the occurrence and duration of economic recessions; unforeseen technical difficulties; and other factors.

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 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.

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