Shaping Energy

Annual Report and Accounts 2016

galp
energy creates energy

Year after year, our energy improves, evolves, becomes more efficient and sustainable, generates more progress and fosters the development of science and the economy. It makes lives easier, conquers new markets, becomes global.

Year after year, the world is shaped by our energy.

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Annual Report and Accounts 2016

galp.com

About this Report

Galp hereby presents its first integrated annual report, aiming to transparently and stringently publish its results, processes and indicators for the creation of economic, environmental and social value. It is thus intended to assess Galp's performance in an integrated way, taking the tangible and intangible aspects into consideration and demonstrating the connections between external factors, the Company's strategy, corporate governance, business model and its operational and financial performance, when deemed materially relevant.

This Report was based on internationally recognised guidelines and standards, in particular:

- International Financial Reporting Standards (IFRS);
- the guidelines provided by the Portuguese Securities Code (CVM), the Regulation no. 4/2013 of the Portuguese Securities Market Commission (CMVM) and the recommendations set out by CMVM;
- the guidelines of the International Integrated Reporting Council (IIRC);
- the guidelines of the Global Reporting Initiative (GRI), version GRI G4, in the "In accordance – Comprehensive" option, including the Oil & Gas sector guidelines.
- the guidelines for the report on payments made to public administrations, within the context of its participation in the Extractive Industries Transparency Initiative (EITI);
- the principles of inclusion, relevance and accountability of the stakeholders provided by the Accountability norm, AA1000 Accountability Principles Standard (AA1000APS 2008);
- the principles of the United Nations Global Compact (UNGC);
- the Sustainable Development Goals (SDGs).

Galp's financial statements are prepared in accordance with IFRS, and the cost of goods sold and of raw materials consumed 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 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.

In order to provide a better evaluation of the Company's operating performance excluding the above mentioned effect, Galp also discloses its results on a Replacement Cost Adjusted (RCA) basis, excluding non-recurring items and the inventory effect, the latter because the cost of goods sold and raw materials consumed has been calculated with the Replacement Cost (RC) valuation method. These results are not audited.

In what concerns non-financial information, the data consolidation and reporting methodology comprehends all activities where Galp has a 50% stake or more and/or when it has operational control thereof. Notwithstanding the foregoing, and where the stakeholders' interest so justifies, this Report also includes information on non-operated activities Galp where has a minority stake in, namely within the Exploration & Production (E&P) business.

Galp publishes in this report the governance system practices of the Company with reference to 2016, in accordance with the applicable CMVM Regulation.

To complement this Report, Galp publishes additional and detailed information on its corporate website, and in particular, in the Investors and Sustainability sections.

Galp aims to build the trust required for supporting the stakeholders' decision-making regarding the Company and, for that, submits the contents of this Report and of the Sustainability section on the website to an external, independent and certified assessment by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (PwC).

Galp 2016 Annual Report and Accounts	
Annual accounts	**Sustainability data**
Audit scope Reasonable assurance	**Review scope** Limited assurance
Other information included in the Report Verification of consistency between information and data included in the annual consolidated accounts. Verification of inclusion of eligible data according to Article 245(A) of the CVM.	

Feedback

Galp wishes to engage in an ongoing and inclusive dialogue with its stakeholders, enhancing that relationship and seeking to respond to their expectations and needs. For any concerns with this Report, please provide your feedback to:

Galp Energia, SGPS, S.A.

Strategy and Investor Relations
Rua Tomás da Fonseca, Torre C
1600 – 209 Lisbon

Tel.: +351 217 240 866
e-mail: investor.relations@galp.com

Galp values guide our performance and promote sound relationships with our stakeholders.

Vision

An integrated energy company that develops profitable and sustainable businesses.

Values

Trust
As an expression of our ethics, transparency and integrity.

Partnership
We generate value through sound relationships.

Agility
Of thought and action.

Innovation
The audacity to innovate, to undertake and to transform creates value.

Sustainability
We grow in a sustainable way, generating value for the future.

1 To our stakeholders

1.1.

Message from the Board of Directors

Paula Amorim

Chairman of the Board of Directors

Dear shareholders,

It was with great honour and responsibility that I accepted the appointment as Chairman of the Board of Directors during 2016. As a member of the Board of Directors since 2012 and Vice-President since April 2015, I reaffirm my commitment to Galp and its stakeholders, as well as the objective of contributing, within the scope of my duties, to the pursuit of the goals set and to the success of our Company's strategy.

We live in a changing world. Expected population growth and meeting future energy needs are global challenges, considering as well resource scarcity.

To address those challenges, in a sector characterised by volatility, we take an approach that is oriented to anticipating opportunities. Galp is mindful of developments in technology, the digitalisation of economies and the growing demand for meeting client satisfaction, thus promoting the adaptability of its business models in order to ensure competitiveness and long-term value creation.

In 2016, Galp took important steps in the execution of its strategy, namely through the development of upstream projects in the Brazilian pre-salt and the progress in the LNG project of Area 4, in the Rovuma basin, in Mozambique. At the same time, it continued to optimise its downstream business, both in the consolidation of activities in Iberia and in the continuous exploration of opportunities in the international market, albeit in a less favourable context than in the recent past.

Galp has been acting with a strict discipline and towards a sound financial position. The capital allocation is, and will continue to be, focused on the Oil & Gas sector, in highly profitable and competitive projects in the industry's cost curve. At the same time, we are preparing Galp for the future, to be more client-centric, with new business models and low-carbon solutions, ensuring resilience in more challenging oil and carbon price scenarios. The goal remains the same: a sustained delivery of value to our stakeholders, and, in particular, to shareholders.

To that extent, the Board of Directors will propose to the General Shareholders Meeting the payment of a dividend of €0.497664 per share relating to 2016, amounting to about €413 m, in accordance with the dividend policy in force until the end of 2016, which estimated an average annual increase of 20%.

Additionally, I reaffirm the commitment of the Board of Directors in the implementation of responsible practices, particularly regarding corporate governance, acting with transparency and ethics and safeguarding the Company's sustainability.

In conclusion, I would like to thank all stakeholders, in particular, our shareholders, employees, customers, partners and suppliers for their vote of confidence. Grounded on the competitive advantages of our Company, namely its asset portfolio, the development of its people and the partnerships that have been strengthened or extended, we will continue to jointly map Galp's path.

Paula Amorim
Chairman of the Board of Directors

Carlos Gomes da Silva
CEO

Dear stakeholders,

I am pleased to say that in 2016, despite the challenging context that continues to mark the Oil & Gas sector, Galp continued to deliver value to its stakeholders based on the outlined strategy.

In Exploration & Production, we reached a daily production of around 90 thousand barrels at the end of the year, a growth supported by the main development project in the Brazilian pre-salt - the Lula/Iracema fields. Here, two new FPSO units started production: Cidade de Maricá and Cidade de Saquarema. The reservoirs continued to demonstrate strong characteristics, allowing for unparalleled productivity in the sector and contributing for the fourth and fifth units to reach plateau production ahead of schedule.

Regarding Mozambique, the Board of Directors has given conditional approval to the Coral South offshore project, which consists of developing liquefied natural gas through a floating production unit (FLNG), which will help accelerate the time to market of the Rovuma basin resources. In the Mamba project, we are analysing the proposals for construction contracts and will continue working towards the final investment decision.
The Mamba project will benefit from important economies of scale, which, along with the quality of resources and their location, will contribute to the competitiveness of the Area 4 project in the global LNG market over the next decade.

In Angola, we proceeded with the development of block 32, which is expected to start production in 2018. We have also continued to optimise operations in block 14.

In the Refining & Marketing business, the decline in international refining margins was followed by a continued optimisation of operations, which allowed for an increase in the value of the barrel processed against the international benchmark margin. In a volatile and uncertain context, we will continue with this value-creation approach, focusing on process efficiency, flexibility and improved conversion capacity. With the launch of a new product offer branded as Evologic, Galp has once again made a difference in the marketing of oil products in Iberia, betting on a value proposition supported by new generation technologies.

In Gas & Power, the year was equally challenging, marked mainly by the decrease in arbitrage opportunities in international markets. I would like to highlight the launch of a new commercial platform, aimed at transforming and improving the consumer experience, based on a strong digital component. It is also worth highlighting the sale of a 22.5% stake in the regulated natural gas infrastructure business to the Japanese consortium led by Marubeni. This operation is part of the active portfolio management strategy and has contributed to strengthening the Company's financial situation.

In fact, we ended the year with a net debt to Ebitda ratio of around 1x, well below our commitment not to exceed 2x, also on the back of the strong generation of cash flow from operations. We are therefore better placed to face the investment plan ahead.

The Company is in a transitional phase. The year of 2016 was the last of an intensive investment cycle channelled into Brazil, and our operations in this country are expected to start generating positive cash flow as of 2017. We are now starting to reap the rewards of the strategy outlined, while building the Galp of the future.

It is essential that we remain focused on executing and extracting maximum value from our portfolio of assets and businesses, to which we must add the development of new projects and entry into new markets, thus ensuring a legacy of sustainable growth for Galp.

We are committed to reflecting the principles of sustainability and good governance in our strategy, culture and values. We commit to generating shared value by identifying opportunities and linking Galp's success to the progress of the communities we operate in.

Ensuring the protection of people, the environment and assets, as well as adopting an ethical and transparent conduct, are vital to our work. In this context, we have been consistently recognised by the most prestigious sustainability indexes.

In a context of accelerated technologic transformation and consumption habits, and of transition to a less carbon-intensive economy, we will need to adapt, integrating new business models in an agile, entrepreneurial and innovative way, particularly using an ecosystem of partnerships.

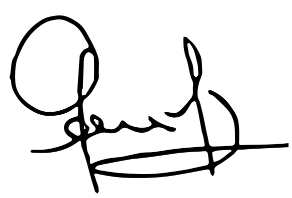
We believe that technological development and innovation are decisive for creating the conditions required for efficient energy consumption, sustainable mobility and for meeting the expectations and needs of our customers and partners.

In what concerns the global agenda for climate change, Galp supports the pursuit of a global and effective agreement to reduce carbon emissions. We support the creation of a single, transparent, efficient and sustainable market in the long term and we will continue to contribute constructively to the development of appropriate measures to overcome the energy and climate challenges.

As final remarks, I would like to begin by thanking our partners, who are crucial to our success in the various activities we undertake. Particularly in upstream, I would stress the partnership with companies that are acknowledged for their experience and technological drive. Galp has reinforced its relationship with some of those players in 2016, namely with the MoUs signed with Petrobras and Statoil.

I would also like to thank our shareholders for their trust in our strategy, and to reinforce our commitment to its disciplined execution, which shall be guided by our core values.

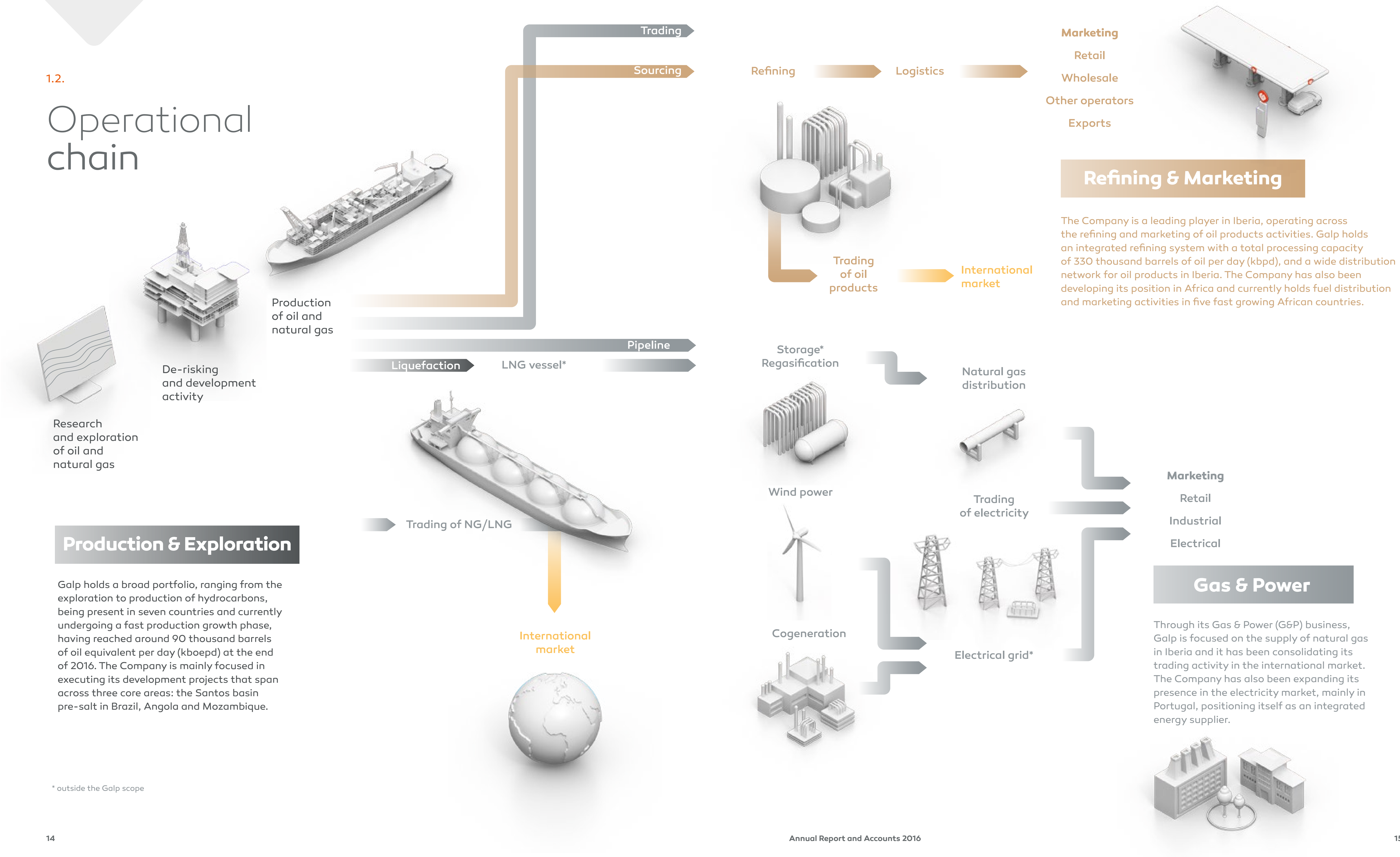
I will conclude by thanking all employees, customers and suppliers for the commitment, collaboration and trust they have shown, as they are fundamental to our current success and for us to jointly cross new frontiers in the future.



Carlos Gomes da Silva
CEO

1.2.

Operational chain



Production & Exploration

Galp holds a broad portfolio, ranging from the exploration to production of hydrocarbons, being present in seven countries and currently undergoing a fast production growth phase, having reached around 90 thousand barrels of oil equivalent per day (kboepd) at the end of 2016. The Company is mainly focused in executing its development projects that span across three core areas: the Santos basin pre-salt in Brazil, Angola and Mozambique.

Refining & Marketing

The Company is a leading player in Iberia, operating across the refining and marketing of oil products activities. Galp holds an integrated refining system with a total processing capacity of 330 thousand barrels of oil per day (kbpd), and a wide distribution network for oil products in Iberia. The Company has also been developing its position in Africa and currently holds fuel distribution and marketing activities in five fast growing African countries.

Gas & Power

Through its Gas & Power (G&P) business, Galp is focused on the supply of natural gas in Iberia and it has been consolidating its trading activity in the international market. The Company has also been expanding its presence in the electricity market, mainly in Portugal, positioning itself as an integrated energy supplier.

* outside the Galp scope

1.3.

2016 main highlights

Brand repositioning

Galp launched a brand repositioning campaign, with a new signature - "Energy creates energy" - with the purpose of valuing the Company's mission as an integrated energy player from upstream to lifestream.

IPO's 10th anniversary

On October 23, Galp celebrated the tenth anniversary of its initial public offering (IPO). During the period, Galp's share gained 121%, with a total shareholder return of 190%. Free float increased 37 p.p. since listing and sell-side coverage on Galp increased significantly. During 2016, total shareholder return was 38%.

Execution of Lula/Iracema project

In the Lula/Iracema project, within block BM-S-11, FPSO Cidade de Maricá and FPSO Cidade de Saquarema, started production. These are the fifth and sixth unit, respectively. With the seventh unit, P-66, which is on location since March 2017, installed capacity will total 970 kbpd. During 2016, the second route for natural gas export in the Santos basin started operating.

Galp approves Coral South project

Galp's Board of Directors approved the investment in the Coral South area, the first development project related to the gas discoveries made in Area 4 of the Rovuma basin, in Mozambique.

Reinforcing strategic partnerships

Galp signed a Memorandum of Understanding (MoU) with Petrobras aimed at consolidating the strategic alliance between the two companies. The agreement also aims to reinforce cooperation in the oil and gas exploration and production activity, as well as to focus on a joint training programme on deepwaters research. Galp also signed an MoU with Statoil boosting the cooperation between the two companies.

Partial divestment of regulated gas business

Galp sold a 22.5% stake in Galp Gás Natural Distribuição, S.A. (GGND), which holds regulated natural gas infrastructures in Portugal, with the asset (100%) valued at c.€1.3 billion (bn).

New fuel range

Galp launched a new fuel range in Portugal, Evologic diesel and gasoline, with high performance additives, following its products and services differentiating strategy in the marketing of oil products.

Appointment of Board of Directors members

Following the resignation of Américo Amorim as Chairman of the Board of Directors (BoD), Ms. Paula Amorim was appointed Chairman of the BoD and Mr. Miguel Athayde Marques was appointed Vice-Chairman. Ms. Marta Amorim was also co-opted as a member of the BoD.

Market indicators

	2014	2015	2016
Average exchange rate (EUR:USD)	1.33	1.11	**1.11**
Dated Brent price[1] (USD/bbl)	98.9	52.4	**43.7**
Heavy-light crude price spread[2] (USD/bbl)	(1.7)	(1.4)	**(2.1)**
UK NBP natural gas price[3] (USD/mmbtu)	7.4	6.2	**4.7**
U.S. Henry Hub natural gas price[1] (USD/mmbtu)	4.3	2.6	**2.6**
LNG Japan and Korea price[1] (USD/mmbtu)	13.9	7.5	**5.7**
Benchmark refining margin[4] (USD/bbl)	1.1	5.2	**3.1**
Iberian oil market[5] (mt)	58.7	60.1	**61.7**
Iberian natural gas market[6] (mm^3)	29,718	31,497	**32,338**

Sources:
[1] Bloomberg.
[2] Platts. Urals NWE Dated for heavy crude; Dated Brent for light crude.
[3] Platts.
[4] For a complete description of the method of calculating the benchmark refining margin see section 8.11. Glossary and abbreviations.
[5] Apetro for Portugal; CORES for Spain.
[6] Galp and Enagás.

Financial indicators
(€m; unless otherwise noted)

	2014	2015	2016
Ebitda RCA	1,314	1,538	**1,411**
Ebitda IFRS	825	1,174	**1,389**
Ebit RCA	774	969	**772**
Ebit IFRS	180	423	**544**
Net income RCA	373	639	**483**
Net income IFRS	(173)	123	**179**
Capital expenditure	1,161	1,283	**1,218**
Operating cash flow	1,193	1,674	**1,469**
Change in net debt	348	(98)	**(552)**
Net debt	2,520	2,422	**1,870**
Net debt including loan to Sinopec[1]	1,630	1,699	**1,260**
Net debt incl. loan to Sinopec to Ebitda RCA	1.2x	1.2x	**1.0x**[2]
Dividend (€/share)	0.3456	0.4147	**0.4977**

[1] Considering loan to Sinopec as cash and equivalents.
[2] Ratio considers net debt including loan to Sinopec of €610 m, plus €179 m corresponding to Sinopec shareholder loan to Petrogal Brasil, with 2016 RCA Ebitda of €1,411 m.

Acknowledgements

1.4.

Value creation model

Business model

Galp believes in an integrated approach to sustainable value creation, by anticipating risk, maximising opportunities and building strong and lasting relationships with stakeholders.

Inputs

Financial capital
- €10,156 m Cost of goods sold RCA
- €1,259 m Supply & Services RCA
- €30 m Investment in environment, health and safety
- €1,218 m Capital expenditure
- €319 m Salaries and benefits

Natural capital
- 10.2 km³ Raw water
- 1,728 TJ Purchased electricity
- €4.1 m Investment in eco-efficiency in refining
- 45,712 TJ Primary energy
- 110 mmboe Raw materials processed

Human capital
- 6,475 Employees
- 41% Women
- €460 Training per employee
- 48 Nationalities
- 14 Countries
- 547 thousands hours Training in the past 3 years
- 281 Hirings

Intellectual capital
- +€100 m Investment in R&D in the past 10 years
- 192 Galp 20-20-20 scholarships in 10 years
- 100 Masters and PhD scholarships until 2020
- €100 m Investment in R&D in E&P until 2020
- 74 Masters in Petroleum Engineering

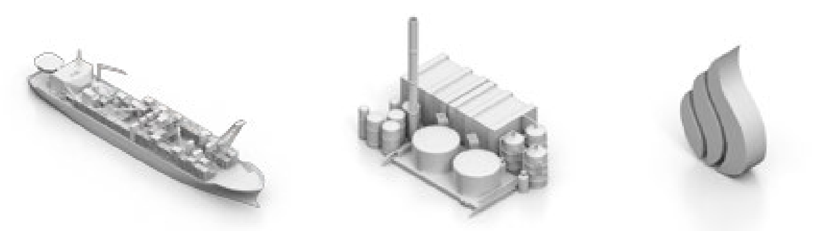
Social and relational capital
- 60% free float
- 3,654 suppliers
- 99% Local hiring
- 46 relevant partnerships with sector entities and associations
- >75% Local procurement
- 35,475 Hours of volunteering

Business segments

Exploration & Production
- 673 mmboe 2P Reserves
- 1,320 mmboe 2C contingent resources
- 53 projects
- Seven countries, including three core countries: Brazil, Mozambique and Angola.
- 68 kboepd WI production

Refining & Marketing
- 330 kbpd Refining capacity
- 1,436 Service stations
- 17.8 mton Refined product sales
- 8.8 mton Sales to direct clients
- Iberia & Africa

Gas & Power
- 0.7 million clients
- 173 MW Cogeneration capacity
- 7.1 bcm Total sales of NG/LNG
- 5,010 GWh Sales of electricity
- Iberia International



Vision

Integrated energy player that develops profitable and sustainable businesses.

Galp Values

Trust | Partnership | Agility | Innovation | Sustainability

Our culture, based on the Galp values, is a critical factor for the Organisation's success. The principles guide the Company in its relations with all stakeholders on a daily basis.

Governance Model

Integrated governance model, based on principles of transparency, integrity, effectiveness and value creation, allowing for an effective execution of Galp's strategy.

Commitment to generating sustainable value

Considering the macro environment, the consultation of all interested parties and the process of defining materiality, Galp ensures the identification and prioritisation of key themes, clearing the path to sustainable value.

Commitment to stakeholders

Galp takes the relationship with its stakeholders as a resource that promotes the creation of sustainable value, allowing to boost the different capitals and contributing to greater proximity and trust.

Outputs

Financial capital
- €13,119 m Turnover RCA
- €1,411 m Ebitda RCA
- €1,469 m Operational cash flow
- €483 m Net income RCA
- 1.0x Net debt to Ebitda RCA
- €0.4977 Dividend per share

Natural capital
- 6.3 km³ Waste water
- 4 Containment losses that reached the environment
- 1,964 t CO_2 (Flaring)
- 27.2 kton Waste
- 0.17 Tier 1; 0.39 Tier 2 — Process safety indicators
- 16 m³ Containment losses
- 3.76 mton CO_2 (scope 1)
- 172 kton CO_2 (scope 2)
- 601 kton CO_2 (scope 3)
- 38.2% Waste recovered

Human capital
- 0.8 LTIF Lost Time Injury Frequency
- 0 Fatalities
- 87% Retention of trainees
- 2.5% Turnover
- 3.4% Absenteeism
- 97% Employees assessed
- 90% Degree of auditing implementation
- €2.63 Human capital ROI (return on investment)

Intellectual capital
- €2.7 m Galp 20-20-20 energy savings
- 7 Projects of CO_2 capture and reuse
- 4 Technology programmes in E&P
- 12% Galp 20-20-20 projects energy reduction
- 20 Research projects in E&P in Brazil

Social and relational capital
- €6.1 m For community development
- €12,648 m economic value distributed
- €1.6 m in relevant partnerships with sector entities and associations
- 10 Whistle-blowing reports received
- €1.3 Galp Solidária SROI
- Over 3,000 energy classes in the past six years
- 90% Solved

1.5.

Addressing materiality

Galp systematically executes and publishes an accurate and balanced assessment of its compliance with the business strategy, its performance, as well as of the risks, opportunities and future perspectives regarding economic, social, environmental and governance matters. The Company particularly focuses on aspects that have a potential material impact namely in the long run, and on its stakeholders' assessment and decision-making ability.

Galp has implemented processes to ensure that material issues are identified and prioritised.

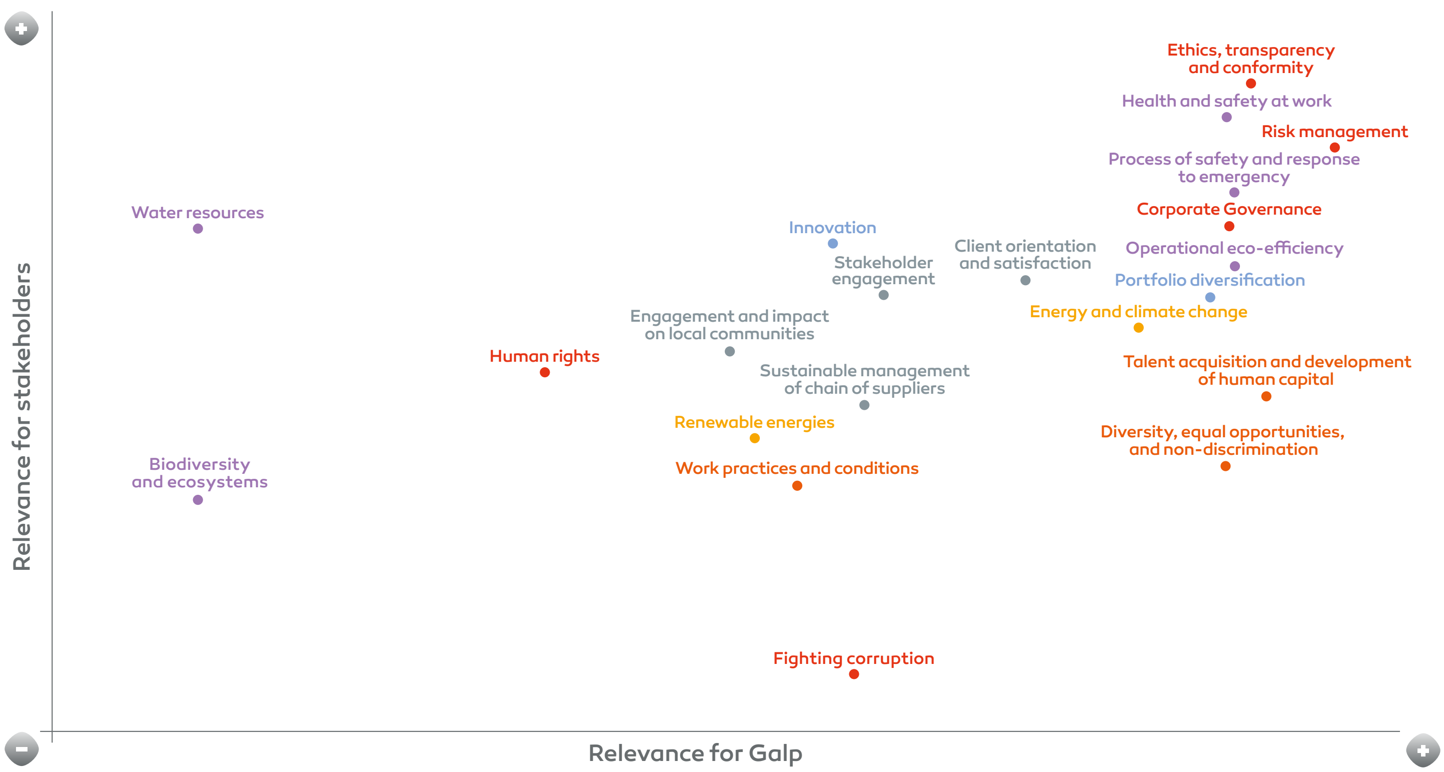
Taking the Global Reporting Initiative guidelines as our benchmark, as well as the Five-Part Materiality Test proposed by AccountAbility, the United Nations Environment Programme and Stakeholder Research Associates, we assess the key challenges that the Company faces and that affect its ability to create long-term value. Hence, Galp acts quickly and productively, contributing to continuous improvement of its performance and to the creation of shared value.

The current materiality matrix, which was reviewed in 2016, ranks the various aspects, weighting the Company's internal perspective and that of the stakeholders, taking into account the Company's strategy and the commitment to creating sustainable value.

This assessment includes executing the following four stages:

1. Understanding emerging trends and issues;
2. Integrating the Company's values, policies and commitments;
3. Assessing internal performance and the sector's performance;
4. Formally and regularly enquiring stakeholders.

Materiality matrix



Commitments to sustainability

COMMITMENT I
Acting responsibly and ethically, ensuring the best governance practices and transparency.

COMMITMENT II
Engaging with the community and other stakeholders and encouraging the creation of shared value.

COMMITMENT III
Valuing human capital.

COMMITMENT IV
Helping to satisfy future energy needs and minimize the intensity of the carbon footprint.

COMMITMENT V
Ensuring the protection of people, environment and assets.

COMMITMENT V!
Promoting innovation, research and technological development.

Throughout this Report, Galp identifies the main economic, social and environmental impacts of its business, and introduces its vision, commitments and actions to better measure and manage them. The material issues are addressed in this Report, as well as in the Company's complementary communication channels.

Aligning with the Sustainable Development Goals

The Sustainable Development Goals (SDGs), approved by the United Nations (UN) in 2015 as part of a new sustainable development agenda, were defined as ultimately aiming at ending poverty, protecting the planet and ensuring prosperity for all.

Galp's strategy considers the development of initiatives and projects aiming to contribute to the SDGs and to create shared value, focusing on those deemed more relevant for the Company and for the Oil & Gas industry Galp's strategy considers, and witch are listed below.

For that end, Galp promotes the alignment with the SDGs and sets specific goals regarding the nature of its business, where the impact caused may be maximised at a global scale.

The most relevant SDGs - alignment with value creation:

SDG 7
Affordable and clean energy
Ensure access to affordable, reliable, sustainable and modern energy for all.

SDG 8
Decent work and economic growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SDG 12
Responsible consumption and production
Ensure sustainable consumption and production patterns.

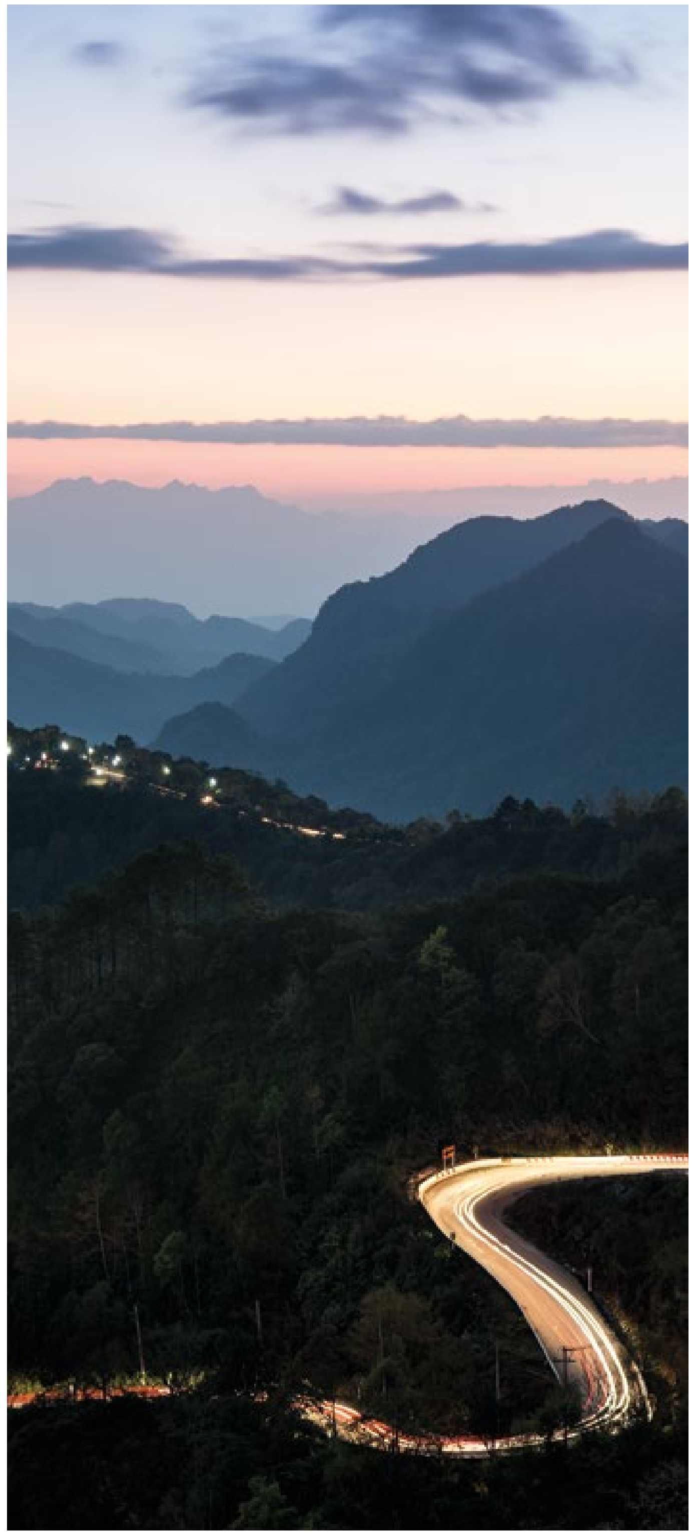
SDG 13
Climate action
Take urgent action to combat climate change and its impacts.

SDG 17
Partnerships for the goals
Strenghten the means of implemention and revitalise the global partnership for sustainable development.

2 Strategic **framework**

2.1.

Industry challenges



Given the long-term uncertainty regarding the global energy demand and the energy mix, how can the Oil & Gas sector mitigate the associated risk?

The Oil & Gas industry has been responsible, directly or indirectly, for many of the major technological and social changes over the past 150 years. It has continuously faced and overcome challenges.

The energy sector is currently undergoing the most intensive integration of its history, with several alternative energy sources competing globally, and with this trend likely to increase over the coming decades.

Nowadays, hardly any type of final consumption is exclusive to a primary energy source. Therefore, an integrated vision of the sector and of all possible alternatives is required. That vision should incorporate the technological and regulatory uncertainty, the identification of communicating vessels between the various primary energy sources and the multiple types of final consumption, adjusting the solutions to the specificity of their target markets.

Though it is currently not possible to know the exact amount of fossil resources required to fulfil the planet's energy demand throughout this century, but with the certainty that oil and natural gas will continue to be the main energy sources in the coming decades, it will be up to the market to identify the best solution at any given moment. This will be the one that offers the most competitive integrated cost, ensuring sustainable sourcing while minimising environmental impacts.

However, if technological development and the global challenges that result from climate change and lack of resources induce a decline in oil and gas consumption, the industry may face a reduction in the value of its resources.

That risk can be mitigated by adopting an investment strategy focused on developing assets that are competitive and resilient in the numerous scenarios of price and demand for fossil fuels, and in the rapid transition to a lower carbon economy. This investment strategy must be accompanied by corporate policies that promote portfolio alignment and invest in technological research and development and in the Company's human capital, in order to promote innovation and to implement new technological solutions.

How will the global balance between gas supply and demand progress and what role should liquefied natural gas (LNG) play in building a global market?

In a complex and dynamic market, versatility is an important differentiating factor. Natural gas is the fossil fuel with the lowest environmental impact and the most versatile primary energy source. It can be used for electricity production, with competitive advantages, at the environmental level, when compared to coal. It is equally competitive with renewable energies due to its storage capacity and uninterrupted nature, and it can be used both as feedstock in the industry and as fuel for road and maritime transport.

Supporting this scenario, and as noted already during 2016, increased supply-side pressure will tend to provide natural gas with a competitive advantage over other energy options, potentially accelerating the transition from coal to natural gas.

Increased natural gas liquefaction installed capacity will lead to an increase in maritime transportation of natural gas and should create an increasingly global market. This trend took on a new dimension last year, with the start of LNG exports from the USA establishing the North American price as one of the main global references.

Despite an expected temporary LNG surplus during the beginning of the coming decade, a deficit is expected by mid-2020s if no new liquefaction projects are developed.

What competitive advantages does the European refining sector have?

The demand for oil products in Europe increased once again compared to 2015, reflecting the lower product price after the sharp decline in crude oil prices, which started in 2014. That higher demand, along with lower energy costs, allowed the European refining margins to recover, and remaining at a higher level than during the 2009-2014 period.

European refineries are at the centre of European consumption and, in general, do not position themselves as exporting refineries, unlike the Russian and Middle Eastern refineries.

The dieselisation that took place in Europe over the last twenty years led to a regional surplus of light distillates that was preferably marketed in the North American market and, in the future, will find an important outlet in the African market. Nonetheless, the European automotive market may be at a transition stage, with increased light passenger gasoline vehicles sales depending on tax-related, environmental and technological issues. This may bring the European demand profile closer to the installed refining capacity in the region.

Furthermore, the announced change in the specification of maritime fuels from 2020, with a 0.5% limit on sulphur content, will lead to a significant increase of global demand for diesel, and to higher refining margins during the adjustment period.

Regardless of those trends' higher or lower intensity, the European refining industry will continue its efforts to reduce operational costs, increase energy efficiency and process automation.

What is the energy sector's role in the ongoing deep technological and behavioural transformations?

Last decade's fast technological growth, strongly supported by massive data processing – mostly visible in the digitalisation – is causing structural changes in all business sectors. In the energy sector, those transformations are clear in the change of consumption patterns and on how companies optimise their activity and relate to their stakeholders.

Currently, the market has solutions that allow for a better adequacy of resources to each client's specific needs, enhancing a customised, dynamic and volatile consumption profile that is more focused in using and sharing rather than posessing. This new paradigm crosses the numerous energy applications in the consumers lives, in the way they move, during their work hours and leisure times, or in the way they communicate.

How will the future of mobility impact the Oil & Gas companies' activities?

The technological development over the last ten years has resulted in a set of innovations with significant synergies among themselves. The sharing economy solutions, electrical and autonomous vehicles will cause structural changes in consumption profiles and in paradigms of mobility of people and goods.

These technologies will significantly increase efficiency in the use of resources, which in turn will translate into lower energy intensity. Nevertheless, they will also enable access to new types of mobility for many who can not access them today, such as youngsters, seniors and reduced mobility citizens, and for that reason, its ultimate impact in the energy demand is still unclear.

Regarding the primary energy that will support mobility in the coming decades, although the use of electrical vehicles may grow exponentially, its technical solution still has some weaknesses and its environmental costs depend on the type of primary energy used for generating electricity.

Furthermore, there are no electrical infrastructures in most emerging economies where higher demand is expected, and liquid fuels remain the sole available source of energy to support mobility, even when other applications of the new paradigm become available.

Developing and disseminating new technological solutions is decisive for increasing energy efficiency and for creating the required conditions for sustainable mobility.

How can the Oil & Gas companies prosper in a world where electrification is done increasingly based on renewable energy?

Despite recent solid growth in renewables all main scenarios for global energy demand in the coming decades expect an increasing importance of natural gas in the energy mix. Natural gas will have a crucial role in the transition to a lower carbon intensity economy, forming a natural alternative to coal, whose consumption will be reduced, as a support for renewable's intermittence in generating electricity. The Oil & Gas sector should therefore be one of the main players in making the transition into a safe and sustainable energy production, at the same time reducing its carbon intensity, in line with the goals set in the international policies and agreements on energy and climate.

Thus, it is expected that the sector makes the best of its synergies with traditional businesses, helping to optimise the transition into a lower carbon economy. Predominantly, this will happen with the promotion of a more efficient resources consumption and with the gradual and economically rational integration of new business models that allow to adequate the energy supply profile to the market's needs.

2.2.

Our strategy

Galp is an integrated energy player that develops profitable and sustainable businesses, aiming to create value for its stakeholders.

After implementing a scenario-planning process aimed at identifying long-term alternative outcomes for the energy sector, the Company's strategy remains focused in the development of a resilient E&P portfolio, embedded with an efficient and competitive downstream business, supported by innovative and differentiating solutions that promote the transition into a lower carbon economy.

This strategy is supported on a solid financial capacity and on a culture which is client-centred and grounded on partnerships. Corporate culture should also boost a more agile, innovative and technology-based business environment. At the same time, the strategy is based on a meritocratic culture of autonomy and accountability that promotes talent development. With this approach, Galp is preparing to face the energy sector's dynamics and challenges, within an uncertain and complex context, capitalising on the Company's assets and competitive advantages.

Galp believes that ensuring the protection of people, the environment and assets, as well as the communities it operates in, and adopting an ethical conduct are crucial for its actions and strategic execution.

Upstream

Galp aims to widen and protect its current E&P portfolio value by executing its main projects, including the development of world-class discoveries in the Santos basin pre-salt in Brazil and in the Rovuma basin in Mozambique. The Company is focused on extracting more value from those projects, namely by accelerating the resources' time to market, optimising existing assets and starting the subsequent development stages of its oil and natural gas resources. Due to the sector volatility, Galp's emphasis has been on a structural cost reduction to support the best development solutions and to increase operating efficiency, thus protecting long-term profitability, even when facing challenging scenarios of oil and carbon prices.

In an integrated manner and aiming at the long-term sustainability of its portfolio, Galp will seek to identify the best opportunities for exploration and resource acquisition. In that regard, the Company will maintain a balanced exposure to natural gas, according to clear and strict risk management criteria, and make the best use of competitive advantages and synergies with its current portfolio in geological and geopolitical terms.

Strategic partnerships with leading operators in the sector, in line with the specificities of each project, also help leverage Galp's competitive advantages and enhance the sharing of knowledge.

Downstream

Galp's strategy aims to extract more value from its Refining & Marketing (R&M) business by strengthening its competitive position within the European refining industry and in marketing oil products and related services in Iberia and Africa. The Company will also continue to ensure high safety and quality standards in its activities.

Accordingly, Galp will continue to focus on the integration of its refining and marketing activities, matching the profile and volumes of production to the market. It is crucial to have a greater focus on energy efficiency and process optimisation of the refining system to enable cost reductions and achieve a higher return on capital employed.

Presence in the African continent, where Galp has an important legacy, must be enhanced by strengthening its position as a local partner, with an active contribution to the growth of the region's economies.

Galp will also seek to improve the performance of the oil products trading business by exploring new opportunities in global markets leveraging its geographic proximity to the African and North American markets, and on the strong growth expected in the Asian market.

The share of natural gas and electricity in the European and global energy mix is expected to continue to grow over the coming decades, making the G&P business an essential pillar in the Company's strategy as an integrated player.

The Company is building a diversified, competitive and flexible portfolio. For that purpose, it is key that Galp secures access to competitive natural gas sources, as well as infrastructure, including transport and storage capacity, to support its commercial activity.

Galp must maintain its strategic position as an integrated supplier of natural gas and electricity in the Iberian market, while also exploring opportunities in potential new markets.

The trading activity will continue to promote a balance between medium and long-term contracts and spot operations, in order to support the supply activity and to benefit from market opportunities.

Energy transition and the new paradigm in consumption

Global energy consumption is now in an electrification process, supported by the digital transition over recent years. Simultaneously, the renewables sector has grown and its competitiveness against fossil energy powered systems has gradually increased, not only by cost reduction but also supported by public policies of compliance with environmental targets.

Galp aims to be an active partner in changing the energy paradigm by anticipating trends; making its portfolio adequate to future needs; creating synergies simultaneously with current activities; consolidating the Company's know-how and enhancing asset diversification, with the corresponding risk reduction, namely through lower carbon intensity energy.

At the same time, emerging economies proceed in seeking better access to energy and the well-being which it provides. Galp will continue to work with local communities in the countries it operates in, by supporting the creation of conditions for an optimal use of the available resources.

Galp assumes that the structural transformation in energy demand will imply creating solutions that are innovative and increasingly more sustainable at an economic, environmental and social level.

New models

In connection to the ongoing digital transformation, a set of new capacities has arisen, with old solutions giving place to new products and services. Diverse areas such as mobility, decentralised energy production or domotics impact the energy sector, leading to significant gains in energy efficiency and to a wider range of options for clients.

Galp endeavours to help find the best solutions for its clients at any given moment. Therefore, the Company will continue to promote the transition into a client-focused organisation, with the skills for anticipating and fulfilling their needs.

To achieve that purpose, it will also develop partnerships that help complement Galp's value proposition and to diversify its product and service portfolio, making it adequate to the natural dynamics of a market that is based on information and knowledge.

Innovation, technology and digitisation

Galp actively promotes innovation, research and technological development, as they are crucial for extracting added value from its asset portfolio, as well as for the Company's long-term sustainability and that of the communities it operates in.

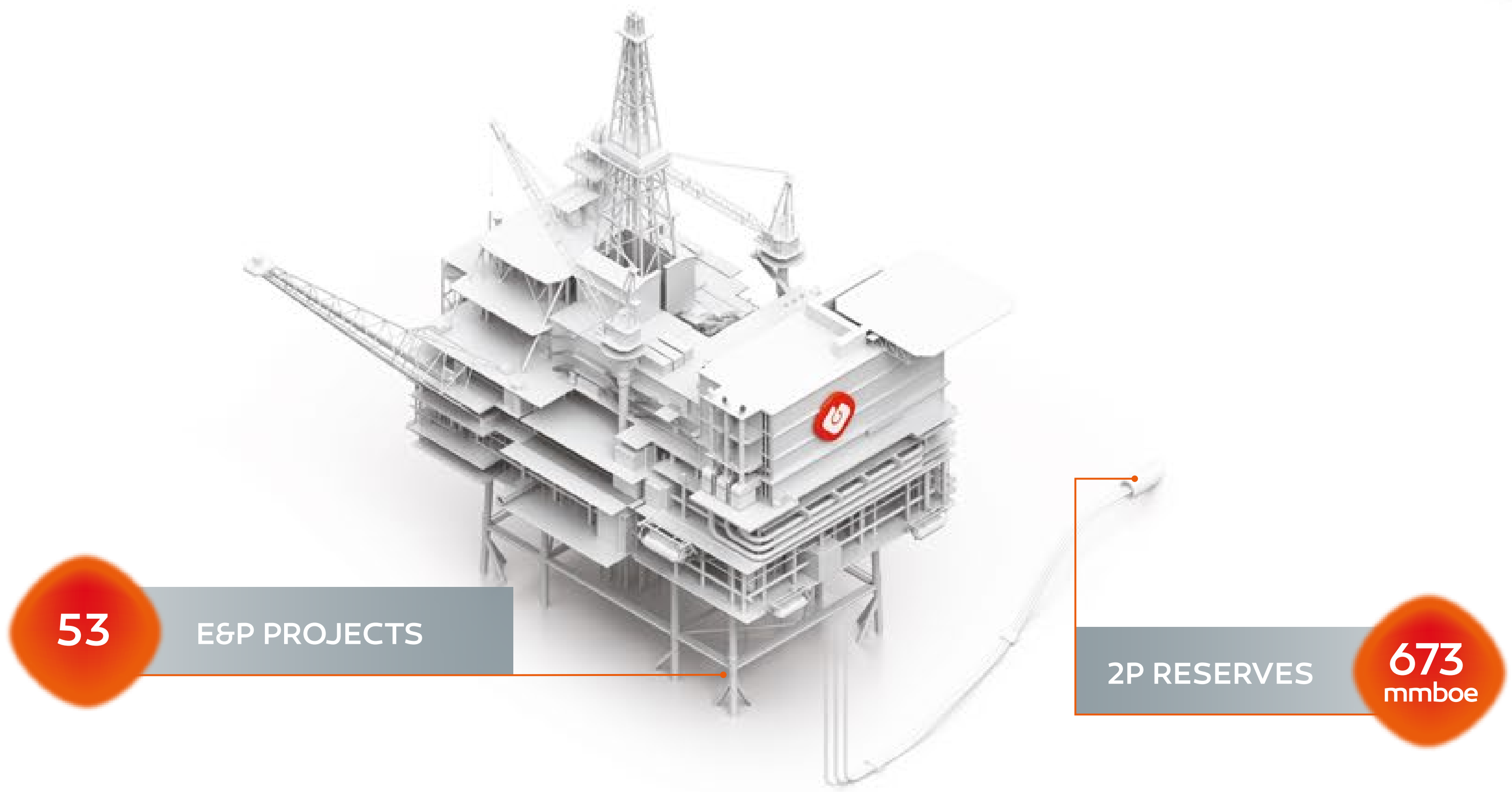
Galp manages its relations with stakeholders and, in particular, fosters the development of lasting and successful partnerships with leading energy players and with the scientific and technological communities. The Company believes cooperation and sharing experiences are essential to value creation, as well as to develop and implement new and innovative technological solutions and new businesses.

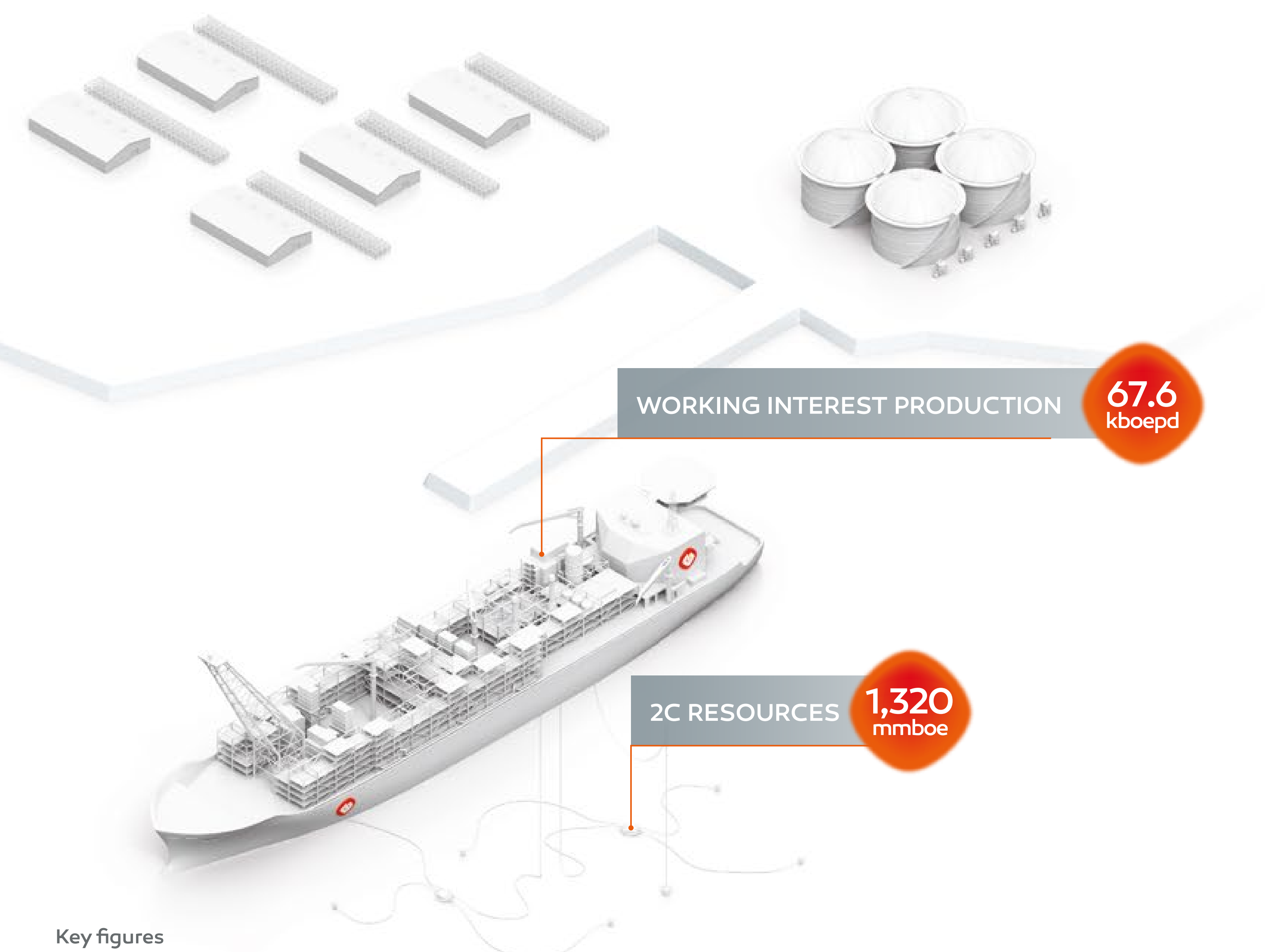
In order to face the industry's transformational challenges, Galp shall invest in the organisation transition into a model that is strongly supported by digital solutions and information management. To that end, the Company will guide its employees to work and make decisions in highly complex and uncertain contexts.

3
Strategy execution

3.1.

Exploration & Production





2016 Headlines

- Working interest production averaged 67.6 thousand barrels of oil equivalent per day (kboepd) in the year, up 48% when compared to 2015, on the back of Lula/Iracema project execution.
- Galp's estimate on Lula/Iracema recovery factor has increased 2 p.p. to 30%, with the Company maintaining its long-term ambition of 40%.
- Continued development of the Lula/Iracema project, with the fifth and sixth floating production, storage and offloading (FPSO) units starting production and FPSOs #4 and #5 reaching plateau production.
- Greater efficiency of drilling and completion activities, averaging a duration of 85 days in 2016, compared to 110 days in 2015.
- The start of commercial operation of the Cabiúnas pipeline increased the export capacity of the natural gas produced in the Santos basin, and supported the ramp-up of oil production.
- Construction works continued on the replicant FPSO units for the BM-S-11 block, with the first replicant FPSO having arrived on location in March 2017, in the Lula South area.
- In Mozambique, the Board of Directors approved the investment in the Coral South area, making it another milestone towards the Final Investment Decision (FID).
- In Angola, the well drilling and completion campaign proceeded on the Kaombo project, as well as the conversion works of the two FPSOs to be deployed in block 32.
- Expansion of Galp's position in the offshore of São Tomé and Príncipe through the farm-in in three blocks adjacent to the block operated by the Company in the region.

Galp publishes supplementary information regarding its E&P activities in this report under 8.2. Supplementary oil and gas information.

Key figures

	2014	2015	2016
No. of employees	193	229	**228**
2P reserves (mmboe)	638	701	**673**
2C resources (mmboe)	1,672	1,342	**1,320**
Average working interest production[1] (kboepd)	30.5	45.8	**67.6**
Average net entitlement production[1] (kboepd)	27.1	43.2	**65.1**
CO_2 emissions (tCO_2e)	11,981	2,562	**2,123**
Oil and gas average sale price[2] ($/boe)	88.7	43.5	**37.7**
Production cost ($/boe)	13.4	9.8	**7.7**
Amortisation[3] ($/boe)	19.9	14.8	**11.9**
Ebitda RCA[2] (€m)	444	352	**494**
Ebit RCA[2] (€m)	295	142	**239**
Capital expenditure (€m)	1,017	1,103	**1,039**

Note: unit values on a net entitlement basis.

[1] Includes production of natural gas which was exported; excludes gas which was consumed or injected. [2] 2016 includes the contribution of oil trading activity related to oil produced which was reallocated from the R&M to the E&P business.
[3] RCA, includes provision for abandonment.

Galp's E&P portfolio

Galp's E&P portfolio includes 53 projects across seven countries at various stages of exploration, development and production.

The Company's development portfolio includes two of the largest oil and natural gas discoveries in recent decades, located in the Santos basin pre-salt, in Brazil, and in the Rovuma Basin, in Mozambique, respectively.

Galp holds solid partnerships with prominent players in the industry, who are recognised for their technical skills and experience, making it a key factor in strategy execution.

Reserves and resources evolution

Galp's reserves and resources have been subject to an independent audit by DeGolyer and MacNaughton (DeMac).

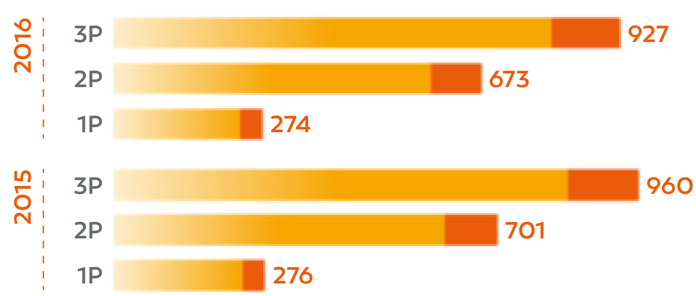
In 2016, proven and probable (2P) reserves decreased 4% compared to the previous year, to 673 mmboe. This decrease was mainly due to production during the year, and to the fact that in 2016 there was no addition of reserves from investment decisions in new projects. With regard to natural gas reserves, these continue to account for around 14% of total 2P reserves.

2C contingent resources also decreased by 2%, to 1,320 mmboe, following results from wells drilled in block 32, in Angola. Natural gas resources accounted for 46% of the total and were mainly located in the Rovuma basin.

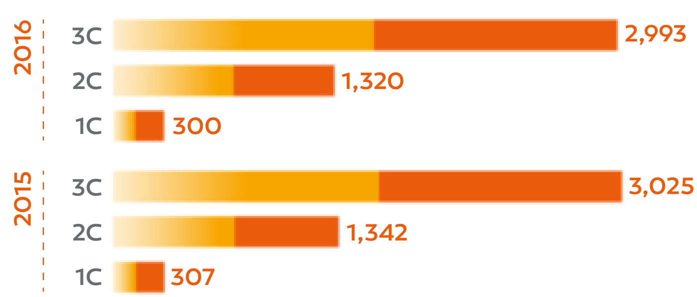
It should be noted that natural gas volumes estimated to be recoverable through the Coral South project were accounted as resources at the end of 2016, as FID was not made by then.

Risked prospective resources at year-end increased to 383 mmboe, mainly following the farm-in in three blocks in São Tomé and Príncipe offshore.

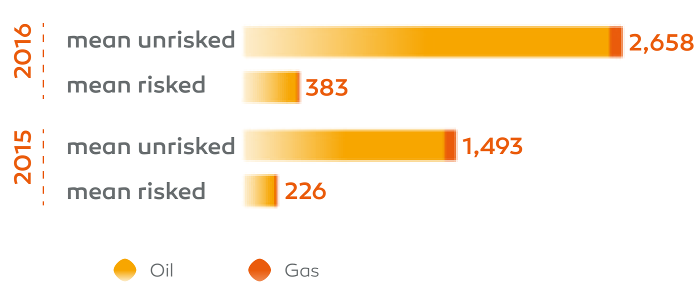
Reserves (mmboe)



Contingent resources (mmboe)



Prospective resources (mmboe)



Note: reserves on a net entitlement basis. Contingent resources and prospective resources on a working interest basis.

Assets under development and in production

The most relevant projects under development are in the ultradeep waters of the the Brazilian pre-salt, namely block BM-S-11, the LNG project in Mozambique related to the discoveries made in the Rovuma basin, and block 32 in Angola.

Galp is committed to excellence in executing the projects it is involved in, delivering them on schedule and on budget, and analysing all opportunities for risk mitigation and optimisation of the development plans.

The Company is also engaged in appraisal and pre-development activities in the Santos Basin pre-salt, particularly in blocks BM-S-8 and BM-S-24. Those activities shall result in a better definition and optimisation of the development plans.

Also in the areas already under development, the Company is developing several appraisal activities with its partners, aiming at a higher recovery of associated resources, particulary in the Lula/Iracema project.

Production progress

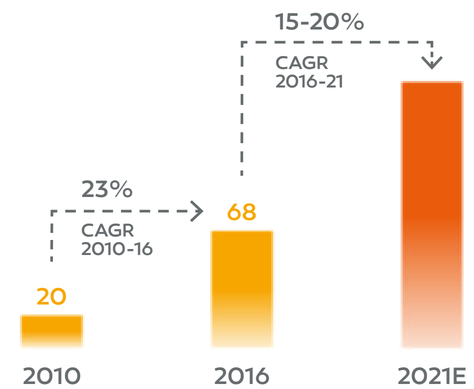
In 2016, Galp recorded an average working interest production of 67.6 kboepd, up 48% YoY, reflecting the increased production from Brazil. It is worth highlighting the 2016 exit rate of c.90 kboepd, while in 2015 it had reached the 50 kbpd milestone.

In Brazil, working interest production was 57.8 kboepd, up 60% YoY, on the back of the ramp up of FPSO Cidade de Itaguaí (FPSO #4), as well as the start of production of FPSO Cidade de Maricá (FPSO #5), which reached plateau production in December, and the start-up of FPSO Cidade de Saquarema (FPSO #6) in the Lula field.

In Angola, working interest production stood at 9.8 kbpd, in line with 2015, with production of the Lianzi field, in block 14k, offsetting the natural decline of the producing fields in block 14.

Net entitlement production increased by 51% YoY to 65.1 kboepd, in line with the working interest production.

Expected working interest production (kboepd)



Note: CAGR 2016-21 based on sanctioned projects.

Brazil

Galp has numerous projects in the development and production stages in Brazil, notably in the prolific Santos Basin.

Lula/Iracema

The Lula/Iracema project, in block BM-S-11, started commercial production in 2010 with FPSO Angra dos Reis, just four years after the field's discovery. At the end of 2016, six out of the ten development areas considered in the project were already in production.

In 2016, Galp and its partners in block BM-S-11 continued with the development works, with FPSO #5 starting production in the Lula Alto area in February, with this unit reaching plateau production in December, i.e., in only ten months. In the Lula Central area, FPSO #6 started production in July, with five producer wells connected as of the beginning of 2017.

In addition, FPSO #4 allocated to the Iracema North area, reached plateau production during the year, only 13 months after starting production and ahead of plan. The unit's connection to the natural gas export network was crucial to ensure the ramp-up of the unit.

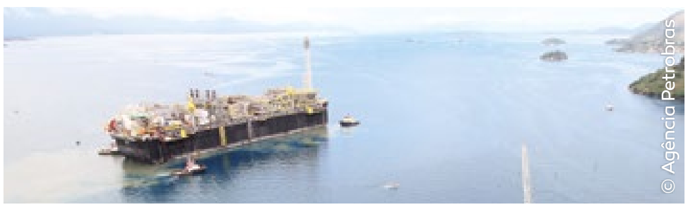
FPSOs Cidade de Angra dos Reis (FPSO #1) and Cidade de Paraty (FPSO #2), allocated to the Lula Pilot and Lula North East (NE) areas, respectively, continued to produce at plateau levels, although impacted by maintenance activities in the beginning of the year. FPSO Cidade de Mangaratiba (FPSO #3), in the Iracema South area, also produced at plateau during the year.

Replicant FPSO units

Galp, together with the other members of the consortium, has continued to actively monitor the development works and took important actions to mitigate the execution risk. Particularly noteworthy are the measures that contractually enabled the block BM-S-11 partners to directly manage the hull completion works on the units that are still under construction.

It is worth highlighting that the first replicant FPSO in Lula South arrived on location in March 2017. Out of the total of 18 wells planned for the area, the consortium concluded, until the end of 2016, the drilling of seven producer wells and five injector wells.

Replicant FPSO allocated to Lula South



The second replicant unit to start operations will be allocated to the Lula North area. The unit is currently in the topside modules integration stage in China.

Regarding the FPSO to be allocated to Lula Extreme South, the hull for the FPSO sailed away from China to Brazil, where the topside modules will be integrated.

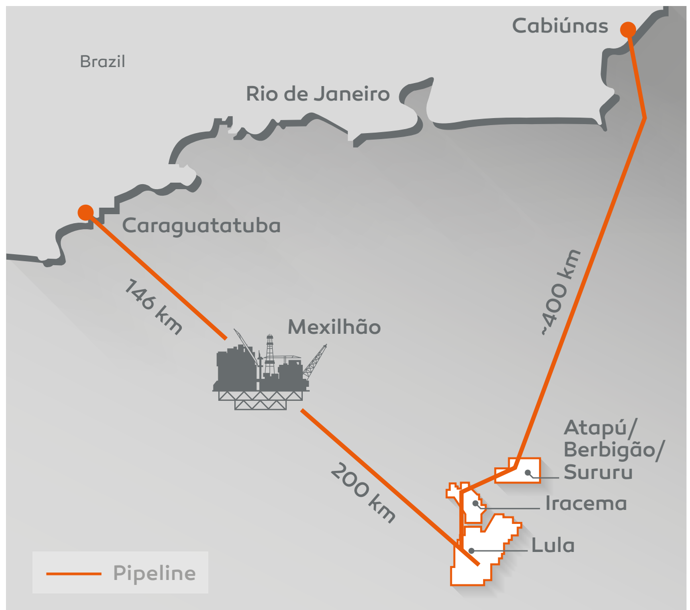
Natural gas export infrastructure

The consortium has the flexibility and capacity to manage natural gas production with all FPSOs equipped with natural gas compression and injection systems, and also considering the injection wells included in the development plans.

Therefore, the associated natural gas production can be both re-injected, as a way of keeping the reservoir pressure and increasing total productivity during the production cycle, and exported onshore via gas pipelines, namely to the Brazilian domestic market.

The BM-S-11 partners have been actively involved in the development of the gas export infrastructure in the Santos basin, a network of subsea pipelines that is expected to be connected to every production unit, and that saw the second export route, to Cabiúnas, start operation during the first quarter of 2016. This allows for a better management of natural gas outflow, increasing the operational flexibility in the Lula/Iracema project. The pipeline has an export capacity of around 15 mm^3 per day. The Lula project was already connected to the Lula-Mexilhão pipeline, operating since 2011.

Natural gas export in the Santos basin



In 2016, FPSO #3, FPSO #4 and FPSO #5 were connected to the natural gas export network, which contributed to reducing operational constraints of some of those units, and also to monetise part of the gas associated to oil production.

Creating sustainable value in the pre-salt

The Brazilian pre-salt is a reference in the Oil & Gas industry, not only for its high productivity, but also for its operational efficiency and the consortium's learning curve progression.

In this context, throughout the development of the Lula/Iracema project, Galp and its partners have pursued sustainable value creation in all their oil exploration and production activities. A contributory factor is its sound Research & Technology (R&T) culture, which has allowed for reaching greater operational efficiency, reducing operation time and risk, as well as maximising oil production.

· *Well drilling and completion*

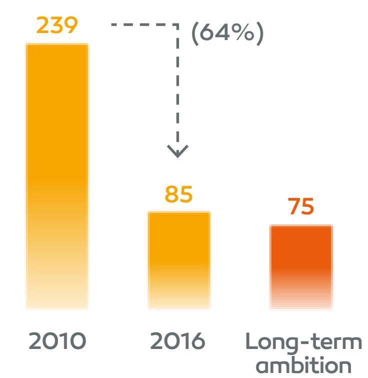
The Lula/Iracema initial development plan includes around 150 wells, of which 106 had already been drilled by the end of 2016.

The operational performance in the project execution has allowed for a significant and continuous reduction of well drilling and completion time. In 2016, those activities took on average 85 days, compared to an average of 110 days in 2015.

These efficiency gains are a result of an increased adaptation of bits in drilling operations, of the experience gained by rig-operating crews and the greater knowledge of the field's geological formations, enabling a higher penetration rate in the salt layer and in the reservoir. Furthermore, the use of dedicated rigs and specific vessels for well drilling, completion and connection have also helped in reducing drilling time.

Drilling and completion activities make up the greater part of investments associated to the development of projects in ultradeep waters, which is why the consortium continues to focus in increasing those activities' efficiency.

Average drilling and completion time (days)



· *4D seismic programme*

4D seismic is a geophysical technology that uses sound wave reflexion to characterise a geological formation in length, width and depth, recording changes in the reservoir fluids over a given period.

At the end of 2015, the consortium initiated a 4D seismic acquisition programme in block BM-S-11, and the results are currently being analysed and processed. Mapping of changes in space and time pressure in fluid saturation continued in 2016. Once incorporated in the reservoir models, the data will provide support to determining the location of new producer and injection wells.

· *WAG injection*

The consortium started using the water alternating gas (WAG) injection process which consists of injecting water and gas alternately to guarantee operational flexibility in production activities, while contributing to a potential increase in oil recovery.

This method has been supported by laboratory studies on reservoir pressure and temperature.

WAG technology combined with the knowledge acquired in the 4D seismic programme allows the injection processes to be spatially controlled and distributed, ensuring the maximisation of the oil swept by the injection fluid.

WAG injection is expected to impact oil recovery over the years.

Iara, block BM-S-11

The three accumulations in the Iara area, and which extend to the Entorno de Iara area (Transfer of Rights), designated as Atapu, Berbigão and Sururu, were declared commercial in 2016. In 2015, the consortium submitted the development plan to ANP (National Agency for Oil, Natural Gas and Biofuels).

Fields in the Iara and Entorno de Iara areas

The BM-S-11 consortium, Petrobras for the Transfer of Rights area and Pré-Sal Petróleo S.A. (PPSA) are currently negotiating the Production Individualisation Agreement. This will define the terms of the unitisation of the Iara and Entorno de Iara areas of the three fields to be developed (Greater Iara), and shall be submitted to ANP afterwards.

The start of production is expected during 2018 in the Berbigão/Sururu area.

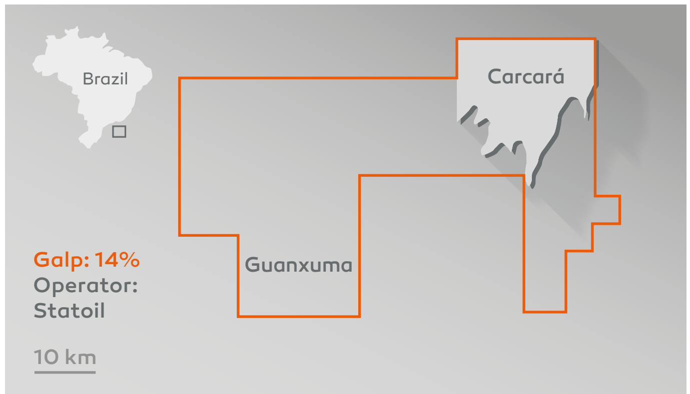
In 2016, the consortium also proceeded with its reservoir characterisation studies and optimisation of the development plans for the areas, assessing the results obtained from the two DST and the appraisal wells drilled in 2015. In addition, processing the seismic data allowed to reduce volumetric uncertainty and to improve the reservoir characterisation, ultimately optimising the initial development project and supporting the unitisation process.

It should be noted that at the end of 2016, Total and Petrobras have signed a Master Agreement which included the sale of 22.5% interest in Iara's area in block BM-S-11. According to the agreement, Petrobras will remain the operator with a 42.5% stake in the consortium.

Carcará, block BM-S-8

Galp is a member of the consortium for block BM-S-8, in the Santos basin pre-salt, with a 14% stake. In 2016, Statoil acquired from Petrobras a 66% operating stake in the block.

Block BM-S-8, Carcará



The appraisal campaign conducted in 2015 in block BM-S-8, including the drilling of two appraisal wells and the carrying out of a DST, indicated excellent levels of reservoir productivity, as well as its extension to the North and West of the Carcará discovery.

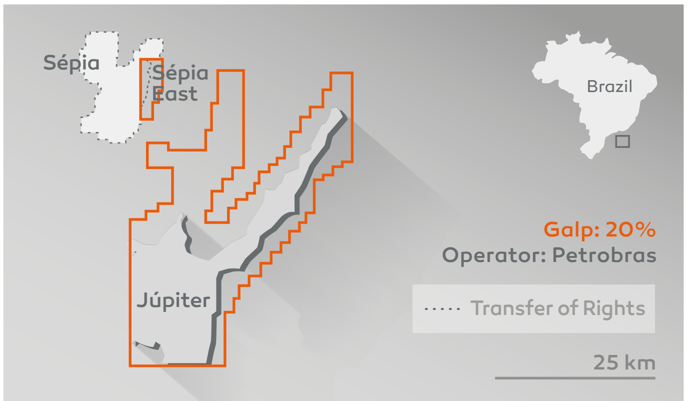
Activities in 2016 were mostly focused on assessing the exploration and appraisal campaign conducted during the previous year, in order to deepen reservoir knowledge and to better define the development plan. The studies for defining the concept of the gas export system also proceeded.

The area located to the North of the BM-S-8 concession, where the Carcará discovery extends to, is expected to be included in a round by ANP expected in 2017.

Sépia East and Júpiter, block BM-S-24

Galp is a member of the consortium for the development of block BM-S-24, in the Brazilian pre-salt, with a 20% stake. This block consists of the Sépia East and Júpiter areas.

Block BM-S-24



Sépia East

Regarding the Sépia East area, the DoC was submitted to ANP in 2015. The appraisal works carried out in the reservoir showed excellent results both regarding the oil quality, as well as porosity and permeability.

The Sépia East area will be subject to a unitisation with the Sépia field (Transfer of Rights, 100% Petrobras).

The unitised Sépia field is expected to start production in 2020, and the unitisation process negotiations are ongoing between the consortium of block BM-S-24 and Petrobras as holder of the Transfer of Rights area.

Júpiter

In early 2016, ANP approved the request for extending the exploration period by five years in the Júpiter area. That extension will allow the partners of block BM-S-24 to continue with the development studies on the field.

The studies are mostly focused on the reservoir, on the fluid outflow, on field development infrastructures, on CO_2 transport, on subsea separation and on different types of metallurgy to be applied in well completions.

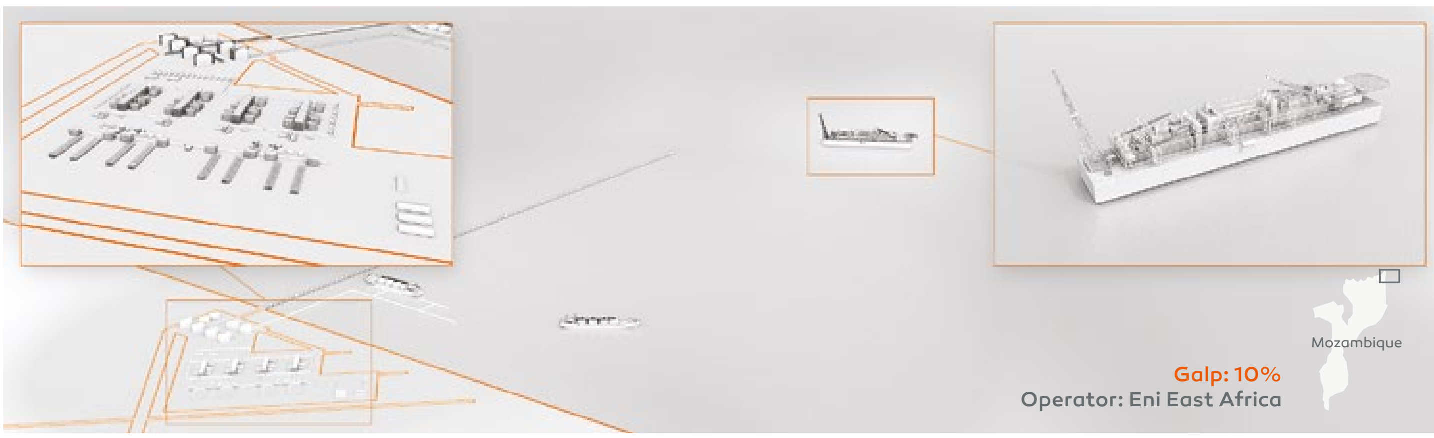
Mozambique

Around 85 trillion cubic feet (Tcf) of gas in place (GIIP) identified in Area 4 of the Rovuma basin position it as one of the most relevant regions in the world for the future natural gas production.

With a 10% stake, Galp's partners in Area 4 are Eni East Africa (operator), with a 70% stake, Kogas and Empresa Nacional de Hidrocarbonetos (ENH), each with a 10% stake. China National Petroleum Corporation (CNPC) has an indirect stake of 20% through Eni East Africa.

In March 2017, ExxonMobil and Eni have signed a sale and purchase agreement to enable ExxonMobil to acquire a 25% indirect interest in Area 4, through Eni East Africa. Eni will continue to lead the Coral FLNG project, whilst ExxonMobil will lead the construction and operation of LNG facilities onshore.

Area 4 development concept



Mamba onshore, Area 4

The Mamba discovery stands out for its size and resource quality, showing potential for a large-scale project and low unit operating costs that, together with its geographical location, will grant high competitiveness compared to other LNG projects.

Considering that the reservoirs extend between Area 4 and the adjacent Area 1, the unitisation agreement, which has already been concluded, still requires the approval by the Mozambican Government.

The Area 4 consortium is preparing the first phase of development of the discoveries, with potential for further phases. The Engineering, Procurement and Construction (EPC) proposals for the upstream and midstream solutions for this first stage were received during 2016 and are currently being analysed by the consortium.

Coral offshore, Area 4

The Coral South project involves the construction of a natural gas liquefaction floating unit (FLNG) with a capacity of over 3.3 million tonnes per annum (mtpa) of LNG. The FLNG will be connected to six wells and will be allocated to the southern part of the Coral discovery, which is exclusively located in Area 4 and is estimated to hold around 16 tcf of GIIP.

In late 2016, Galp's Board of Directors approved the investment in the Coral South area, a milestone towards the project's FID. The final decision is subject to the approval of the project by the remaining partners in the consortium, and also to obtaining project financing and approval by the Mozambican Government of the financing conditions related to the ENH carry.

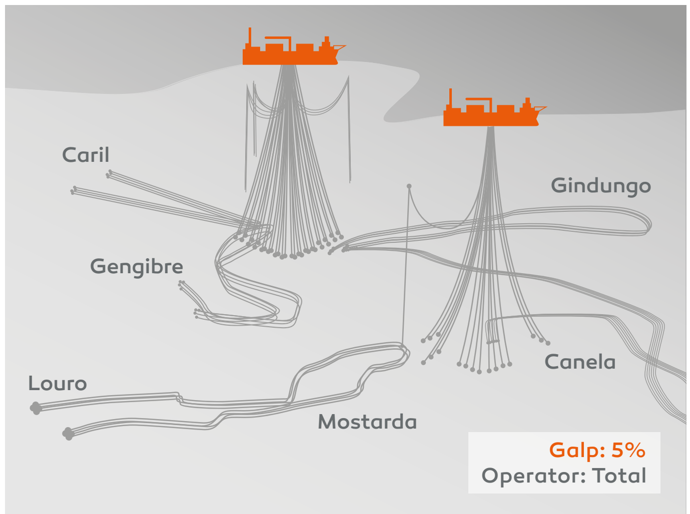
During the year, the Mozambican Government approved the Coral South area's development plan, and the Area 4 partners signed an agreement with BP for the entire offtake of LNG produced in the project for a 20-year period.

The consortium also completed the negotiations of the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) proposals for the project.

Angola

Galp has assets under production in blocks 14 and 14k, with two platforms currently in operation. The Company also holds a stake in the relevant Kaombo project, in block 32, which is under development.

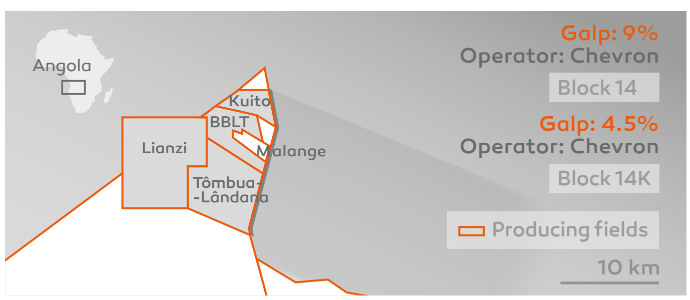
Kaombo development concept



Regarding block 32, the conversion works on the two FPSOs proceeded in Singapore, which have a processing capacity of 125 kbpd each. The Kaombo North and the Kaombo South units are expected to start production in 2018.

The drilling campaign in block 32 continues, with two drilling rigs operating simultaneously. At the end of 2016, the area already had 13 drilled wells out of a total of 33 producer wells and 26 injector wells planned for the Kaombo development.

Blocks 14/14k



In what concerns blocks 14 and 14k, the consortium decided to terminate the drilling activities, aiming at reducing costs. Thus, the drilling rigs attached to the block's two compliant piled tower platforms were decommissioned in 2016. It is worth noting that the producing fields in block 14 are already in a production decline stage.

Exploration assets

Creating value through exploration activities is a strategic goal for Galp, namely by identifying and maturing prospects currently in the portfolio and by drilling prospects with significant potential.

In 2016, Galp extended its exploration portfolio to the São Tomé and Príncipe offshore.

Angola

Galp currently has offshore assets under exploration in blocks 14 and 32.

In 2016, Sonangol accepted the request for extending the exploration and appraisal period of the CNE area in block 32 until 2017. Studies are under way with the objective of identifying and selecting prospects with a view towards drilling.

Brazil

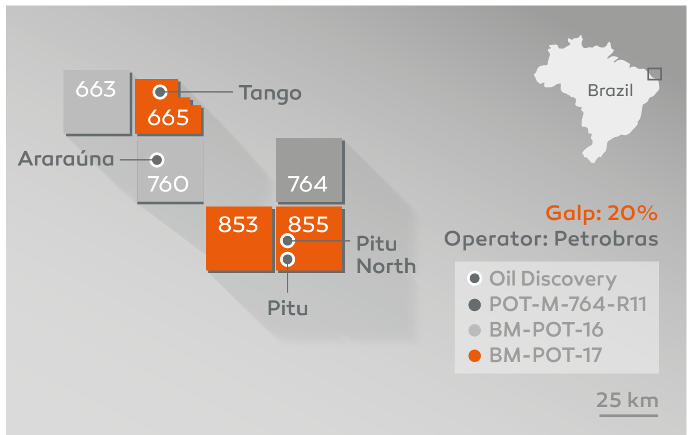
Basins where Galp is present

In the Santos basin, drilling of the Guanxuma prospect is expected during 2017. This prospect is located in block BM-S-8 (as per map on page 38).

In the offshore Potiguar basin, in which Galp holds a 20% stake, after having proved the extension of the Pitu discovery in the BM-POT-17 licence, the consortium is planning a 3D seismic data acquisition programme starting in 2017.

Also in the BM-POT-17 basin, ANP approved the exploration licence extension for the Pitu and Tango discoveries until 2019.

Potiguar offshore basin



Under licence BM-POT-16, the appraisal plan for the Araraúna prospect includes drilling of one well and of 3D seismic data acquisition.

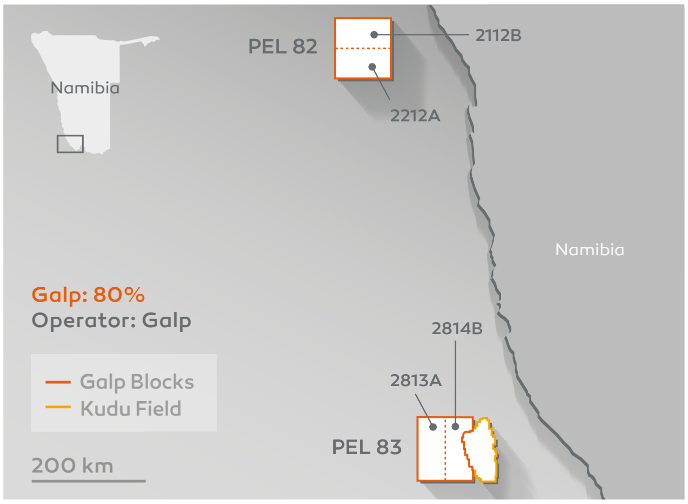
In the offshore Barreirinhas basin, in which Galp holds a 10% stake, the consortium proceeded with interpretation of 3D seismic data, and expects to obtain the final processing results during 2017. ANP approved the extension of the exploration licence until 2019.

In the offshore Pernambuco-Paraíba basin, in which Galp holds a 20% stake in two blocks, the consortium submitted a request to ANP for an extension of the exploration period to 2021.

In the onshore Amazonas basin, the consortium formed by Galp (40%) and Petrobras (60%) decided to abandon block AM-T-84, following results from wells drilled, which identified hydrocarbons, but not with commercial volumes.

Namibia

Galp blocks in the Namibian offshore



In 2016, Galp entered into an agreement with the Namibian Government to ensure the exploration licences in PEL 82, formerly PEL 23, in the Walvis basin, and in PEL 83, formerly PEL 28, in the Orange basin.

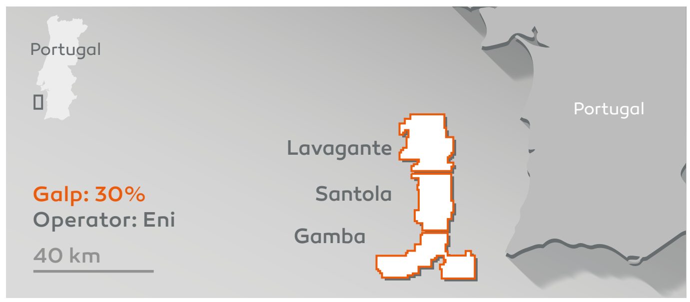
The Company continues with the geological assessment and processing the 2D seismic data acquired in the Orange basin blocks.

Portugal

The exploration portfolio in Portugal currently includes seven offshore blocks in the Alentejo and Peniche basins.

In the three Alentejo blocks operated by Eni, Santola, Lavangante and Gamba, work during the year focused on preparing the first exploration well to be drilled, Santola-1.

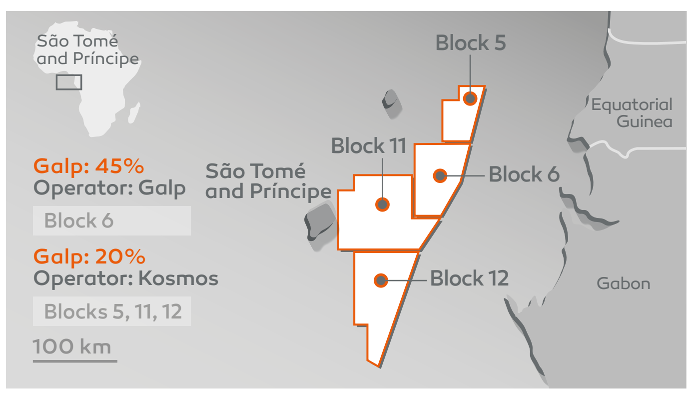
Alentejo Basin



In the Peniche basin, Galp has a 30% stake in the Camarão, Amêijoa, Mexilhão and Ostra blocks. The 3D seismic data acquisition programme was completed by the end of 2015.

São Tomé and Príncipe

Blocks in the São Tomé and Príncipe offshore



In 2016, Galp reached an agreement with Kosmos Energy to acquire a 20% stake in blocks 5, 11 and 12 in the São Tomé and Príncipe offshore. With this acquisition, the Company has strengthened its position in that country, where it already had, since 2015, a 45% operating stake in block 6.

In 2017, a 3D seismic data acquisition programme of 16 thousand km^2 was initiated across all blocks.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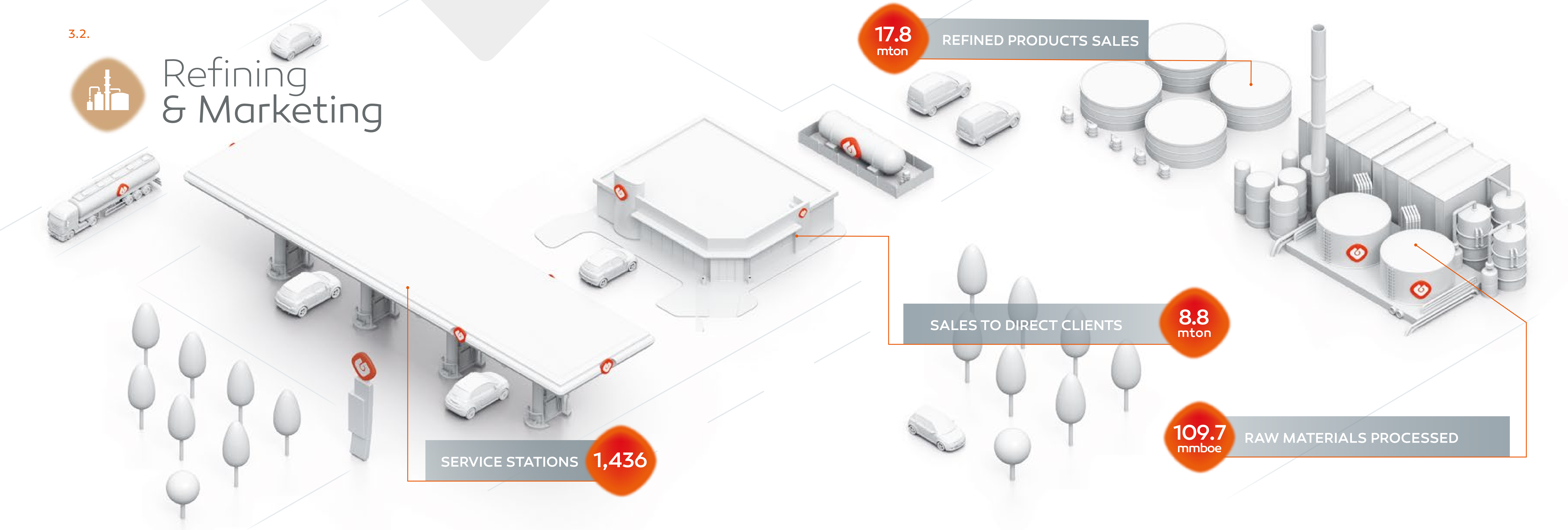
3.2.

Refining & Marketing



2016 Headlines

- 2016 was marked by a decrease in refining margins in the international market, with the Company's refining margin standing at $4.3/boe.
- Galp continued focused on implementing energy and operational efficiency measures in order to improve the profitability of its refining assets.
- Recovery of the Iberian oil market, benefiting from the increase in tourism in Iberia.
- Development of a client-centred value offer in oil products marketing, while reducing the exposure to lower margin activities in Iberia.
- Focus on the value proposition in the Iberian service station network by implementing the Kaizen methodology.
- Launch of a new fuel offering in Portugal, Evologic diesel and gasoline, with high performance additives.

Key figures

	2014	2015	2016
No. of employees	5,528	5,512	**5,482**
Raw materials processed (kboe)	92,864	114,572	**109,727**
Galp refining margin ($/boe)	2.8	6.0	**4.3**
Refining cash costs[1] ($/boe)	2.6	1.6	**1.7**
Impact of hedging of the refining margin[2] ($/boe)	0.1	(0.8)	**0.0**
CO_2 emissions (tCO_2 e)	3,611,694	4,134,479	**4,195,632**
Refined products sales (mton)	16.8	18.2	**17.8**
Sales to direct clients (mton)	9.1	9.1	**8.8**
Number of service stations	1,449	1,435	**1,436**
Number of convenience stores	834	832	**836**
Ebitda RCA[3] (€m)	412	779	**576**
Ebit RCA[3] (€m)	99	504	**257**
Capital expenditure (€m)	108	110	**153**

[1] Excluding refining margin hedging impact. [2] Impact on Ebitda - Gain/(Loss). [3] In 2016, excludes the contribution from the trading activity related to oil produced which was reallocated from the R&M to the E&P business.

Galp owns and operates an integrated refining system comprising two refineries in Portugal, which stands out for its complexity and competitiveness in the European sector.

The Company also operates several maritime terminals and storage facilities in Iberia, and is also developing new maritime terminals storage facilities in Mozambique, ensuring the primary logistics required for its operations.

The integrated activity of refining and marketing of oil products offers a competitive advantage. Galp sells most of its products in Iberia, where it holds a comprehensive distribution network, making it one of the leading operators in the region. The Company is also present in selected African markets.

The R&M business efficiency and competitiveness results in an important source of cash flow for the Company, notwithstanding the continuous implementation of measures aiming at improving these activities' efficiency further and controlling their associated costs. Galp has set the goal of achieving efficiencies that allow for total savings of €150 m until 2020, out of which c.€100 m were reached until the end of 2016.

Furthermore, the Company is currently developing actions that will ensure greater energy efficiency and increased conversion of raw materials processed aiming to improve the spread over benchmark margin by up to $1/boe after 2018.

Sourcing and Trading

Galp remains focused on maximising profitability throughout the value chain and it has been working to further integrate the E&P and oil supply and trading businesses.

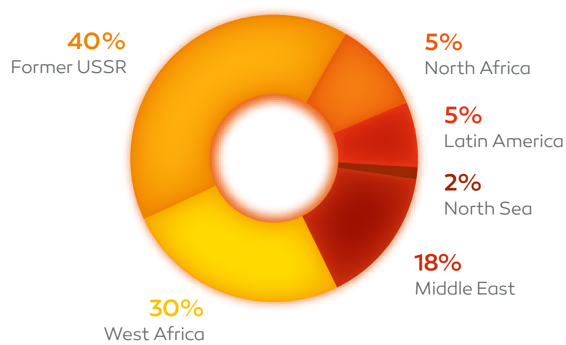
In the Santos basin, Galp has its own logistics resources, with dynamic positioning assets and a capacity of around one million barrels, which enabled an increase in the number of cargoes, having reached a new record of crude oil offloaded during 2016.

Considering the increased relevance of this activity, partly related to the E&P business, during 2016 it was decided to reallocate the contribution of the trading of oil produced activity from R&M to the E&P business results.

Complementarily, Galp needs to supply crude oil and other raw materials to its refining activity. The Company is committed to actively managing the supply, taking into account its diversification strategy and the specifications of its refining system, which now has a greater capacity to process heavier raw materials. That active management also allows for mitigating potential impacts from disruptive supply events in certain regions.

During the year, Galp imported crude oils from 15 countries, with medium and heavy crude accounting for 83% of total imports.

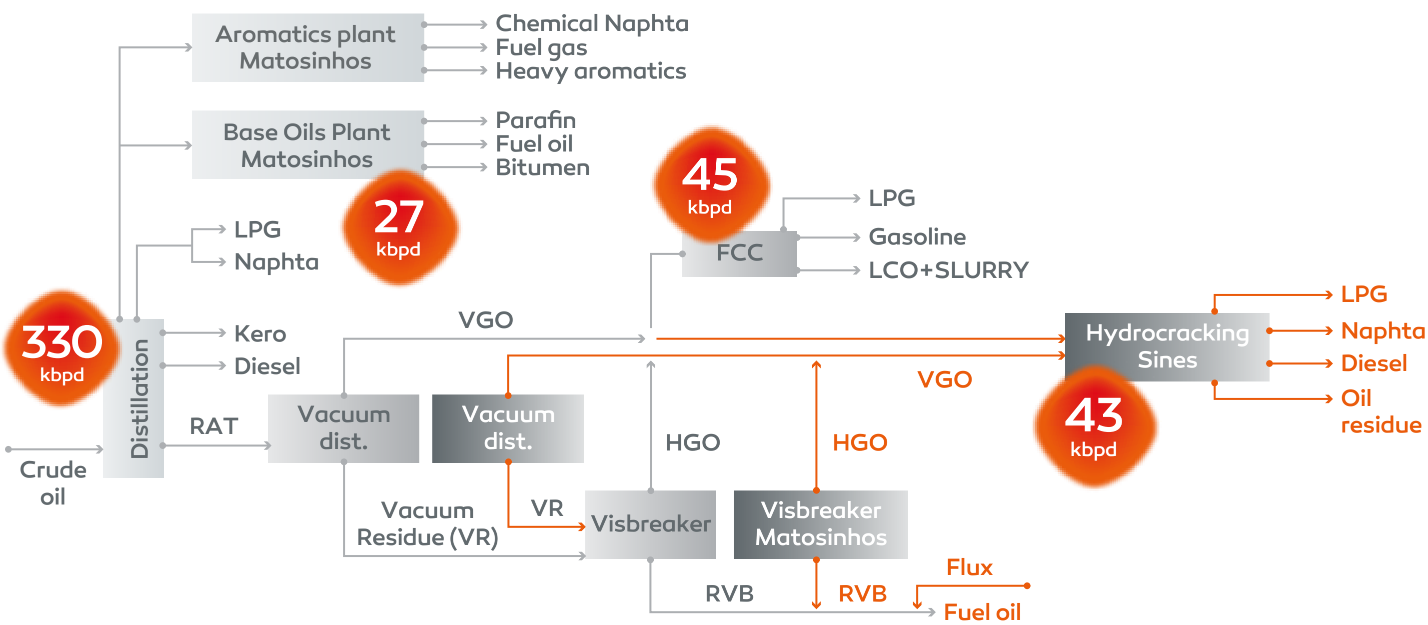
Crude sources in 2016



Refining

Galp's refining system has a combined processing capacity of 330 kbpd. Its Nelson complexity index is 8.6.
The Company benefits from flexibility in terms of sourcing and production mix, supported by the hydrocracking (HC) and fluid catalytic cracking (FCC) units at the Sines refinery. Galp also holds a visbreaker unit, as well as aromatics and base oils plants in the Matosinhos refinery.

Galp refining process



The refining system's complexity and flexibility has allowed Galp to mitigate the impact of adverse market conditions in a year marked by lower refining margins in Europe.

The Company continuously analyses set-up alternatives for its refining system to better enable its adjustment to the industry challenges and to better integrate with its other oil products activities.

Galp focuses on a Reliability Centred Maintenance (RCM) programme in both refineries, which consists of managing the equipment life cycle, in order to increase the units predictability and availability. In 2016, partial outages for maintenance were conducted, namely the planned outage of the HC complex for approximately 60 days in the first quarter, as well as the 13 days outage of the FCC.

In 2016, approximately 109.7 mmboe of raw materials were processed, with crude accounting for 92% of the total.

Middle distillates and gasoline were the most relevant products within the Company's production mix, accounting for 46% and 23%, respectively, of total production.

Energy optimisation and efficiency

Galp remains focused on maximising energy efficiency and optimising refining system processes.

Galp is implementing energy optimisation measures in the Sines and Matosinhos refineries, while also applying the lean six sigma methodology with a view to achieving continuous improvement, minimising process variability and reducing waste.

Galp aims to gradually increase its refining margin by $1/bbl from 2018 through initiatives in the context of increased conversion and energy efficiency that will require marginal investments in upgrading current equipment.

For more details on energy optimisation and efficiency, please see **Galp's role in decarbonising the economy**.

Logistics

Galp has access to several maritime terminals in Portugal and holds storage facilities in Iberia, with a combined capacity of 8.9 mm^3. The Company also has interests in logistics companies in Portugal and benefits from access to several pipelines in Iberia.

In Mozambique, Galp is developing a project for the construction of two liquid fuel handling and storage terminals. The storage facility in Beira has a capacity of 65,000 m^3, while the Matola storage facility will have a capacity of 46,000 m^3. This project will strengthen the Company's strategic position in the region and aims at developing the fuel marketing business in the country and secure access to a competitive sourcing of oil products, also enabling exports to neighbouring countries.

Marketing of oil products

Galp's oil products marketing business is focused in Iberia, where it is a relevant player, but also in five African countries where expected market growth is attractive and where there are potential synergies with other Company activities in the region.

The business focus is the marketing of oil products under Galp's brand, both through the Company's service station network and through direct sales to wholesale clients, as well as selling non-fuel products, namely at service stations. The marketing of oil products also includes exports and sales to other operators.

In 2016, Galp sold a total of 17.8 mton of oil products, down 2% YoY, mainly due to the planned outages for maintenance, namely in conversion units at the Sines refinery. Sales to direct clients accounted for around 50% of total volumes sold, with exports and sales to other operators accounting for 33% and 18%, respectively.

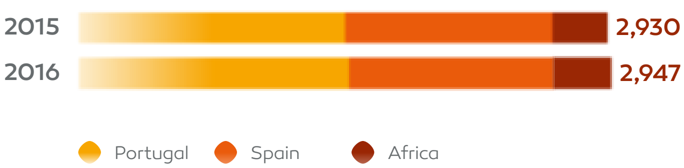
Sales to direct clients

Sales to direct clients, both through the Galp branded service station network and through sales to wholesale clients, is mostly focused in Iberia, but also in some specific African markets. These markets are believed to have the greatest value creation potential based on the Company's geographic advantages of its refining and logistics assets.

In 2016, sales to direct clients totalled 8.8 mton, down 3% YoY, due to the continuous optimisation of the Company's wholesale client portfolio. Sales volumes in Africa increased 7% YoY and accounted for around 9% of sales to direct clients.

In the retail segment, oil products sales volumes stood in line YoY.

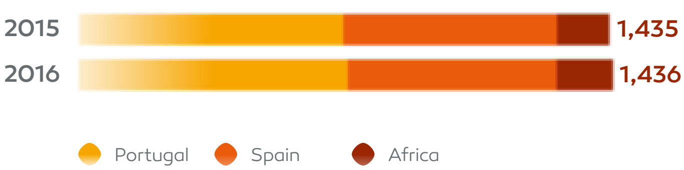
Retail segment sales (kton)



The Company remains focused on selling additive-enhanced fuel and committed to the excellence of the products and services provided. In that regard, Galp has launched a new fuel offering, Evologic diesel and gasoline, with high performance additives, which allow for higher savings, extended engine life and greater efficiency, with lower GHG emissions, consequently benefiting the environment.

Galp has also focused on the value proposition in the Iberian service station network by implementing the Kaizen methodology. This project aims at homogenising the service in Portugal and Spain through improvements in communication, space organisation and planning in service stations.

Number of service stations



At the end of 2016, Galp's service station network included 1,436 service stations, of which 1,284 located in Iberia and 152 in Africa. The Company also had 836 convenience stores.

Galp maintains its leadership position in Portugal with a retail market share of around 30%. In Spain, the market share remained stable at 5%, therefore the Company's Iberian market share was 9%.

Non-fuel products sold at service stations accounted for 12% of total retail contribution.

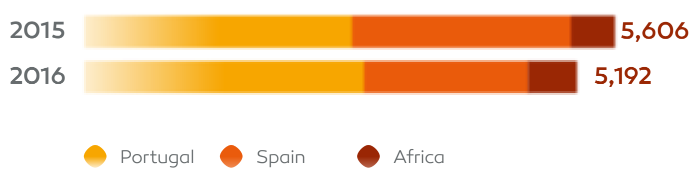
Galp is currently developing a pilot project for improving clients' experience in its convenience stores, focused on a more appealing in-store communication and the increased use of digital interfaces.

The Company also enhanced customer acquisition and loyalty initiatives in partnership with the largest food retail group in Portugal, Sonae, with impact on a customer base of c.1.8 million in 2016. An important initiative was the Energia³ plan, through which customers benefit from an integrated offer of fuel, natural gas, electricity and LPG with a discount scheme that combines the products and services of Galp and its partner Sonae, which during the year contributed to the acquisition of clients in Portugal.

To complement its offering in its large service station network, enhancing its position as an integrated energy player, Galp integrates the Electric Mobility Programme promoted by the Portuguese Government. During the year, the Company expanded the network of fast-charging points for electric vehicles, in partnership with some of the most renowned automotive brands. That initiative aims to provide conditions for a sustained adoption of electric mobility and to overcome several challenges, such as autonomy.

In the wholesale segment, sales decreased 7% YoY in 2016, following the strategy of reducing exposure to some lower margin activities in Iberia.

Sales of the wholesale segment (kton)



Sales to other operators

Galp's refining system is the main supplier of the Portuguese oil products market, and a relevant one in Iberia. During 2016, Galp sold 3.1 mton to other operators.

Exports

Galp operates in the international export market as a route for marketing production from refineries, prioritising markets in close proximity to its refining system.

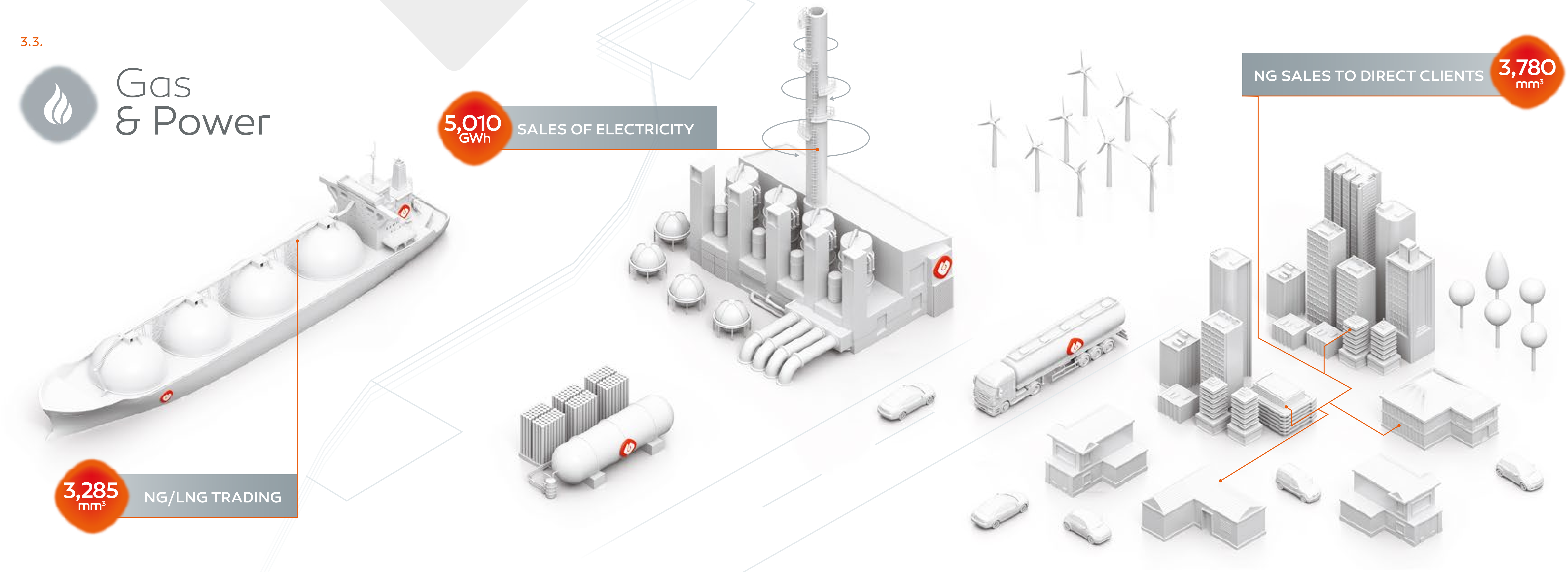
In 2016, exports outside Iberia totalled 5.8 mton, up 3% YoY.

Fuel oil, gasoline and diesel accounted for 29%, 28% and 29% of total exports, respectively, destined mostly to Spain, the USA and Morocco.

A feedstock profile largely consisting of medium and heavy crudes, combined with the geographic advantage of Galp's refining system, allow the Company to benefit from gasoline arbitrage opportunities between the USA and Europe. In 2016, gasoline exports to the USA accounted for c.20% of Galp's total exports.

3.3.

Gas & Power



2016 Headlines

- Total volumes of NG/LNG sold were 7.1 billion cubic metres (bcm), down 8% YoY, due to fewer trading opportunities in the international markets.
- Sales to direct clients were impacted by lower volumes sold in the conventional segment, although partially offset by increased volumes sold in the electrical segment.
- Disposal of 22.5% of the regulated natural gas infrastructure business to Meet Europe Gas Lda, led by Marubeni Corporation (50%) and including Toho Gas Co., Ltd. (50%).
- Strengthening of the integrated energy player position, through a continuous integration of the natural gas and electricity marketing activities.

Key figures

	2014	2015	2016
No. of employees[1]	599	514	**178**
Sales of NG/LNG in trading (mm³)	3,713	3,822	**3,285**
Natural gas sales to direct clients (mm³)	3,759	3,843	**3,780**
Cogenerations installed capacity (MW)	205	173	**173**
Electricity sold to the grid (GWh)	1,592	1,299	**1,614**
Marketing of electricity (GWh)	2,200	3,336	**3,396**
CO_2 emissions (tCO_2e)	356,710	280,949	**320,042**
Ebitda RCA[1] (€m)	438	382	**313**
Ebit RCA[1] (€m)	363	303	**253**
Capital expenditure (€m)	29	65	**23**

[1] As of the end of October 2016, GGND ceased to be consolidated.

Galp's G&P business combines natural gas sourcing, distribution and supply activities, which have gradually been combined with electricity generation and supply. The Company also operates in the NG/LNG international market through its trading activity.

In 2016, Galp sold a 22.5% stake in its subsidiary Galp Gás Natural Distribuição, S.A. (GGND), the regulated natural gas infrastructure business. This transaction was concluded during the fourth quarter.

Natural gas

Natural gas and electricity supply activities take place mainly in the Iberian market, with the Company focusing in strengthening its combined offer, particularly in the Portuguese retail segment, where it is one of the main players. Galp is also actively present in the international NG/LNG market.

In 2016, Galp's NG/LNG volumes sold were 7,065 mm³, down 8% YoY, impacted by fewer trading opportunities.

Sourcing

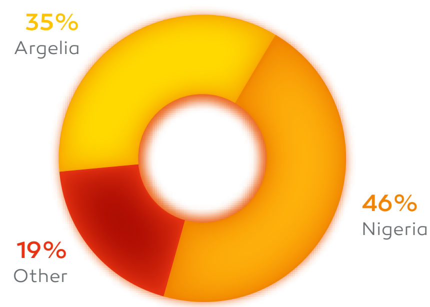
Galp keeps an active management policy of its natural gas sources and has been looking for alternatives and diversifying its sourcing options.

Galp has long-term natural gas sourcing contracts for a total of 5.7 bcm per year from Nigeria and Algeria, with maturities starting from 2020. These contracts with Nigeria LNG and Sonatrach provide access to LNG from Nigeria and piped natural gas from Algeria, respectively.

In addition, the Company sources natural gas from other markets, namely the Spanish and French wholesale network players.

The remaining natural gas requirements are met through operations in the spot market.

Sources of natural gas in 2016



Natural gas from Algeria is supplied via the following pipelines, in which Galp holds a stake: Europe-Maghreb Pipeline (EMPL), Al-Andalus and Extremadura.

Equity stakes in international gas pipelines

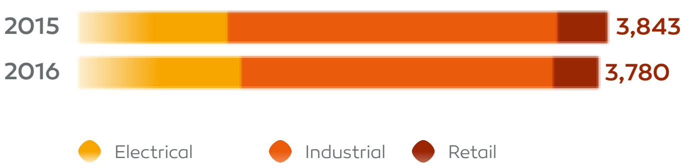
International pipelines	Country	Capacity (bcm/year)	Galp %
EMPL	Algeria, Morocco	12.0	23
Al-Andalus	Spain	7.8	33
Extremadura	Spain	6.1	49

Sales to direct clients

Galp's natural gas supply business is mainly based on clients in the industrial, electrical and retail segments in the Iberian market. The Company is one of the most relevant natural gas suppliers in Iberia, with around 560 thousand clients.

In 2016, natural gas sales to direct clients decreased 2% YoY to 3,780 mm³. The higher sales in the electrical segment were not enough to offset the decrease in the conventional segment, i.e. in sales to retail and industrial clients.

Natural gas sales to direct clients (mm³)



Sales in the electrical segment reached 1,179 mm³, up 97 mm³, mostly following the lower use of coal for electricity generation in Iberia.

Natural gas sales to the industrial segment were 2,286 mm³, down 111 mm³ YoY mainly due to higher competition.

In the retail segment, natural gas volumes decreased 49 mm³ YoY to 315 mm³, following the sale, in 2015, of the activities related to the Spanish residential segment.

In the retail segment, it is worth noting the activity's integration with the marketing of electricity. In 2016, electricity volumes totalled 3,396 gigawatts hour (GWh), a 2% increase from the previous year. At the end of 2016, the G&P business had 690 thousand clients, of which 266 thousand were power clients or opted for Galp's integrated offer.

The Company has also been exploring new business models, in particular, those aimed at energy efficiency and at the sale of compressed natural gas (CNG) in special sales points integrated in the European network or of LNG for ships.

In 2016, Galp started a project based on digital and technological transformation aiming at continuously improving its commercial operations, implementing new platforms for communication with the clients and digital marketing.

Trading

Galp has guaranteed the access to reference NG and LNG markets and has consolidated that activity with access to European organised gas markets, namely in Spain, France and The Netherlands.

Network trading volumes accounted for 35% of total traded volumes, reaching 1,151 mm³, compared to 1,224 mm³ in the previous year. Regarding LNG trading, there was a decrease in activity from 33 operations in 2015 to 25 in 2016.

Regulated distribution infrastructure

The regulated infrastructure business consists of managing the natural gas distribution network of medium and low-pressure, in Portugal. The Portuguese Energy Market Regulator (ERSE) defines the remuneration rules for this activity. The rate of return takes into account, amongst other indicators, the average yield of ten-year bonds issued by the Portuguese state.

The rate of return for the Gas Year 2016-2017 decreased from 7.94% (Gas Year 2015-2016) to 6.2%, reflecting the yields of benchmark bonds during that period. At the end of 2016, the regulated asset base was approximately €1.0 bn.

GGND has stakes in nine natural gas distribution companies in Portugal, five of which operate under 40-year concession contracts, with the remainder operating under 20-year operation licenses. In 2016, Galp operated a distribution network of 12,740 km, through GGND.

During 2016, Galp reduced its stake in GGND by selling 22.5% of its share capital to Meet Europe Gas Lda, owned by Marubeni Corporation (50%) and by Toho Gas Co., Ltd. (50%). Although Galp continues to hold a 77.5% stake in GGND's share capital, the latter ceased to be fully consolidated in the Group's accounts following conclusion of the transaction in October.

Power

Galp's portfolio of cogeneration units and wind farms in Portugal currently has an installed capacity of 357 MW.

The installed capacity for electricity production through cogeneration units is 173 MW, with the most relevant units being installed at the Sines and Matosinhos refineries. Those are important natural gas consumption points, as well as important energy suppliers for the refineries.

Galp's cogeneration portfolio in 2016

	Installed capacity (MW)	Sales of electricity to the grid (GWh)	Natural gas consumption (mm³)
Sines	82	679	225
Matosinhos	82	653	241
Other	9	34	10
Total	**173**	**1,365**	**476**

At the end of 2016, the Company also had an installed capacity of 184 MW in six wind farms, out of which five came into operation during the year, with a joint capacity of 171.6 MW.

Thus, sales of electricity to the grid increased 24% YoY to 1,614 GWh.

4

Financial performance

4.1.

Summary

- RCA Ebitda stood at €1,411 m, above the Company's guidance of €1.2-€1.3 bn. RCA Ebitda was down 8% YoY, due to the lower contribution from the R&M and G&P businesses.
- E&P RCA Ebitda reached €494 m, benefiting from the 51% increase in net entitlement production to 65.1 kboepd, and despite the decrease in average oil and gas realisation prices.
- R&M RCA Ebitda decreased €203 m YoY to €576 m, mainly due to the lower contribution from the refining activity.
- Ebitda RCA for the G&P segment decreased €69 m YoY to €313 m, mainly following lower results from the natural gas activity.
- RCA net income was €483 m, down €156 m YoY, while IFRS net income was €179 m. The inventory effect was €20 m and non-recurring items reached €324 m, including asset impairments in Angola, as well as in relation to the transfer of contracts for the construction of the replicant FPSO hulls.
- In 2016, capital expenditure was €1.2 bn, 85% of which was allocated to E&P, namely to block BM-S-11 in Brazil.
- Net debt at the end of 2016 was €1,260 m, considering the loan to Sinopec as cash and equivalents, down €439 m YoY, due to a robust operating performance and to the partial divestment of the regulated gas infrastructure business. In this context, net debt to RCA Ebitda stood at 1.0x.

Ebitda and Ebit per business segment in 2016 (€m)

	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Total	**1,389**	**(20)**	**1,369**	**42**	**1,411**
E&P	481	-	481	13	494
R&M	572	(23)	549	27	576
G&P	310	3	312	1	313
Others	27	-	27	1	28

	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Total	**544**	**(20)**	**523**	**249**	**772**
E&P	28	-	28	211	239
R&M	243	(23)	220	37	257
G&P	251	3	254	(0)	253
Others	22	-	22	1	23

Note: RCA figures are not audited.

4.2.

Business performance

Exploration & Production

In 2016, E&P Ebitda RCA increased €141 m YoY to €494 m, benefiting from higher net entitlement production and despite the lower average realised price which was at $37.7/boe in the year.

It is worth highlighting that in 2016 the contribution of the trading activity related to oil produced, which used to be accounted for under the R&M business, started to be accounted for in the E&P business.

Production costs increased €26 m YoY to €166 m, due to the higher number of operating units in Brazil. In unit terms, production costs decreased $2.1/boe YoY to $7.7/boe, also impacted by a one-off adjustment in Brazil. Excluding this impact, unit costs would have been $8.1/boe.

Depreciation charges RCA (including abandonment provisions) increased €44 m YoY to €255 m, following the increased asset base in Brazil. On a net entitlement basis, unit depreciation charges were $11.9/boe, compared to $14.8/boe in 2015.

Ebit RCA was €239 m during the year, up €97 m YoY, while Ebit IFRS stood at €28 m. Non-recurring items of €211 m included impairments in block 14/14k in Angola, as well as impairments related to the Brazilian onshore.

The RCA contribution of associated companies related to the E&P activities reached €17 m in the period.

Refining & Marketing

Ebitda RCA for the R&M business decreased €203 m YoY to €576 m, mainly due to the lower contribution from the refining activity, as well as the time lag in pricing formulas which was a result of the significant increase in commodities' prices, in particular during the fourth quarter. The reallocation of the contribution of trading activity related to oil produced also impacted results.

Galp's refining margin was $4.3/boe, compared to $6.0/boe during the previous year, reflecting the lower refining margins. The spread over the benchmark margin was $1.2/boe.

Refining cash costs increased €2 m YoY to €172 m, on the back of higher costs with maintenance in 2016, mainly related to the hydrocracker in Sines. In unit terms, cash costs were $1.7/boe.

Refining margin hedging operations had a positive impact in Ebitda of €3 m during 2016, compared to a loss of €83 m the previous year.

Depreciation charges and provisions totalled €319 m, up €45 m YoY following the revision of the useful life of certain refining assets, with effects as of the second half of 2016.

Ebit RCA decreased to €257 m, while Ebit IFRS increased €87 m YoY to €243 m. Inventory effect was €23 m and non-recurring items reached €37 m, mainly related to restructuring costs and to impairments in refining equipment.

Gas & Power

Ebitda for the G&P segment decreased €69 m YoY to €313 m during the year, mainly following lower results from the natural gas activity.

Ebitda for the natural gas segment decreased 23% YoY to €194 m, mostly due to fewer opportunities in the international LNG market.

Ebitda of the regulated infrastructure business was €100 m, down €29 m YoY, reflecting the lower remuneration rate during the second half of 2016, of 6.2%, and the full deconsolidation of GGND during the last two months of the year following the conclusion of the sale of 22.5% of that company.

Ebitda for the power business increased €18 m compared to the previous year, which had been affected by the sub-optimal operation of the cogeneration units and by the lag in the natural gas purchase price indexes, compared to the pricing formulas of energy produced.

Ebit RCA was €253 m, down €49 m YoY. The inventory effect was €3 m in the period. Ebit IFRS reached €251 m, compared to €275 m the previous year.

RCA results from associated companies related to the G&P business amounted to €70 m.

4.3.

Profit & Loss

Profit & Loss (€m, RCA except otherwise noted)

	2015	2016	Var.	% Var.
Turnover	15,504	**13,119**	(2,384)	(15%)
Costs of goods sold	(12,436)	**(10,156)**	(2,281)	(18%)
Supply & Services	(1,228)	**(1,259)**	31	3%
Personnel costs	(330)	**(319)**	(11)	(3%)
Other operating revenues (expenses)	29	**26**	(3)	(10%)
Ebitda RCA	**1,538**	**1,411**	**(127)**	**(8%)**
Ebitda IFRS	**1,174**	**1,389**	**215**	**18%**
Depreciation & Amortisation	(544)	**(636)**	92	17%
Provisions	(25)	**(3)**	(22)	(89%)
Ebit RCA	**969**	**772**	**(197)**	**(20%)**
Ebit IFRS	**423**	**544**	**120**	**28%**
Net income from associated companies	83	**85**	2	2%
Financial results	(70)	**(25)**	45	65%
Net income RCA before tax and minority interests	**982**	**833**	**(150)**	**(15%)**
Taxes [1]	(290)	**(289)**	(2)	(1%)
Non-controlling interests	(54)	**(61)**	8	14%
Net income RCA	**639**	**483**	**(156)**	**(24%)**
Non-recurrent items	(244)	**(324)**	(80)	(33%)
Net income RC	**395**	**159**	**(236)**	**(60%)**
Inventory effect	(272)	**20**	292	n.m.
Net income IFRS	**123**	**179**	**57**	**46%**

[1] Includes Special Participation Tax payable in Brazil and oil tax payable in Angola.
Note: The 2015 Profit & Loss was restated.

Turnover in 2016 decreased 15% YoY to €13,119 m, mainly due to the decrease in the price of oil, natural gas and oil products.

Operational expenses decreased 16% during the period and amounted to €11,708 m, mainly driven by an 18% decrease in cost of goods sold. The 3% increase in supply and services was a function of the increase in production in Brazil.

RCA Ebitda was €1,411 m, down €127 m YoY, following a lower contribution from the R&M and G&P business segments. IFRS Ebitda was €1,389 m.

RCA Ebit decreased 20% to €772 m, while IFRS Ebit increased €120 m to €544 m.

Results from associated companies accounted for €85 m, in line YoY.

Financial results were negative €25 m, compared to negative €70 m the previous year. This was due in part to a gain of €17 m in mark-to-market hedging operations, which compares to a loss of €13 m during 2015, and also to a €19 m decrease in net interest.

RCA taxes stood in line YoY, at €289 m.

Non-controlling interests, primarily attributable to Sinopec, increased €8 m to €61 m, following improved results in Brazil.

RCA net income was €483 m, down €156 m YoY, while IFRS net income was €179 m.

The inventory effect was €20 m and non-recurring items reached €324 m, including asset impairments in Angola, as well as impairments related to the transfer of contracts for the construction of the replicant FPSO hulls.

The CESE tax had a negative impact on IFRS results of around €56 m, of which c.€28 m related to CESE I, whose annual impact was fully accounted for in the first quarter. CESE II amounted to c.€28 m. This provision related to CESE results from the strict applicability of accounting standards. However, in Galp's opinion, based on the opinion of renowned legal experts, the CESE taxes have no legal grounds and, accordingly, such amounts are not due.

Non-recurring items (€m)

	2015	2016
Non-recurring items impacting Ebitda	**7.4**	**42.1**
Accidents caused by natural events and insurance compensation	(0.8)	**(1.2)**
Gains/losses on disposal of assets	(8.4)	**(1.5)**
Asset write-offs	6.1	**1.7**
Investment subsidies	(2.6)	**-**
Employee restructuring charges	13.2	**14.7**
Advisory fees and others	-	**0.2**
Compensation early termination rigs agreement	-	**12.0**
Litigation costs	-	**9.7**
Taxes from previous years	-	**6.3**
Non-recurring items impacting non-cash costs	**181.6**	**206.6**
Provisions for environmental charges and others	6.0	**8.1**
Asset impairments	175.5	**198.5**
Non-recurring items impacting financial results	**64.0**	**68.0**
Gains/losses on financial investments	12.0	**(23.5)**
Impairment of financial investments	52.0	**91.5**
Non-recurring items impacting taxes	**12.5**	**39.5**
Income taxes on non-recurring items	(35.0)	**(24.2)**
Tax deferrals on E&P	-	**(10.3)**
Tax deferrals reversions	(19.4)	**-**
Income tax from previous years	-	**5.9**
Energy sector contribution tax	67.0	**68.0**
Non-controlling interests	**(22.0)**	**(32.6)**
Total non-recurring items	**243.6**	**323.6**

4.4.

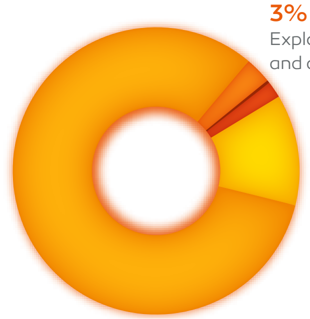
Capital expenditure

In 2016, capital expenditure was €1,218 m, 85% of which was allocated to E&P.

Development and production (D&P) activities accounted for 96% of the investment in the E&P business, mainly allocated to the development of block BM-S-11 in Brazil, which accounted for 73% of D&P investment. The investment in block 32 in Angola accounted for around 21% of that total.

Capital expenditure in downstream and gas activities reached €175 m, and included investment in maintenance activities, in the upgrade of the retail network and of the natural gas infrastructure, as well as in IT systems, among others.

Capital expenditure by segment (%)



4.5.

Cash flow

Cash flow – Indirect method (€m, IFRS)

	2015	2016
Ebit	423	**544**
Dividends from associates	73	**70**
Depreciation, depletion and amortisation	720	**835**
Change in working capital	458	**21**
Cash flow from operations	**1,674**	**1,469**
Net capex [1]	(1,190)	**(1,054)**
Net financial expenses	(119)	**(101)**
Taxes paid	(127)	**(172)**
Dividends paid	(318)	**(387)**
GGND deconsolidation [2]	-	**632**
Others [3]	179	**165**
Change in net debt	**(98)**	**(552)**

[1] 2016 includes the proceeds of €141 m from the sale of 22.5% in GGND.

[2] Deconsolidation of assets and liabilities from GGND.

[3] Includes CTAs (Cumulative Translation Adjustment) and partial reimbursements of the loan grated to Sinopec.

During 2016, net debt decreased €552 m, on the back of the partial divestment of the regulated infrastructure activity. Excluding that impact, net debt would have increased by €223 m after dividends, considering the strong cash flow from operations of €1,469 m.

Cash flow - Direct method (€m, IFRS)

	2015	2016
Cash and equivalents at the beginning of the period[1]	**1,023**	**1,045**
Received from customers	17,666	**15,156**
Paid to suppliers	(11,421)	**(9,094)**
Staff related costs	(371)	**(373)**
Dividends from associated companies	73	**70**
Taxes on oil products (ISP)	(2,633)	**(2,752)**
VAT, Royalties, PIS, Cofins, Others	(1,721)	**(1,571)**
Total operating flows	**1,594**	**1,436**
Net capex[2]	(1,194)	**(1,074)**
Net financial expenses	(111)	**(120)**
Dividends paid	(318)	**(387)**
SPT and Corporate taxes	(127)	**(172)**
Net new loans	(124)	**(32)**
Sinopec loan reimbursement	261	**134**
FX changes on cash and equivalents and change in perimeter	40	**93**
Cash and equivalents at the end of the period[1]	**1,045**	**923**

[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. [2] 2016 includes the proceeds of €141 m from the sale of 22.5% of GGND.

4.6.

Financial position

Consolidated financial position (€m, except otherwise noted)

	31 Dec. 2015	31 Dec. 2016	Var.
Net fixed assets	7,892	**7,721**	(171)
Working capital	510	**492**	(18)
Loan to Sinopec	723	**610**	(113)
Other assets (liabilities)	(515)	**(409)**	107
Non-current assets/liabilities held for sale	-	**(1)**	(1)
Capital employed	**8,610**	**8,414**	**(196)**
Short-term debt	493	**325**	(167)
Medium-long term debt	3,060	**2,578**	(482)
Total debt	**3,552**	**2,903**	**(649)**
Cash and equivalents	1,130	**1,032**	(98)
Total net debt	**2,422**	**1,870**	**(552)**
Total equity	**6,188**	**6,543**	**355**
Total equity and net debt	**8,610**	**8,414**	**(196)**
Total net debt including loan to Sinopec	**1,699**	**1,260**	**(439)**
Net debt to Ebitda RCA	**1.6x**	**1.3x**	**-**
Net debt to Ebitda RCA including loan to Sinopec[1]	**1.2x**	**1.0x**	**-**

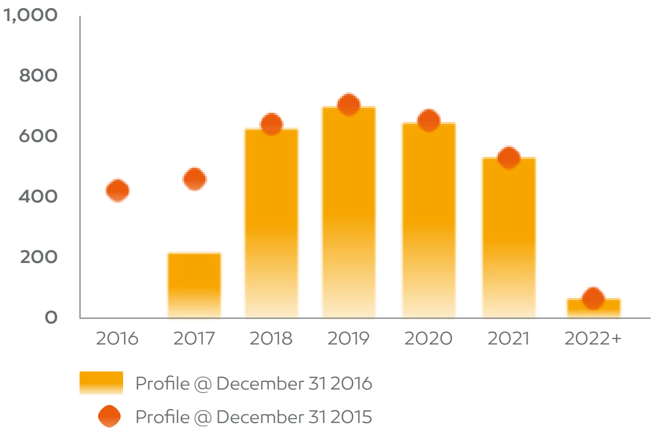
[1] Ratio considers net debt including loan to Sinopec of €610 m, plus €179 m corresponding to Sinopec shareholder loan to Petrogal Brasil, with 2016 RCA Ebitda of €1,411 m.

On December 31, 2016, net fixed assets stood at €7,721 m, a €171 m decrease compared to the end of 2015, as a result of the partial sale of a stake in GGND and despite the investment made during the period.

Work-in-progress, mainly related to the E&P business, amounted to €2,650 m at the end of the period.

On December 31, 2016, net debt stood at €1,870 m, down €552 m compared to the end of 2015. Considering the €610 m balance of the Sinopec loan as cash, net debt at the end of the period totalled €1,260 m, resulting in a net debt to Ebitda ratio of 1.0x. This ratio also considers Sinopec's €179 m shareholder loan to Petrogal Brasil as of the end of the period.

Debt reimbursement profile (€m)

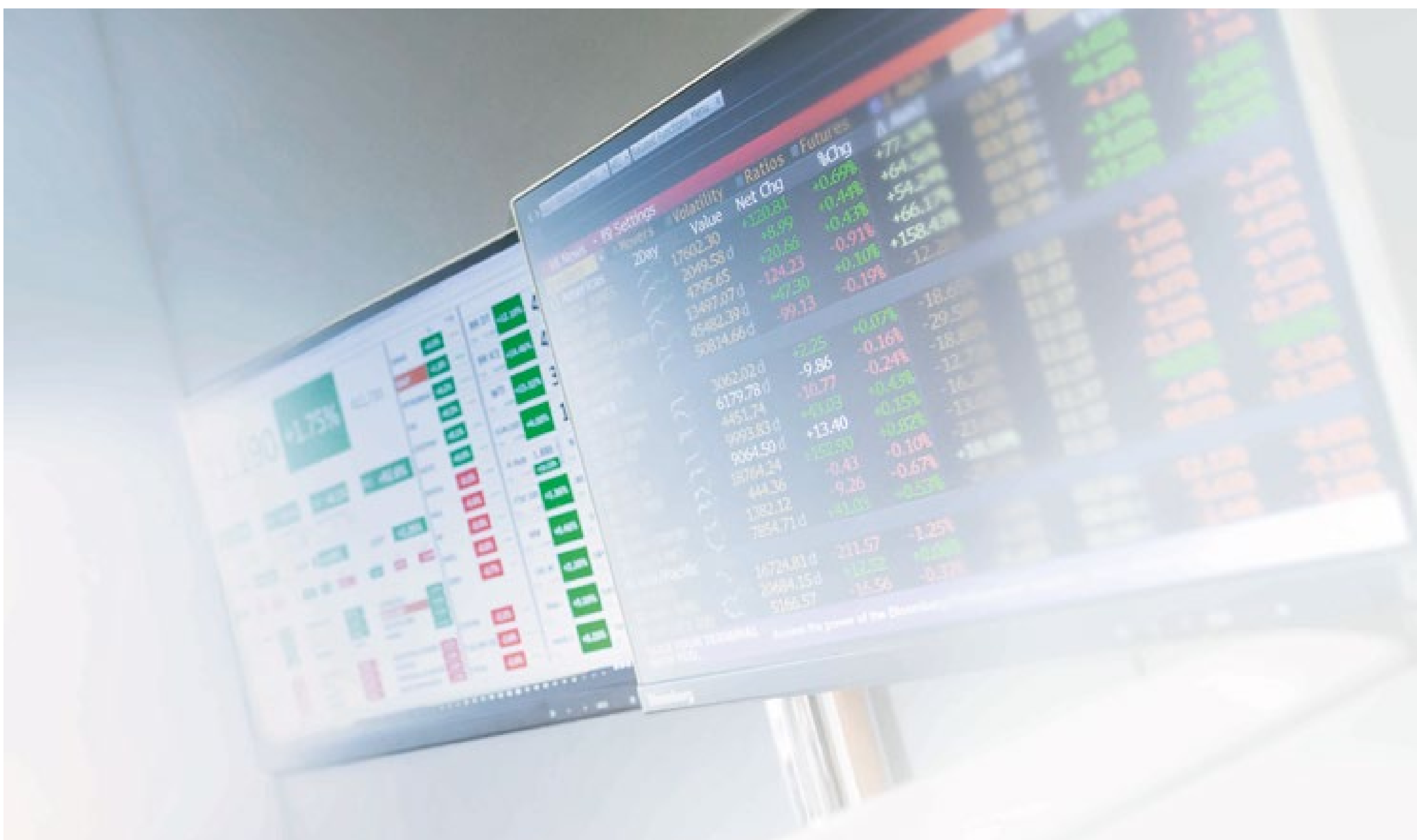


The average interest rate was 3.52% during the period.

At the end of December, around 50% of total debt was on a fixed-rate basis. Debt had an average maturity of 2.6 years, which compares to 3.1 years in 2015. At the end of 2016, medium and long-term debt accounted for 89% of Galp's total debt.

It should be noted that a €455 m bond, maturing in 2017, was called by Galp and was redeemed on November 21, 2016.

At the end of 2016, Galp had unused credit lines of approximately €1.2 bn. Of this amount, around 60% was contractually guaranteed.



5
Commitment to stakeholders

5.1.

Acting responsibly and ethically

The values and principles of an organisation are its pillars of sustainability, particularly in preserving the relationships of trust with the stakeholders.

Sustainable Development Goals

SDG 5

Gender equality
Achieve gender equality and empower all women.

SDG 16

Peace, justice and strong institutions
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Ethics and compliance

Galp is committed to acting ethically and in accordance with its internal normative references and the different legal and regulatory frameworks of the countries and markets where it operates, with transparency and with respect for the applicable competition rules.

Decision making involves a progressive and integrated consideration of the various risks its activity entails, considering the rights and expectations of the different stakeholders.

The Company's governance practices aim at continuous improvement and process optimisation, fomenting the creation of value in the long term.

Galp's Code of Ethics and Conduct (CoEC) outlines the fundamental ethical and conduct guidelines in Galp's activity, with a view to assuming commitments to its employees, shareholders and investors, its business partners, customers and suppliers.

The CoEC and the normative documents in force represent guidelines for activity, establishing the principles, values and rules that employees, and all those acting on behalf of the Company, must assume in any field of activity and in any geography. Learn more about the CoEC and the main Galp normative references on the Company's website.

Ethics line

Ethics line: Galp has a line for reporting irregularities that ensures the strictest confidentiality of the information conveyed, with the rights of access and rectification of the data also being guaranteed, in compliance with the legal regulations in force. Interested parties may use the email address: opentalk@galp.com.

In associated companies and in partnerships where Galp is not an operator, its representatives have the responsibility to promote the adoption of measures equivalent to the principles, values and normative references established in the CoEC.

In order to achieve a better governance of the operations and partnerships it develops in different geographies, and in line with the recommendations of its external auditors, the Company conducts, prior to the acquisition of interests in new partnerships, or in partnerships already established, an analysis of the compliance risk of potential business partners.

In terms of assurance, Galp takes part and in conjunction with its business partners, in compliance audits of E&P assets which it does not operate. These audits aim to identify risks and the continual improvement of governance and compliance practices.

The transparency of the Company's practices and the compliance with all its tax obligations allow for an adequate risk assessment and an informed investment decision making. Galp subscribes to the principles set out by the Extractive Industries Transparency Initiative (EITI) since 2010. This Report includes the detailed list of payments made to governments in 2016, which is included in Appendix 8.3.

Galp prohibits any and all practices of corruption, in all its active and passive forms, including attempted corruption. To this end, the Company has an Anti-Corruption Policy, applicable to the Group and its stakeholders, be it the corporate bodies, employees, clients and suppliers.

For more details on these topics, see chapter 6. Corporate Governance and Galp's website.

Corporate processes, policies and references

The challenges of the energy sector and the response to stakeholder expectations call for a balance between preserving the processes of value creation and a high capacity for adaptation, where agility is a competitive advantage.

Galp remains focused on ensuring simple but effective processes, which contribute to risk mitigation along the value chain.

To this end, in 2016 it carried on with the optimisation of corporate processes, policies and references, aiming at ensuring to their use across the Company, while continuing to address the specifics of the various businesses.

Optimisation of corporate processes, policies and references

- The implementation of the project began in 2015, with conclusion expected for 2017.
- Simplification and standardisation the Group's norms and standards.
- Definition of Galp Management System's Single Framework, with guidelines for its implementation.
- Implementation of a holistic and integrative model for process management, from a perspective of efficiency and effectiveness.
- Reformulation of the Environment, Quality and Safety (EQS) audits management process in the light of the Single Framework and Process Model, and integrating the expectations of the main stakeholders.
- Setting a strategy for certifications in Galp, carried out by third parties, with the definition of guidelines for their implementation.

Respect for human rights

Galp is committed to respecting and promoting human rights. This commitment is embodied in its Human Rights Policy. The Company also implements, where relevant, due diligence processes, identifying potential impacts and implementing appropriate measures to avoid and/or mitigate them.

This policy is in line with internationally recognised standards, particularly the ten principles of the Global Compact and the United Nations Universal Declaration of Human Rights, as well as the Code of Conduct of the International Labour Organisation.

Through contractual agreements, Galp encourages suppliers, service providers, contractors and partners to align with its commitments in this area, promoting adherence to the same international principles.

In 2016, there were reported no cases of human rights abuses.

The risk profile analysis of projects as a support to decision

The risk profile characterisation of each project constitutes information to support the decision and it's relevance to ensure sustainable value creation. The internal practices ensure the identification and management of risks in each geography and context, particularly with regards to:

- environmental, health, safety and social requirements, impacting the life cycle of the projects and their economic value;
- social reference base (education, habits and customs, religion, other relevant social information);
- reputation issues associated with the operation in the country, including policies regarding access to land, resettlement, government investment plans and local content, among others;
- labour laws and restrictions;
- security issues associated with the operation in the country;
- human rights:
  - existing challenges under the UN Convention on Human Rights; and
  - indigenous populations and the state of the art regarding human rights practices with respect to these populations.
- other sustainability issues specific to the country/region that may affect the development of an Oil & Gas project.

5.2.

Engagement with stakeholders

The relationship with its stakeholders has strategic value for Galp, one that drives organizational excellence, which builds relational capital and contributes to greater proximity, trust and risk minimisation.

A Galp subscribes to the 10 principals defined by the Global Compact

WE SUPPORT

Galp in the capital markets

Shareholder Information

Galp's share capital comprises 829,250,635 shares, 93% of which are listed on Euronext Lisbon. The remaining 58,079,514 shares, which correspond to 7% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not listed.

IPO's 10th Anniversary

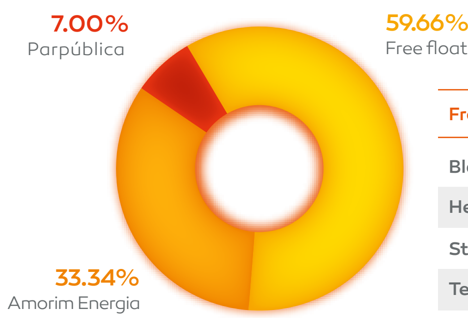
The 10th anniversary of Galp's IPO was celebrated in October 2016. During this period, market capitalisation increased 121%, and shareholders benefited from a total return of 190%. The PSI-20, SXXP and SXEP indexes depreciated over the period.

In 2006, Galp's free float accounted for only 23% of the share capital and the Company was followed by four sell side institutions. Currently, the free float represents 60% of the capital and the Company is followed by 25 sell side institutions.

Share capital dispersion

Galp's shareholding structure has been evolving over the last ten years. During 2016, there was an increase in Galp's free float compared to the end of 2015, from 54.66% to 59.66%, following the conclusion of the sale of 41,462,532 shares by Amorim Energia B.V. (Amorim Energia), which now holds a 33.34% stake in Galp's share capital.

Shareholder structure as of December 31, 2016



Free float, of which:	
BlackRock	2% – 5%
Henderson	2% – 5%
Standard Life	2% – 5%
Templeton	2% – 5%

At the end of 2016, and according to the best information obtained by the Company, approximately 88% of the free float, or the equivalent to 52% of the total shareholder base, was held by institutional investors, from 36 countries. Investors located outside of Europe accounted for 44% of the free float, with institutional investors based in North America holding 36% of the Company's free float. Individual investors accounted for about 4% of Galp's free float.

Qualifying holdings

The increase in free float contributed to a greater visibility of the Company in the capital markets. Several entities have qualifying holdings in Galp's share capital, information which is disclosed by the Company in accordance with the provisions of articles 16 and 17 of the Portuguese Securities Market Code (CVM).

Amorim Energia is based in The Netherlands and its shareholders are Power, Oil & Gas Investments, B.V. (35%), Amorim Investimentos Energéticos, SGPS, S.A. (20%) and Esperaza Holding, B.V. (45%). The first two companies are controlled, either directly or indirectly, by the Américo Amorim group, and the latter is controlled by Sonangol, E.P., the Angolan state oil company.

Parpública manages Portuguese State holdings in a number of companies.

BlackRock, Inc. is a global investment management firm founded in 1988. It is based in New York and listed on the New York Stock Exchange (NYSE).

Henderson Group plc is an investment management firm founded in 1934, based in London and listed on the London Stock Exchange.

Standard Life Investments (Holdings) Limited, founded in 2006, is an investment management firm based in Edinburgh, in the United Kingdom.

Templeton Global Advisors Limited is a financial investment firm based in San Mateo, California, listed on the NYSE.

Galp share performance

At the end of 2016, Galp had a market capitalisation of around €11.8 bn, corresponding to an appreciation of 32% compared to the end of 2015.

During this period, the Galp share outperformed SXEP (the European index for the Oil & Gas sector), which appreciated by 23%. It should be noted that the performance in the sector was influenced by the evolution of the oil price, with dated Brent recovering around 55% during 2016. The PSI-20 (reference index of the Portuguese stock market) depreciated 12%.

The total shareholder return during the year, considering the share price and the dividends paid, was 38%.

Galp share price, the SXEP index and the PSI-20 index in 2016

Source: Bloomberg

In 2016, 406 million Galp shares were traded on regulated markets, corresponding to 90% of Galp's free float. The average daily trading volume on Euronext Lisbon was 1.6 million shares, with the increase in the Company's free float to 59.66% having contributed to a greater share liquidity during the year.

The minimum price for the year 2016, of €9.03, occurred on 20 January; the maximum price of €14.86 was reached on 12 December.

Sell-side coverage

Galp is covered by 25 sell-side institutions, which regularly publish reports on the Company's activity and strategy.

At the of 2016, the average target price of analysts covering the stock was €14.04/share, with 44% of analysts recommending to Buy and the remaining 56% having a Neutral stance.

Price target by the analysts (€/share)

Average	Maximum	Minimum	Median
14.04	16.25	12.00	14.00

Visit the Investor section of Galp's website for more information about the analysts.

Dividend distribution policy

The dividend distribution policy that had been in place since March 2012, and which envisaged an average annual increase of 20%, was in effect until the end of 2016.

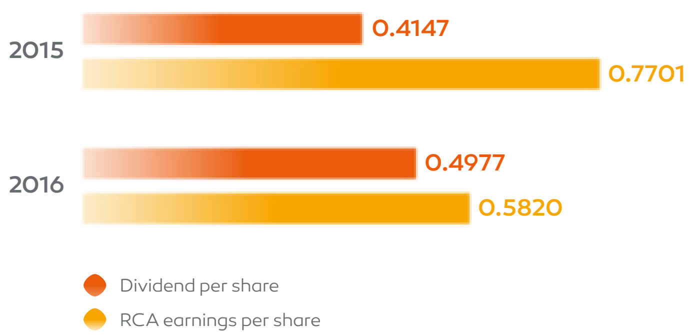
In 2017, Galp's Board of Directors will propose to the General Shareholders Meeting the distribution of a €0.497664 dividend per share, that is, 20% above the dividend related to the previous financial year.

Within the Company's objective of paying an interim dividend in September, a distribution corresponding to 50% of the proposed dividend for the 2016 financial year was made, in the amount of €0.248832 per share.

Thus, based on the share price on December 31, 2016, the dividend yield of the Galp share was 4%.

In May 2016, Galp's General Shareholders Meeting approved a dividend of €0.41472 per share for the 2015 financial year.

Dividend and net income (€/share)



Galp will continue to ensure it has the capital required to implement the planned investment programme, which is critical to the success of the strategic execution. Maintaining its financial discipline and capital structure continues to be a priority for the Company, taking into account the macroeconomic context, the investment opportunities and the generation of cash flow.

General Shareholders Meeting

In 2016, Galp's Annual General Shareholders Meeting was held on May 5 and its agenda included the approval of the 2015 Annual Report and Accounts, the deliberation on the proposal for the application of results for that year, and the general appreciation of the members of the Company's corporate bodies, in particular the Board of Directors.

In 2016, 130 shareholders representing approximately 74% of the Company's share capital attended the General Meeting in person, duly represented or voted by mail. All the proposals submitted in the year to the deliberation of the General Shareholders Meeting were approved by a majority of votes.

Bondholder information

In 2013, Galp launched a programme for the issuance of medium-term debt instruments, the Euro Medium Term Note (EMTN).

The Company made two debt issuances under the programme, in 2013 and 2014, for a total amount of €1 bn. These securities were listed on the London Stock Exchange.

Debt issuance under the EMTN programme

Title	ISIN	Date of issuance	Maturity	Amount	Coupon	Yield at year end (%)	Var. since pricing (bp)
Galp 4.125% 01.2019	PTGALIOE0009	25-11-2013	25-01-2019	€500 m	4.125%	0.75	-349.9
Galp 3.000% 01.2021	PTGALJOE0008	14-07-2014	14-01-2021	€500 m	3.000%	1.65	-147.5

Sell-side coverage

Galp's notes traded in the capital markets are followed by fixed income analysts which publish their credit analysis on the Company. Visit the Investor section of Galp's website for more information.

Exchangeable bonds

In September 2010, Parpública issued bonds exchangeable into Galp shares, for its entire 7% stake. The bonds have a maturity of seven years and pay a 5.25% coupon. The exercise price was set at €15.25, dividend adjusted.

In May 2013, Amorim Energia issued bonds exchangeable into Galp shares, corresponding to approximately 3% of the Company's share capital. These bonds mature in 2018 and pay a 3.375% coupon. The exercise price was set at €15.89.

Galp in the main sustainability indexes

In 2016, the Company was once again recognised for its practices leading to the creation of sustainable value, continuing to be included in different sustainability indexes, notably the included in the Dow Jones Sustainability Indices (DJSI) and in CDP's "The Climate A List" – Driving Sustainable Economies (CDP).

Dow Jones Sustainability Indexes

For the fifth consecutive year Galp has been included in the DJSI Indices, having been one of the three companies selected in the Oil & Gas Upstream and Integrated sector within DJSI Europe and one of the 10 in the DJSI World.

CDP – Driving Sustainable Economies

Galp was included for the second consecutive year in CDP's "The Climate A List", having been recognised as a global leader for its actions and strategies in response to climate change, reflecting Galp's strategy, commitments and actions regarding energy and climate.

Galp is among the five companies in the energy sector globally that were included in “The Climate A List”, which integrates only 9% of the total companies worldwide that take part in the CDP.

Engagement with customers

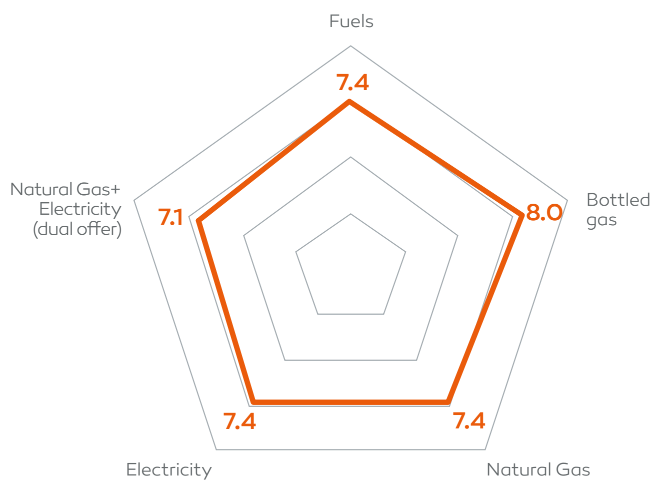
Galp continuously develops processes for monitoring and following-up the expectations and needs of its customers, establishing as an objective to ensure an adequate and competitive offer of products and services. To measure its performance, Galp employs the European Costumer Satisfaction Index (ECSI), a methodology for measuring the quality of goods and services.

In addition to providing an assessment of the various products and services, in terms of image, expectations, loyalty and satisfaction, among others, this tool also provides a platform for comparison at organisational, sector and country levels.

During 2016, the results and leaders in the various markets, in Portugal, were announced, as shown in the chart below.

Results of the ECSI in Portugal in 2016

Global Satisfaction



Scale: 1 (weak) - 10 (strong). From 6 the customer is considered as being satisfied.

Digital transformation and focusing on customer experience demands the implementation of continuous innovation, not only in products and customer experience, but also in the Company's operational model. Galp aims for a greater customer interaction, ensuring greater availability and range of integrated services.

For more information on customer management framed in the business model, refer to the Refining & Marketing and Gas & Power sections in 3. Strategy execution.

Engagement with suppliers

Galp is committed to build sound and prosperous partnerships based on transparent relationships which promote continuous improvement and value creation throughout the supply chain. To this end, Galp has effective tools for the analysis and assessment of its suppliers.

In order to strengthen the alignment of practices between suppliers and business partners and the principles and references established by the Company, the values of ethics, transparency and respect for human rights, protection of people, environment and assets are integrated into the purchasing process.

Galp manages the risk exposure of its supply chain by implementing various tools for this purpose, in particular through its collaborative purchasing platform; through the supplier qualification process, based on a pre-qualification analysis and on external audits; and also in the valuation of the Health, Safety and Environment (HSE) certifications and quality of suppliers.

In 2016, a total of €437 m of direct purchases were made, excluding raw materials and purchases related to non-operated projects, distributed by 3,654 suppliers, of which 1,806 are suppliers with contracts exceeding €5 k. It should be noted that there was an annual increase of 37% in the total number of HSE and quality certifications related to contracted suppliers.

Within the E&P assets not operated by Galp, the acquisitions of goods and services are governed by Joint Operation Agreements (JOA) with the business partners. These agreements ensure the alignment, among all business partners, on the criteria of quality, social responsibility and HSE for the pre-qualification of suppliers in the purchasing processes. Local contracting is a requirement, varying according to geography and taking into account the specificities of the concession contracts.

Involvement with the community

The relationship with stakeholders is of strategic value to Galp, contributing to greater proximity, trust and risk minimisation. With the aim of creating shared value, the Company addresses social needs, in line with the Sustainable Development Goals, for each context and geography where it develops its activities.

Galp has been structuring its action with the main goal of maximising the benefits generated in the local communities, having established in its Community Investment policy the following principles:

- aligning its action with the reality of the communities where it operates;
- focusing on energy solutions;
- acting in the areas of health and social welfare, of education and training, and of environment and energy efficiency;
- promoting the involvement of the stakeholders in each community;
- creating conditions for social innovation and the promotion of social and inclusive businesses;
- monitoring and optimising the results generated by each contribution.

Taking into account the diversity of Galp's operations in the different geographies, its different economic, social and cultural contexts and realities, criteria have been set for defining Investment Programmes in the Community. The criteria, as well as the description of all the programmes are available on Galp's website.

Community investment programmes

Promoting access to energy in communities in Mozambique

In partnership with Fundação Galp Energia (Galp Foundation), the Company has a project underway for the installation of solar panels in schools, clinics and administrative posts in Mozambique. This programme is set within the stategy of investment in the community and aims to "ensure access to reliable, sustainable, modern and affordable energy for all" (SDG 7).

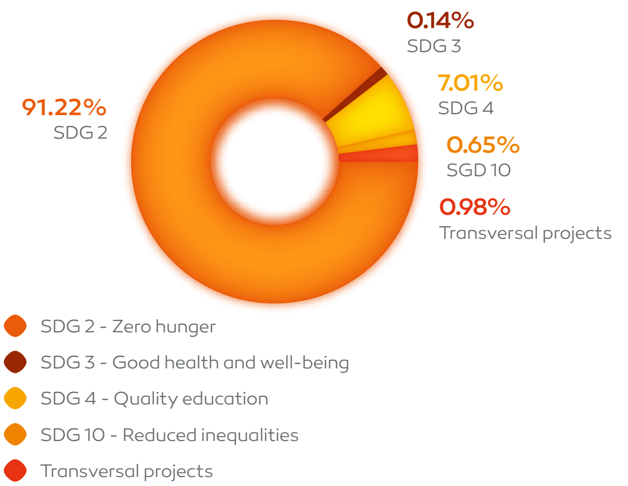
Galp Solidária

In 2013, Galp established a protocol with Confederação Nacional das Instituições de Solidariedade (Portuguese Confederation of Charities), União das Misericórdias Portuguesas (Union of Portuguese Charities), União das Mutualidades Portuguesas (Union of Portuguese Mutual Societies), and, in 2014, with Federação Nacional de Cooperativas de Solidariedade Social (Portuguese Federation of Social Solidarity Cooperatives), which provides special conditions, under the Galp Solidária brand, for the access to its integrated offer of products and services.

Galp Voluntária

In 2011, Galp created Galp Voluntária with the purpose of promoting a culture of social responsibility and citizenship in the Company. The Company gives its employees the possibility of using 48 hours a year for corporate volunteering. Since its creation, Galp Voluntária has been focusing on the development of actions that aim to deepen the Company's proximity relationship with the community, whilst involving and motivating its employees. In 2016, 17 corporate volunteering actions were developed, resulting in a total of 35,475 volunteering hours, involving 2,004 volunteers.

Investment in Volunteering by SDG



Missão UP and Missão Power Up

Missão UP | Unidos pelo Planeta (United for the Planet) is an educational project on energy efficiency developed by Galp since 2010, that was extended, from 2013, to the project Missão Power UP (Power UP Mission), which uses an innovative educational platform, available online. This project, which contributes to adopting more efficient activities and behaviours, is directed at students from the first to the third year of education and also their teachers, parents and guardians. Over the last six school years, more than 3,000 energy classes have been taught, reaching more than one million students with the project and its themes.

Galp's educational projects, Missão UP | Unidos pelo Planeta and Missão Power UP (UP Mission | United for the Planet and Power UP Mission) were recognised in 2016, once again, by the Energy Globe Awards. This is the most prestigious environmental award distinguishing regional, national and global projects that preserve resources such as energy or use renewable sources or emission-free sources.

Measurement and assessment of social impacts

In order to promote the generation of results and benefits that are both long-lasting and transformative, Galp regularly monitors the performance of the projects developed in the community, evaluating the benefits they generate for the entities, including their direct beneficiaries, the environment and the Company. In this way, it aims to guarantee the careful and fair allocation of resources, as well as the optimisation of the results generated by each project. The goal is to induce opportunities for growth and wealth generation in the community, in a context of shared value creation among all stakeholders. To this end, the Company has been adopting several assessment and reporting methodologies, namely those listed below.

London Benchmarking Group (LBG)

Galp integrated the LBG methodology in 2012 and started reporting its contributions according to the criteria defined in this methodology. In 2016, new reporting metrics were included, namely the inclusion of indicators of contribution relating to the volunteers' own time.

	2016 (€)
Motivation	
Donations	2,412,806
Investment in the community	3,335,208
Commercial initiatives	335,028
Geographic breakdown	
Rest of Europe	3,013,910
Middle East and Africa	271,349
South America	2,797,783
Subject/focus	
Education	996,764
Health	817,511
Economic development	0
Enviroment	938,205
Arts & Culture	528,302
Social welfare	2,139,817
Emergency relief	0
Other	662,444
Total excluding management costs	**6,083,042**
Total including management costs	**6,374,476**

Social Return On Investment (SROI)

In 2016, Galp began the assessment of its social projects in accordance with the SROI methodology.
This methodology is a cost-benefit analysis of the social value generated by the intervention of the organisations, which allows to assess and select projects, to invest in those that present greater impact potential.
Two projects were assessed during the year:

- Galp Solidária, with a SROI of 1.3:1, meaning that for each Euro invested in the programme, it creates €1.30 of social value;
- renovation of social facilities in the Lisbon region, with a SROI of 2.22:1, meaning that for each Euro invested in this initiative, €2.22 of social value was created.

Learn more about the Company's application of SROI on Galp's website.

Galp Foundation

In fulfilling its social mission, Fundação Galp Energia developed in 2016 a wide range of projects in its three priority areas of intervention: social development, energy and environment, and culture. Of these, there was a greater focus on the first, intervening not only in response to social emergency situations but also in the aspect of social inclusion in schools and in the promotion of access to knowledge.

To that effect, several programmes and projects have been developed, based on partnerships with entities that deal with these realities in the field.

Find out more about the projects and social initiatives developed in 2016 by Fundação Galp Energia at www.fundacaogalpenergia.com.

5.3.

Valuing human capital

In an increasingly competitive world, the Oil & Gas industry faces the challenge of competing for talent. It is crucial to ensure that it attracts and retains well-prepared employees in the current global context of high volatility.

Sustainable Development Goal

SDG 5

Gender equality
Achieve gender equality and empower all women.

SDG 8

Decent work and economic growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

It is essential to attract the right talent, to enhance learning and to plan correctly for successions, in order to efficiently guarantee the Company's strategic execution.

By the end of 2016, Galp had a total of 6,475 employees, of which 2,939 were allocated on-site, this is, to service stations in the Iberian Peninsula and Africa. Of the total number of employees, 228 were allocated to E&P, 5,482 to R&M and 178 to G&P.

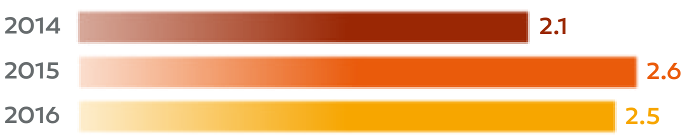
		Age distribution			Distribution by gender		Distribution by nationality	
Professional category	TOTAL	< 30 years	30-50 years	> 50 years	Men	Women	Portuguese	Other nationalities
Top managers	54	0	23	31	50	4	43	11
Middle managers	183	1	93	89	139	44	153	30
First line managers	426	2	280	144	266	160	345	81
Specialists	1,671	187	1,105	379	1,037	634	1,075	596
Other	4,141	482	2,865	794	2,330	1,811	1,890	2,251
TOTAL	**6,475**	**672**	**4,366**	**1,437**	**3,822**	**2,653**	**3,506**	**2,969**

Note: compared to previous years, the reported figures do not include employees of the GGND, according to the Company's accounting rules.

Galp considers it fundamental to promote diversity and equal opportunities in creating a multicultural and innovative organisational environment. During 2016, in the context of gender equality, Galp renewed the commitments made at the Fórum de Empresas para a Igualdade de Género (Portuguese Business Forum for Gender Equality) and triggered an internal review on this topic. This project aimed to perform a diagnosis in order to define the vision on gender equality for the Company, over five and ten years, and to structure an action plan with its respective communication and awareness actions.

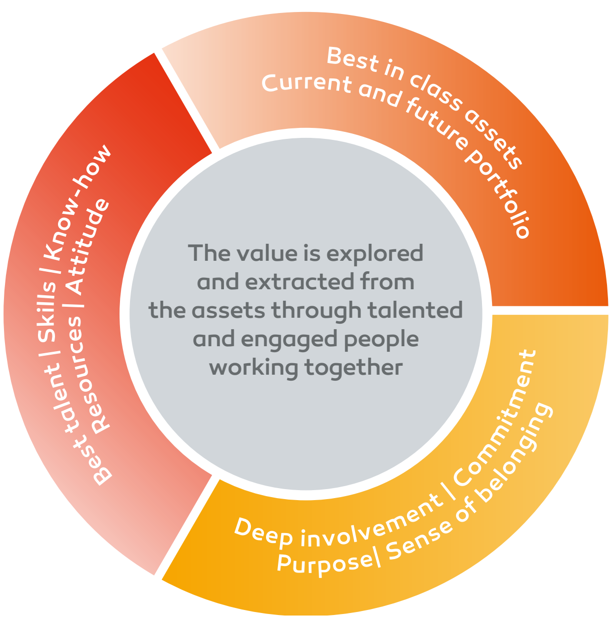
In 2016, the turnover rate, expressed in the voluntary departure of employees.

Employee turnover (%)



Human capital strategy

Galp positions itself as a competitive employer, offering conditions to attract, develop and retain its people, taking into account the strategic and context challenges faced by the Company.



In order to create value to all stakeholders, through an adaptable, inspired and committed workforce, Galp has defined a human capital strategy focused on the following areas of activity: recruitment; induction; development; learning and training; performance management; reward, as well as in information systems that support these processes.

The human capital strategy aims to promote value creation based on partnership, continuous learning and high performance, in order to support the sustainability of Galp's business.

In 2016, the performance management model, the learning and training strategy and the talent and potential management programmes were redefined, among other actions. These are structural changes that reflect a corporate culture based on autonomy, responsibility and meritocracy, and governed by Galp's values: agility, partnership, innovation, sustainability and trust.

Performance management

In 2016, Galp defined a new performance management model based on a continuous feedback culture. Among the main changes introduced by the new model, it must be highlighted: its universality; the focus on motivation and development of people; guidance for meritocracy; coherence and integration, and objectivity. The new model particularly values the behavioral skills directly related to Galp values, due to the recognition of the importance of "how you do" and not just "what you do". Finally, the model's ability to differentiate the degree of responsibility in achieving the objectives is also highlighted.

In 2016, the performance appraisal process covered approximately 97% of the Company's employees. Also, 87.6% of the 581 first line managers, middle managers and top managers were assessed according to the 360° Methodology, covering a total of 730 employees in 2016.

Reward strategy

The process of redefining Galp's reward strategy began during 2016, exploring the application of the total compensation concept. The aim is to extend the scope of remuneration beyond the basic salary concept.

In order to reinforce and enhance desired behaviours, in line with its culture and values, Galp is developing new recognition programmes, while creating greater proximity between employees and strengthen teamwork.

People development

Galp believes that employees are a key factor in the success of the strategic execution and that only empowered and committed people can contribute to deliver the anticipated results. Galp redefined its talent management strategy based on the identification and assessment of the following features:

I. technical and behavioural performance;

II. motivation and ambition;

III. commitment to the Company.

The combination and intersection of these features are meant to reflect talent@Galp. Talent at Galp must reflect the Company leaders' behaviour, whose roles must go far beyond hierarchical and structural formality. Leaders should be visionaries, should lead by example and according to Galp's values. Leaders are expected to motivate and to be drivers of change.

In 2016, Galp had a set of programmes for the development of its human capital.

- **Generation Galp** – a programme aimed at recruiting young graduates of high potential and with a remarkable ability to obtain results in highly demanding and competitive environments, contributing to the rejuvenation of strategic positions at Galp. The 2015/2016 programme ended with a retention rate of 100%, with 37 participants having been admitted. Since 2008, the cumulative retention rate of this programme was 87%, reflecting the value proposition presented by the Company.
- **Mapping Potential** – 145 employees have been assessed in 2016. Within this programme, and for these employees, assessment tools were developed, particularly individual reports, personal career development plans and specific training.
- **Assessments under FormAG** (Leaders for the Future, Developing Leaders and Maturing Leaders) – 283 employees have been assessed since 2010. In this programme, assessment takes place after the beginning of the training courses and the reward is continuing to be part of this programme in the long term.

Galp has defined a new learning and training strategy, based on the 70:20:10 model and aligned with a new culture and organisational values, focusing more on learning methodologies that foster experience (using laboratories) and informal skills development (coaching, mentoring, employee resource groups, social learning).

Model 70:20:10, by McCall, Lombardo and Eichinger

- 70% of on-the-job learning, through practice and experience in the work context;
- 20% informal and social learning, through others, such as managers and colleagues;
- 10% formal learning, through courses and typical classroom training.

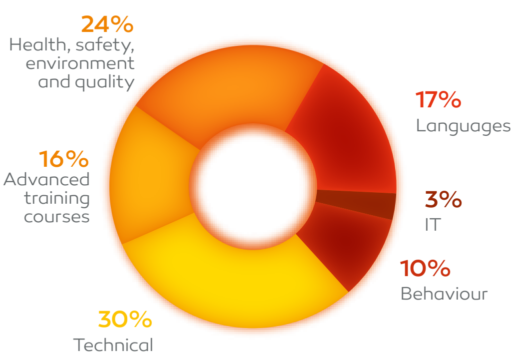
The Company has several training models, with specific objectives, which look into converging in an advanced training center, promoting integrated training projects, oriented to the development of management, technical and behavioural skills.

- **FormAG - Advanced Management Training Course**
  - It has trained 748 Galp first line managers since 2010.
  - Training hour load in 2016: 13,023
- **EngIQ - Doctoral Programme in Refining, Petrochemical and Chemical Engineering**
  - It has graduated 170 Galp employees through the course of eight editions and 32 doctorates were concluded in a business environment.
  - Training hour load in 2016: 3,340
- **CompeC - Advanced Training Course in Business Skills**
  - Since 2013, 218 customer managers have been graduated in Portugal and Spain, corresponding to the total number of eligible employees.
  - Training hour load in 2016: 3,344
- **MScEP - Masters in Petroleum Engineering**
  - Until its 3rd edition, it has graduated 74 young employees for the E&P area.
  - Training hour load in 2016: 10,500
- **CFO Simulator**
  - In the first two editions, it covered a total of 51 employees.
  - Training hour load in 2016: 624

- **Ace Academy**
  - In the first edition, it covered a total of 25 employees.
  - Training hour load in 2016: 1,500
- **Corporate Finance**
  - In the first edition tailored-made to Galp employees it covered a total of 34 people.
  - Training hour load in 2016: 2,380

From the new approach to the training model, it must be highlighted the training focused on the accelerated development of personal skills and an advanced training in corporate financial management.

Training in 2016 - main areas



In 2016 there were 196,806 hours of training.

Organisational climate

It is a strategic objective for Galp to create an organisational climate that fosters a sense of belonging, with a career and development perspective, so that each employee feels the motivation and the sense of mission needed to carry out their job. This strategy allows each employee to reach their full potential, maximising the return on the Company's investment in its people.

The organisational climate diagnosis, which is done annually, aims to identify improvements in management practices, with a direct impact on people, in order to leverage organisational performance and map opportunities. In this survey, different dimensions are assessed, such as autonomy, career, diversity, collaboration, communication, leadership, reward, recognition, strategy, culture and values. These are analysed to identify strengths and improvement opportunities to be developed.

In 2016, the climate diagnosis had a global participation rate of 67%, this is 3,305 employees, and its result showed the following positive aspects of Galp:

- strategic alignment within the Group;
- spirit of collaboration and good relationship between colleagues;
- training and development;
- environment, health and safety at work.

On the other hand, the following improvement opportunities have been identified, which will be considered in the human capital development programmes:

- work-life balance;
- career development and compensation and benefits.

After this diagnosis, Galp will continue in 2017 with actions that galvanise the culture and values of the Company, enhancing engagement.

5.4.

Energy and climate

Is Galp's goal to maintain a balanced business portfolio, gradually investing in low carbon technologies, in natural gas projects and the use of new energy, in order to manage the expected evolution in the global energy mix.

Sustainable Development Goals

SDG 7 **Affordable and clean energy**
Ensure access to affordable, reliable, sustainable and modern energy for all.

SDG 13 **Climate action**
Take urgent action to combat climate change and its impacts.

Producing and delivering sustainable energy

As part of the decarbonisation of the economy, Galp is committed to contribute to meeting the energy needs of the future in an efficient and responsible way, taking into account the challenges of energy and climate.

Galp believes that a sustainable strategy ensures greater competitiveness and enables anticipating and managing opportunities and risks related to climate change, promoting the protection of long-term value.

The structural transformation of energy demand in the global economy entails the creation of innovative and technologically sustainable solutions, at the economic, environmental and social levels, and therefore the Company has been actively promoting research.

Achieving global objectives requires ensuring energy efficiency and minimising the intensity of GHG emissions along the value chain, as well as the ability to adapt to the effects of climate change. These are conditions for Galp's operations, products and services, and constitute areas of action with customers and business partners.

The inclusion of carbon price in the assessment of investment projects represents a tool to reflect the overall objective of limiting average temperature rises. It is also a way of positively influencing the necessary technological transitions leading to maximising energy efficiency and minimising the carbon footprint of activities and products. Galp assumes this as a criteria in the valuation of its new projects.

+ In 2016, Galp was included for the second consecutive year in The Climate A List, within the initiatives and strategies related to climate change, by the prestigious CDP – Driving Sustainable Economies index.

+ Admission to the We Mean Business coalition, included in the NAZCA Tracking Climate Action initiative, part of the United Nations Framework Convention on Climate Change (UNFCC).

Learn more about the Climate Change Policy and Strategy, on Galp's website.

In 2016, continuing the open dialogue with stakeholders and their active participation in the processes of legislative and regulatory development, together with BCSD Portugal, the Business Council for Sustainable Development, Galp promoted and leads the "Meet 2030" project.

Projeto Meet 2030 - 40 companies take part in a collaborative way in the proposal of solutions for achieving the goal of Portugal's carbon neutrality.

Galp advocates the adoption of responsible policies based on a strategy for the reduction of the activity's carbon intensity, based on a single market, cost-effective and sustainable in the long-term, shared throughout the world, transparent to society and whose main focus is more on reducing emissions rather than setting specific targets for energy production and energy efficiency.

Galp's role in decarbonising the economy

Responsible E&P activities

Natural gas plays a key role in reducing global emissions in a low carbon transition economy.

Galp is committed to delivering the energy of the future, namely through the implementation of its development projects in Brazil and Mozambique, which include assets among the most competitive and resilient in the industry.

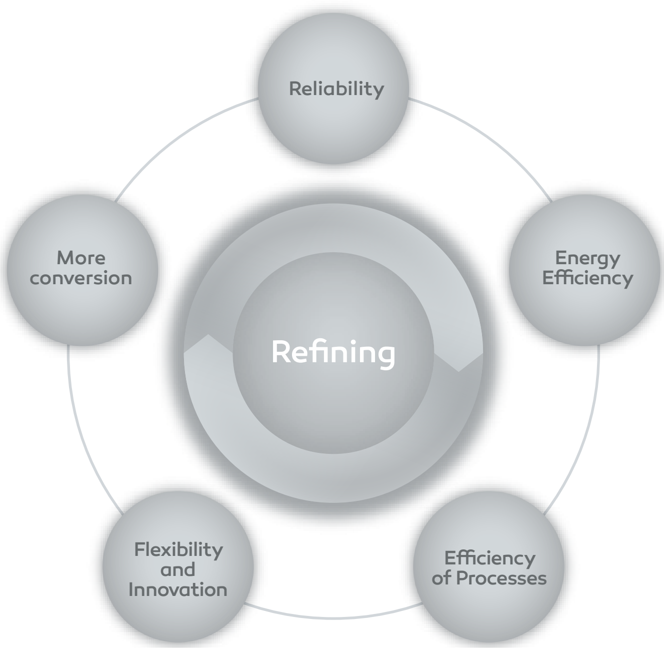
Galp develops and implements its E&P projects having operational and energy efficiency as a premise, seeking to minimise its carbon intensity.

CO_2 management in the pre-salt

Although there is no regulation in Brazil that requires the injection of CO_2, the partners in block BM-S-11 have taken the initiative, to separate and inject the CO_2 from the natural gas produced since the beginning, reducing the operation's ecological footprint and optimising the maintenance of the reservoir's pressure. This separation is carried out in the production unit through the selective permeation method, with the CO_2 being injected back into the reservoir using the WAG method.

Energy efficiency and carbon intensity reduction in refining

Galp's refining activity is guided by a strategy aligned in five performance axes.



In 2016, Galp invested €4.1 m in eco-efficiency projects in the Sines refinery, avoiding the emission of more than 23 kton of CO_2 equivalent.

The development of these axes is based on principles such as the efficiency of resource consumption, the development of innovative and lower carbon intensity production processes, and taking into consideration the low carbon scenarios in the medium and long-term.

The success of the refining strategy is assessed independently against international benchmarks, in particular with regard to positioning in terms of reliability and energy efficiency. The goal is to achieve the first quartile Solomon reference for Western Europe by the end of the decade and to increase the integration of the refining system.

In 2016, the Matosinhos refinery started using exclusively gas for energy production, consolidating and maintaining the position in the first reference quartile of Western Europe in energy efficiency.

At the Sines refinery, there was a reduction of 1.4 percentage points in the energy intensity indicator (EII) compared to 2015, through a series of initiatives, such as the application of variable speed drives in the atmospheric distillation units and catalytic reformer.

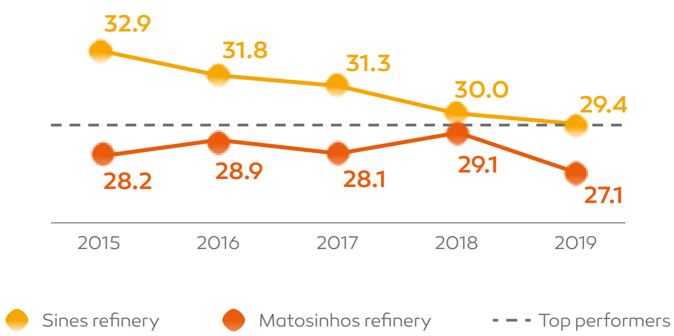
Reduction of 11% of the hydrocracker's total electricity consumption

Through the implementation of an innovative solution, the application of a continuous output electric system in a hydrocracker and the introduction of a power recovery process turbine, a reduction equivalent to 11% of the hydrocracker's total electricity consumption (equivalent to 2.5 MW) was achieved, which corresponds to 857 kg of equivalent CO_2 avoided.

The Sines refinery is expected to reach, by 2019, the first quartile reference in energy efficiency, following the reconfiguration of the atmospheric distillation's heat recovery train and the implementation of a flare gas recovery system.

These projects will contribute to reduce further the carbon intensity of its operation.

Evolution of carbon intensity (kg CO_2/CWT)



Biofuels

Galp is present across the biofuels value chain, including the production of raw materials and the production of biofuels. The Company produces palm oil in Brazil, which includes a fresh fruit bunches (FFB) production process, having produced 101.3 kton in 2016, a 196% increase from 2015.

Downstream, Galp operates an industrial production unit in Sines, Enerfuel, dedicated to the transformation of waste oils and waste animal fats into second generation FAME biodiesel.

- Production of 19 kton of second generation FAME biodiesel.
- 438 k m^3 of biofuels incorporated.
- 907 kton of CO_2 prevented.
- 100% of biofuels with proven sustainability.

The Company will continue to diversify the residual origin raw materials for the production of second generation biodiesel, in order to contribute to reducing CO_2 emissions by 83% or more compared to conventional fuel emissions.

Galp complies with the introduction of biofuels in Iberia, in accordance with the objectives set by the European Commission and its Member States, in order to achieve the target of incorporating 10% in 2020, using the various renewable supplements at its disposal.

Energy efficiency in customers and business partners

Galp supports its customers in the implementation of energy efficiency and renewable energy projects, particularly focused at the business-to-business segment.

- 18 projects of energy services companies (ESCO) implemented since 2009.
- Over €5 m invested.

In this context, two programmes to promote energy efficiency must be pointed out: Galp ProEnergy SME and Galp Energy Manager.

Galp ProEnergy SME, focused on small and medium-sized enterprises (SME), was launched in 2015 in partnership with the Association of Energy and Environment Agencies (RNAE), the Institute for Welding and Quality (ISQ) and the company Sair da Casca. By the end of 2016, this programme was attended by more than 900 companies from different sectors, providing free training to top managers and decision makers on the best practices in the use of electrical energy. During the year, five training actions took place and 30 SME were distinguished with the Galp ProEnergy seal.

The Galp Energy Manager programme was created in 2016 in partnership with ISA Energy, and aims to equip SMEs in the industrial sector with monitoring, management and control tools. Continuous and real time consumption monitoring allows companies to know their energy profile, identify unnecessary consumption and monitor the effectiveness of the efficiency measures implemented. By the end of 2016, 134 contracts were signed with 116 companies with annual consumptions of 205 GWh/year.

Through this activity, Galp has been creating solutions and services that contribute to the achievement of the SDG, in what concerns the adoption of responsible production and consumption patterns.

The Company also continued its educational programmes, Missão Up and Power Up, through which it promotes the energy efficiency concepts to future consumers, inducing the adoption of new behaviours. Learn more about these programmes in "Involvement with the community".

Furthermore, in 2016, Galp held the 10th edition of the Galp 20-20-20 Programme, considered to be the biggest Portuguese research programme on energy efficiency.

This programme promotes the development of studies on the identification of rational energy systems and behaviours, applicable in industry and buildings, with the purpose of transferring knowledge and innovation between business and academia. Under this programme, Galp awards 21 research grants annually for the development of projects.

To learn more, visit Galp's website.

Galp 20-20-20 Programme

- 192 projects in 10 years
- Partnership with three universities
- Average return on investment period from the measures implemented: 3.8 years
- Student hiring rate: 22%
- Average energy consumption reduction of 9-12% and of GHG emissions of 12-15%.

Energy efficiency 2016

- 7,522 tep
- €2.7 m
- 19,380 t CO_2

Carbon footprint

Minimising carbon footprint, particularly by reducing emissions and the operations' carbon intensity, is a challenge, especially in a context of expanding activities. To this end, monitoring of carbon footprint is essential, and therefore Galp does it regularly and systematically, taking into account its evolution when defining the strategy, objectives and targets.

Galp's Carbon footprint

Emissions

unit: t CO_2e	Total 2014	Total 2015	Total 2016	Scope 1 2016	Scope 2 2016	Scope 3 2016	% without the use of products
Total WITHOUT using products	**3,997,326**	**4,435,548**	**4,532,691**	**3,759,931**	**717,950**	**600,810**	**100%**
Exploration & Production (Operated)	11,981	2,562	2,123	2,123	0	0	0.05%
Refining & Marketing	3,611,694	4,134,479	4,195,632	3,427,781	168,873	598,978	92.56%
Gas & Power	356,710	280,949	320,042	319,432	610	0	7.06%
Others	16,940	17,559	14,895	10,596	2,467	1,832	0.33%
Total WITH using products	**32,578,971**	**40,241,528**	**40,385,366**	**3,759,931**	**171,950**	**36,453,485**	**-**
Use of products	28,581,645	35,805,980	35,852,675	0	0	35,852,675	-
Exploration & Production (non-operated)	229,835	366,800	324,292	324,292	0	0	-

Direct emissions (Scope 1) - can be monitored directly by the company and refer to emissions due to fuel consumption in the company's facilities: furnaces, heat or steam generators, company vehicles. Indirect emissions (Scope 2) - caused by Company activity but using resources from other organisations: use of power grid, heat or steam, produced in non-company facilities. Indirect emissions (Scope 3) - emissions from consumption of fuel in non-Company facilities: hire cars, aeroplanes, waste burning, logistics, services.

The Company's carbon footprint in 2016 reached 4,532,691 tCO_2, 2% higher than in 2015, due to the increase in oil and gas production. However, the carbon emissions of refining activities (representing approximately 87% of Galp's scope 1 and 2 emissions) was reduced by 1.2% at the Sines refinery and by 1.4% at the Matosinhos refinery. Scope 3 GHG emissions are strongly constrained by the sale and consumption of petroleum products to third parties in each year under analysis (around 98% of the total scope 3 GHG emissions and 89% of Galp's total carbon footprint).

Under the EU Emissions Trading System (ETS), the refineries acquired 1,355,066 ton of emission allowances (EA) mostly for the production of electricity.

5.5.

Protection of people, environment and assets

Ensuring the protection of people, environment and assets throughout the entire life cycle is an indispensable condition for the operations. Galp distinguishes itself for the transparency in communicating its performance, allowing all the interested parties to follow its progress.

Sustainable Development Goals

SDG 3
Good health and well-being
Ensure healthy lives and promote well-being for all at all ages

SDG 7
Affordable and clean energy
Ensure access to affordable, reliable, sustainable and modern energy for all.

SDG 12
Responsible consumption and production
Ensure sustainable consumption and production patterns.

SDG 15
Life on land
Protect, restore and promote sustainable use of land ecosystems.

The Company has defined the following objectives:

- zero personal, material and environmental accidents with significant impact – classes 3 and 4;
- becoming a leader in the sector in terms of the accident frequency index (AFI) by 2020;

Target for the LTIF in 2017: 0.6

- ensure the incorporation of sustainability requirements throughout the life cycle of assets and activities, consistent with the SDG;
- continuing to reduce the consumption of resources by activity level;
- maintain the trend of reducing atmospheric emissions by activity level;
- increase the portion of recoverable waste;
- reduce containment losses, maintaining zero accidents with environmental damage.

Refineries' objectives and targets

Sines refinery

Indicator	Units	Performance 2016	Target 2017
Standardised total water consumption per treated or processed feedstock	m^3/ton	0.53	0.60
Standardised NO_x emissions per treated or processed feedstock	g/ton	93.3	94.0
Standardised SO_2 emissions per treated or processed feedstock	g/ton	418	460
Emissions of standardised particulate matter per treated or processed feedstock	g/ton	11.8	15.0

Matosinhos refinery

Indicator	Units	Performance 2016	Target 2017
Standardised total water consumption per treated or processed feedstock	m^3/ton	0.60	0.51
Standardised NO_x emissions per treated or processed feedstock	g/ton	88.6	90.0
Standardised SO_2 emissions per treated or processed feedstock	g/ton	31	30
Emissions of standardised particulate matter per treated or processed feedstock	g/ton	8.5	10.0

The established goals follow the principles of continuous improvement considering the activity plans.

The commitment, management's leadership, skills and training of its employees are critical factors for success and achieving the goal of ensuring the protection of the environment, people and assets. In 2017, Galp will launch an advanced training programme on HSE and quality.

Galp establishes sustainability performance indicators at the various levels of the Company, namely those associated with the objectives and targets of HSE and quality. These commitments, targets and objectives are available on Galp's Sustainability Section (website).

The life cycle model approach in operations

In an external context as dynamic as it is today, and given the specifics of the sector in which it operates, Galp recognises the need to integrate, totally and systematically, the sustainability aspects into the management of all phases of its assets and activities.

The life cycle model adopted by Galp defines phases and stages of decision making throughout the process of identifying and developing a business opportunity. The requirements to be met and the documents to be supplied depend on the level of risk identified for each dimension.

This action allows obtaining the approval of the competent entities and the consent of the other interested parties, this being the condition for maintaining the "social license" to operate.

Assessment of risks and opportunities	To ensure success, it is necessary to assess the environmental, social, health and safety risks and opportunities by applying internal methodologies based on reference standards.
Materialisation of Galp's commitments and policies	The commitments made are materialised in specific requirements to be met, referred to as sustainability requirements (e.g., environmental, social, health and safety requirements).
Applying a life cycle approach	A management approach that takes into account the whole life cycle enables the identification, assessment and integration (compliance) of the sustainability requirements applicable at each development stage of a given business opportunity, from opportunity identification to decommissioning.

This approach will support the decision-making process and contributes to the implementation of the business plan investments, within budgets and deadlines.

Management system

Monitoring of the results of the Environment, Quality, Safety and Energy (EQSE) audits, along with the respective key performance indicators – that make up the balanced scorecard (BSC) of business and management units – are relevant management tools.

During 2016 37 EQSE audits were carried out, involving 62 internal auditors and 22 external auditors. The internal audits carried out the following observations and actions:

344 findings	131 non-conformities	213 improvement opportunities
316 actions	141 arising from non-conformities	175 arising from improvement opportunities

In 2016, there was a positive evolution on the follow-up processes of actions arising from audits.

In 2016, Galp maintained the 35 certifications of its management systems, in the areas of Environment (ISO 14001), Quality (ISO 9001), Safety (OHSAS 18001), Energy (ISO 50001) and laboratory accreditations (ISO/IEC 17025). The certification of suppliers is also a relevant aspect for Galp, in particular for biofuel production activities.

Learn more about audits and certifications on Galp's website.

Environmental protection

Galp guarantees the incorporation of the principles of environmental prevention, eco-efficiency and environmental impact valuation in its operations.

In 2016, Galp invested c.€30 m in protecting people, environment and assets. In the refining area, through measures on energy efficiency, water reuse and waste recovery, Galp achieved savings of around €24 m.

In addition to the economics, the environmental results achieved were also positive:

76%	73 %	87 %
reduction of NO_X emissions	reduction of SO_2 emissions	reduction of particulate matter emissions

Results compared to 2006.

For more information on the objectives and targets associated with the operational eco-efficiency of refining, visit Galp's website.

Sustainable management of soils, water resources and biodiversity preservation

Galp's action with regard to soil and groundwater management, water resources and biodiversity preservation is responsible and proactive. In addition to the proper management of its potential impact in this domain, it communicates regularly and transparently the mapping of its operations according to the risk associated with the use of the water resource (GWT) and its interaction with the areas of biodiversity conservation and protection (IBAT). Learn more on Galp's website.

During the 2016 financial year, the amount of provisions to face environmental liabilities, particularly in terms of soil and groundwater protection and abandonment of E&P blocks, was €139,060 k. Please see "Provisions" under Appendix 8.1 Consolidated accounts for more detail.

A responsible exploration and production activity

Environmental and social management in São Tomé and Príncipe

Galp is present in four offshore blocks in São Tomé and Príncipe, operating block 6 with a 45% stake. Under the planned exploration programme, the acquisition of seismic 3D is planned for 2017.

Within the scope of the environmental license granted by the Government of São Tomé and Príncipe, Galp undertakes to respect the laws and regulations applicable in this geography, as well as to follow the best international practices and standards applicable.

The Environmental and Social Impact Assessment carried out assessed the potential impact arising from this activity and, where appropriate, mitigation measures were identified to minimise any potential adverse effects to levels as low as reasonably achievable.

The Environmental and Social Management Plan, associated with the planned activities, will ensure the implementation of the proposed mitigation measures, namely those related to:

- waste management;
- prevention and management of emergencies, including a contingency plan for hydrocarbons spills;
- protection of mammals and sea turtles;
- communication and reporting.

The plan will be monitored periodically during the project. Given possible uncertainties and changes, Galp will ensure that the gaps are identified, the risks and uncertainties are assessed and that its activity will comply with the internal procedures concerning change management.

For more information on the guidelines and operational procedures adopted, visit Galp's website.

Galp monitors and reports its non-financial performance quarterly, namely the indicators related to natural, social and relationship, human, intellectual and productive capitals. To this end, it has a IT platform across the Group, created with the aim of ensuring transparency and reliability in the reporting process.

Indicador	2013	2014	2015	2016	Refining[1]
Direct energy consumption by primary sources (TJ)	48,919	44,922	49,286	**45,712**	99.0%
Purchase of electricity (TJ)	1,781	1,862	2,008	**1,728**	89.2%
Total consumption of raw water (10^3 m^3)	12,342	10,058	10,535	**10,176**	88.4%
Waste water (10^3 m^3)	5,691	5,562	6,543	**6,336**	91.5%
Waste produced (t)	20,631	22,680	25,434	**27,215**	86.6%
Number of primary containment losses discharged into the Environment [2]	20	11	8	**4**	-
Volume of primary containment losses discharged into the environment (m^3) [2]	30	10	99	**5**	-
GHG emissions under EU-ETS (t CO_2 e)	3,874,161	3,211,746	3,496,077	**3,424,131**	-
NO_x emissions – scope 1 (t)	2,145	1,295	1,691	**1,571**	-
SO_2 emissions – scope 1 (t)	7,508	5,134	6,008	**5,233**	-
Particulate matter emissions – scope 1 (t)	350	243	250	**183**	-
Carbon footprint – direct emissions (t CO_2 e) (scope 1)	4,148,633	3,481,132	3,766,626	**3,759,931**	-
Pegada de Carbono – indirect emissions (t CO_2 e) (scope 2)	154,510	161,626	273,458	**171,950**	-
Gas Flaring – E&P (m^3)	1,638,336	1,360,737	967,854	**783,168**	-
CO_2 emissions – Flaring E&P (t)	4,039	3,354	2,386	**1,964**	-
Volatile Organic Compounds (VOC) emissions - Refineries (t)	3,489	3,235	3,234	**N.D.**	-

[1] The refining activity is the segment with greater materiality in the environmental performance of the Company. [2] Includes containment losses> 150 l, excluding gaseous products.

Safety and health

Safety

The goal of achieving zero accidents is the driving force for the Company to act in accordance with the best safety practices. The purpose is to protect human capital – employees and contractors – as well as to preserve the Company's assets and the surroundings where Galp operates.

The recording and reporting of incidents is a common practice across the Company. In 2016, there was a significant improvement in Galp's LTIF, as a result of awareness-raising activities among its employees, with themes related to human factors. The near-accident analysis and the dissemination of lessons learned were reinforced.

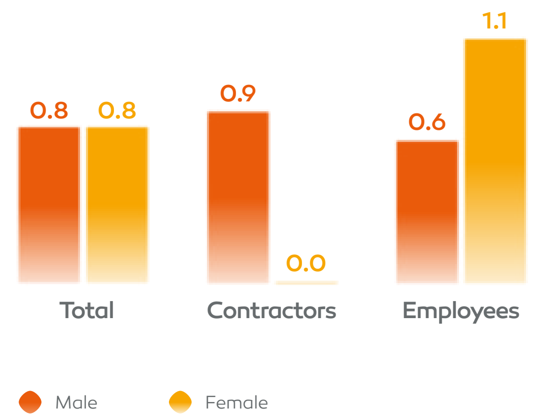
Lost time injury frequency (LTIF)

(no. of accidents per million hours worked)

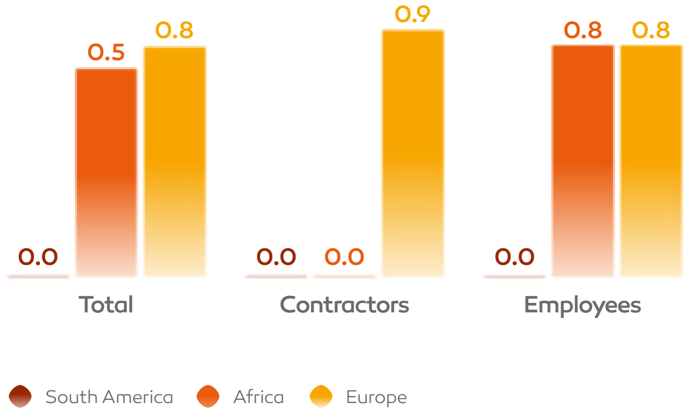
Evolution

	2014	2015	2016
Employees	2.0	1.9	**0.8**
Contractors	0.8	0.4	**0.8**
Total	**1.4**	**1.3**	**0.8**

LTIF by gender in 2016



LTIF by region in 2016

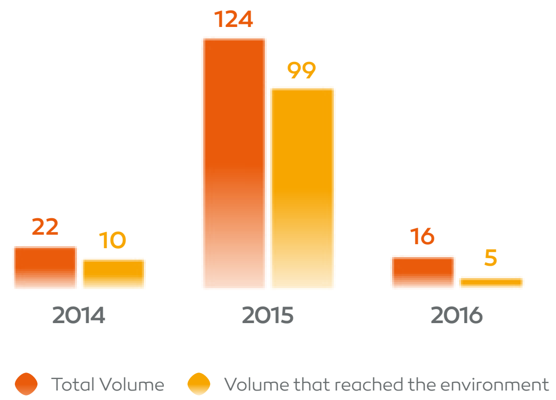


In order to minimise risk and protect the environment, Galp acts in the prevention of occurrences, in the preparation of emergency response and in the efficient operation in case of incidents.

With regard to containment losses, there was a total volume of containment losses of approximately 15,782 thousand liters in 2016, with about 5,425 thousand liters reaching the environment.

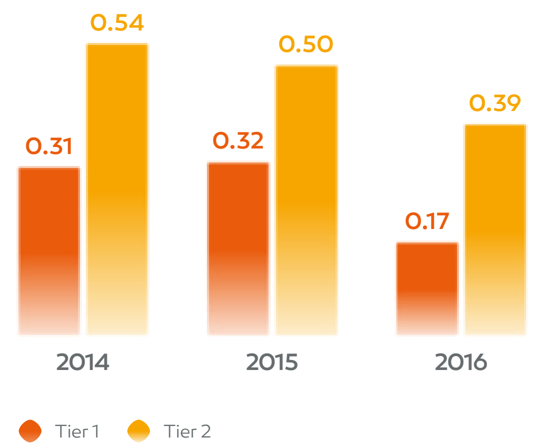
Learn more about containment losses on Galp's website.

Containment losses volume (m^3)



Galp's area of intervention is not restricted to accident management, as it also acts on product and process safety.

Process safety evolution



Learn more about the safety topics on Galp's website.

Security

Galp recognises the importance of assessing the security risk and the possible threats to which the Company is exposed to ensure the safety conditions of its employees and assets. The security strategy outlined intends to assess the risk levels of this aspect at the critical facilities of the Company and, consequently, to define active and passive measures aimed at reducing this risk.

Health

Galp continues to ensure an effective management of its employees' health, based on applying the best practices, as indicated by international bodies and in compliance with a set of normative regulations and internal guidelines.

The occupational health initiatives of 2016 encompassed two aspects: integrated health management and the promotion of wellness actions.

- **Monitoring and performance**
  Monitoring and reporting of key performance indicators, with awareness and prevention actions also being monitored and followed-up on.

- **Health risks**
  Health risk management. In 2016, special attention was given to the ergonomic risks in the head office building and the corresponding adaptation of the work stations was carried out.

- **Integrated health surveillance plan**
  Development and implementation of the integrated health surveillance plan, with effective results in terms of medical examinations.

- **Corporate Health Strategy**
  The corporate health strategy review process continued, and was extended to other geographies where Galp develops activities.

Promoting health and well-being

Galp develops a set of initiatives to promote health and well-being, adapted to the different geographies where it operates and to the various risks to which its employees are exposed to:

- training in epidemics and pandemics (malaria/HIV/Zika virus prevention programme);
- occupational health;
- prevention of ergonomic hazards;
- seasonal diseases;
- campaigns to promote health (prevention of obesity, cardiovascular diseases).

Learn more on Galp's website.

5.6.

Innovation, research and technology

In the current context of decarbonisation of the economy and increasing energy demand, innovation is one of the main drivers of growth and value generation.

Sustainable Development Goals

SDG 7
Affordable and clean energy
Ensure access to affordable, reliable, sustainable and modern energy for all.

SDG 8
Decent work and economic growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SDG 9
Industry, innovation and infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

SDG 17
Partnerships for the goals
Strenghten the means of implemention and revitalise the global partnership for sustainable development.

Galp is focused on overcoming business challenges, combining knowledge, skills and implementation. For this end, it has been promoting a culture of innovation, stimulating an entrepreneurial attitude and operating with active agents in the process of innovation. Galp actively promotes the research, development and implementation of technologies and solutions that contribute to the incorporation of sustainability principles into business models along its value chain.

The Company ensures the surveillance of the main variables of the business, promoting its scientific-technological empowerment and enhancing knowledge networks through partnerships with reference players and the management of the innovation projects' pipeline.

Galp has established the following key areas of activity:

Energy efficiency

Designing solutions to improve energy efficiency in our customers' facilities and in internal project implementation. We work towards the goal of turning our Company into a reference in its sector.

Differentiated renewable energies

Our value proposal resides in our commitment to offer integrated sustainable energy. This offer comprises of renewable energy and better energy efficiency.

Sustainable mobility

Presence in three axis:

- energy chain
- mobility management
- behavioural change

In 2016, it must be highlighted the strengthening of the business partners' ecosystem and the connection to national and international start-up networks. Within the partnerships, the following clusters of competencies were chosen as priorities: Industry, Digital, Media, Technology and Engineering, Mass Consumption and Services.

Extracting more value from E&P projects by investing in R&T

To overcome the technological challenges posed to E&P activities where it operates, Galp continued its investment in research and technological development:

- funding of around 100 masters and PhD scholarships by 2020;
- investment of around €100 m, by 2020, with the implementation of the R&D strategic plan for E&P activities in Brazil.

In 2016, several projects around four major technological areas began or continued, particularly in Brazil.

1.	**Oil production in carbonate reservoirs holding fluids with high percentage of CO_2**	Reducing CO_2 emissions is one of the most important global challenges. In this context, the technology for the capture, separation, and storage of carbon has been the subject of research and development, since it helps to minimise emissions. Of the projects initiated, seven are designed to capture and reuse CO_2.
2.	**Modeling of carbonate reservoirs**	The modelling of the geomechanical response of carbonate reservoirs has become particularly important in recent years, due to the geological heterogeneity that characterises carbonate reservoirs.
3.	**Flow assurance**	The hydrocarbons flow is one of our biggest operational challenges.
4.	**Production and equipment facilities**	Our focus within E&P is the deep offshore production of hydrocarbons. It is therefore vital to invest in technological innovation of production facilities and equipment.

To find out more about these programmes and their various axes of development, visit Galp's website.

Twenty projects were submitted to ANP and seven of these are focused on the extraction and reuse of CO_2.

Efficient R&D

The TOP-REF project continued in 2016. It was launched in 2014 by Galp in partnership with nine other entities and aims to increase energy efficiency in refineries. Within the EngIQ business doctoral programme, the following R&T projects, in the final stages of conclusion, must be highlighted:

- optimising the acid gas treatment network of the Sines refinery;
- advanced process control based on inferential sensors.

Sustainable mobility

As an integrated energy operator, Galp analyses the major trends in mobility worldwide.

Being a reference operator in Portugal, the Company has been promoting sustainable mobility in the country. In 2016, about 20% of the energy supplied by the electric mobility network (MOBI-E) resulted from chargings made in Galp's service areas. During 2016, the Company extended the fast electric charging network available at its service stations by installing ten charging stations, thus enabling an electric mobility corridor from North to South of Portugal. This initiative was supported by leading automotive brands such as BMW, Nissan, Renault and Volkswagen.

This dynamic reinforces the strategy to support sustainable mobility, which includes expanding the energy offer through the LPG network and the introduction of CNG.

Natural gas distribution and customer relations

Within the regulated activity of natural gas distribution in Portugal, Galp initiated a project in the context of the Internet of Things – IoT, in partnership with a telecommunications company, applied to the collection of information from the domestic gas meters.

Galp intends to reinforce its knowledge in the collection and use of digital information associated and use this information in its future service developments towards the domestic consumers.

6
Corporate governance

PART I

Information on the Company's shareholding structure, organisation and governance

A – Shareholding structure

I - Capital structure

1. Capital structure (share capital, number of shares, per shareholder, etc.), including unlisted shares, different categories of shares, rights and duties of the shares and the equity percentage that each category represents [Article 245(A) (1) (a)]

The share capital of Galp is €829,250,635, fully paid and represented by 829,250,635 shares with a par value of €1.00.

771,171,121 shares, corresponding to 93% of the share capital and voting rights are listed on Euronext Lisbon.

The remaining 58,079,514 shares are indirectly held by the Portuguese state through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not listed. These shares, which represent 7% of the share capital, are a special category of shares undergoing a privatisation process, and may be converted into ordinary shares on completion of this process, by simple request sent to Galp. Conversion is effective immediately on request, without the need for approval from any of the Company's corporate bodies.

Codes and tickers for the Galp share

ISIN	**GALP**	**PTGAL0AM0009**
	State-owned shares (shares subject to the privatisation process)	PTGALXAM0006
Sedol		B1FW751
WKN		A0LB24
Bloomberg		GALP PL
Reuters		GALP.LS

2. Restrictions on the transferability of shares, such as consent clauses for their disposal, or restrictions on share ownership [Article 245(A) (1) (b)]

Galp shares are freely transferable under the terms of the general scheme, with no statutory restrictions that may impede their transferability or ownership.

3. Number of treasury shares, corresponding percentage of share capital and percentage of voting rights corresponding to treasury shares [Article 245(A) (1) (a)]

On 31 December 2016, Galp held no treasury shares.

4. Significant agreements to which the Company is a party to and which take effect, are amended or terminated in the event of change of control of the Company following a takeover bid, as well as their respective effects, unless, by their nature, disclosure of such agreement would be seriously damaging to the Company, unless the Company is specifically obliged to disclose such information by virtue of other legal requirements [Article 245(A) (1) (j)]

Galp is not party to significant agreements that take effect, are amended or terminated in the event of a change of control of the Company following a takeover bid. In accordance with normal market practice, some financing agreements includes in the event of a change of control the possibility of a debt holders requesting early repayment of loans amounting to €468.3 million.

Galp does not adopt measures whose effect is to demand payments or the assumption of costs by the Company in the event of a transfer of control or change in the composition of the Board of Directors and which might damage the free transferability of the shares and the free appraisal of the performance of the members of the Board of Directors by the shareholders.

5. Regime governing renewal or revocation of defensive measures, in particular those which provide for limitation on the number of votes that can be held or exercised by a single shareholder individually or by agreement with other shareholders.

Galp's by-laws enshrine the one share, one vote principle, with no statutory provisions or other legal instruments providing for any limitation on the number of votes that can be held or exercised by a single shareholder or by agreement with other shareholders.

At the same time, Galp's by-laws do not contain any provisions intended to prevent the success of takeover bids or to establish any voting caps.

6. Shareholder agreements that are known to the Company and may result in restrictions on the transfer of securities or voting rights [Article 245(A) (1) (g)]

The Board of Directors is not aware of any shareholder agreements relating to Galp which could lead to restrictions on the transfer of securities or the exercise of voting rights.

II - Company shares and bonds held

7. Identification of natural or legal persons that, directly or indirectly, are holders of qualifying interests [Article 245(A) (1) (c) and (d) and Article 16], with details of the percentage of capital and votes allocated and the source and causes of allocation.

Similarly to other European countries, the shareholders and other entities must report to Portuguese Securities Market Commission (CMVM) and to Galp whenever the holdings that are attributable to them reach, exceed or fall below the limits of 2%, 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of the voting rights corresponding to the Galp share capital. The voting rights allocation situations listed in Article 20 of the Securities Code (CVM) can be viewed at www.cmvm.pt.

On 31 December 2016, qualifying holdings in Galp's share capital, calculated in accordance with Article 20 of the CVM and that were reported to Galp, are presented in the following table.

Qualifying holdings in Galp share capital on 31 December 2016

Shareholders	Number of shares	Percentage of voting rights
Amorim Energia, B.V.		
Holding	276,472,161	33.34%
Other attributable situations	0	0.00%
Total attributed	276,472,161	33.34%
Parpública - Participações Públicas (SGPS), S.A.		
Holding	58,079,514	7%
Other attributable situations	0	0%
Total attributed	58,079,514	7%
BlackRock, Inc.		
Holding	20,307,726	2.45%
Other attributable situations	0	0%
Total attributed	20,307,726	2.45%
Henderson Group plc		
Holding	19,465,726	2.34%
Other attributable situations	0	0%
Total attributed	19,465,726	2.34%
Standard Life Investments (Holdings) Limited[1]		
Holding		
Other attributable situations	24,142,849	2.91%
Total attributed	24,142,849	2.91%
Standard Life Investments Limited[1]		
Holding	n.a.	2.70%
Other attributable situations		
Total attributed	n.a.	2.70%
Templeton Global Advisors Limited		
Holding	16,870,865	2.03%
Other attributable situations	0	0%
Total attributed	16,870,865	2.03%

[1]On 20 March 2017, Standard Life Investments (Holdings) Limited notified Galp on the position achieved on 26 March 2015 by its affiliate Standard Life Investments Limited, which on that date increased its holding in Galp's share capital to 2.703%, above the 2% threshold. Pursuant to this change, the group's corresponding indirect holding in Galp increased to 24,142,849 shares, corresponding to 2.911% of voting rights.

Transactions in qualifying holdings during 2016

In early 2016, Templeton Global Advisors Limited (Templeton), BlackRock, Inc. (BlackRock) and Standard Life Investments (Holdings) Limited (Standard Life) held a 2.03%, 2.45% and 2.112% shareholding, respectively, in Galp's share capital, based on the information provided to Galp in April 2013, April 2014 and March 2015, respectively, which continued during 2016.

In February 2016, CI Investments Inc. (CI Investments) notified Galp that it reduced its indirect stake in Galp's share capital, and corresponding voting rights, from 2.01% to 1.96%, thus no longer having a qualifying holding therein.

In March 2016, Black Creek Investment Management Inc. (Black Creek) announced a reduction of its holding in the Company's share capital, and of the corresponding voting rights, from 2.05% to 1.97%.

In July 2016, The Bank of New York Mellon Corporation (BNYM) and Schroders plc (Schroders) announced a reduction of their holdings in the Company's share capital to 1.99% and 1.965%, respectively, i.e., below the 2% limit for qualifying holding eligibility.

In September 2016, Amorim Energia announced the sale, in a private offering through accelerated book building, 41,462,532 common shares, representing 5% of Galp's share capital, and now holds qualified holding of 33.34% of the Company's share capital and voting rights.

Also in September, Henderson Group plc (Henderson) announced an increase of its indirect holding in the Company's share capital to 2.34% of the share capital and voting rights.

In October 2016, Norges Bank announced an increase of its qualifying holding in Galp's share capital and voting rights to 2.09%, and decreased it to 1.84% during the same month.

8. Indication of the number of shares and bonds held by the members of the Board of Directors and the Audit Board

The number of shares held by or allocated to members of the Board of Directors and of the Audit Board, as well as changes occurred during the 2016 financial year, under Article 5 of the Commercial Companies Code (CSC), is presented in Annex 8.6 to this Report.

On 31 December, 2016, none of the members of the Board of Directors held any bonds issued by the Company.

On 31 December 2016, the Chairman of the Audit Board held Galp Energia, SGPS, SA EMTN Notes, maturing on 25/01/2019 and had performed no transaction of those instruments during 2016.

9. Special powers of the Board of Directors, in particular in respect of resolutions on capital increases [Article 245(A)(1)(I)], indicating, regarding such resolutions, the date on which the powers were assigned, the term during which the power may be exercised, maximum quantitative limit of the capital increase, the amount already issued under the allocation of powers and mode of implementation of assigned powers

Galp's Board of Directors has the typical powers of Company management set forth in corporate legislation for the respective corporate governance model. The by-laws do not provide for any special powers for that body, namely empowering the Board of Directors to make decisions on increases in Company share capital.

The General Shareholders Meeting held on 16 April 2016 granted the Board of Directors the power to acquire and dispose of Company treasury shares and bonds. The timing and size of transactions are determined depending on market conditions and a set of criteria defined and approved by the General Shareholders Meeting. These criteria are available on the Galp website.

The number of treasury shares may not exceed 10% of the Company's share capital at any time and the Board of Directors may decide on the purchase or sale of Company shares over a period of 18 months from the General Shareholders Meeting.

Regarding bonds, from the date of the relevant decision, the number of bonds to be purchased may not exceed the equivalent of 10% of the aggregate nominal amount of issued bonds. Bonds may be acquired or sold within 18 months from the General Shareholders Meeting by decision of the Board of Directors.

On 31 December 2016, Galp held no treasury shares or bonds.

10. Information about significant relationships of a commercial nature between the owners of qualifying holdings and the Company

In 2016, there were no significant relationships of a commercial nature between the owners of qualifying holdings and Galp.

B – Corporate Bodies and Committees

I - General Shareholders Meeting

a) Composition of the Board of the General Shareholders Meeting

11. Identification and position of the members of the board of the General Shareholders Meeting and term (start and end)

Under Article 11(2) of Galp's by-laws, the Board of the General Shareholders Meeting consists of a chairman, vice-chairman and a secretary, elected by the General Shareholders Meeting.

The members of the Board of the General Shareholders Meeting elected for 2015-18, starting on 16 April 2015 and ending on 31 December 2018, are the following:

Chairman: Daniel Proença de Carvalho

Vice-Chairman: Victor Manuel Pereira Dias

Secretary: Maria Helena Claro Goldschmidt

b) Voting rights

12. Any restrictions on voting rights, such as limitations on voting depending on the number or percentage of shares held, time limits for the exercise of voting rights or systems of enhanced equity rights [Article 245(A) (1) (f)]

Galp's by-laws enshrine the one share, one vote principle, with no statutory provisions or other legal instruments providing for any limitation on the number of votes that can be held or exercised by a single shareholder individually or by agreement with other shareholders.

Neither the by-laws nor any other instruments provide any restrictions on voting rights, such as limitations on exercising the vote depending on the number or percentage of shares held, imposition of time limits for the exercise of voting rights or systems of enhanced equity rights.

Galp has not established any mechanisms whose effect is to create a discrepancy between the right to receive dividends or subscribe new securities and the voting rights of each share.

The right to vote is exercised pursuant to Article 10 (1) of Galp's by-laws and shareholders may participate, discuss and vote at the General Shareholders Meeting in person or by proxy, provided that on the date of registration, i.e. 00:00 (GMT) of the 5th trading day prior to the date of the General Shareholders Meeting, they are the holders of at least one share.

Ownership of shares is proved by sending a declaration issued and sent, including by email, by the broker with information on the number of shares registered and the registration date, to the Chairman of the Board of the General Shareholders Meeting before the end of the 5th trading day prior to the date of the General Shareholders Meeting.

Participation in the General Shareholders Meeting also requires the shareholder to state such intention in writing and to send it, including by email, to the Chairman of the Board of the General Shareholders Meeting and to the financial intermediary with whom the individual registration account is open, by the end of the 6th trading day prior to the date of the General Shareholders Meeting.

The exercise of these rights is not affected by the transfer of the shares at any time after 00:00 (GMT) on the date of registration and is not affected by any blocking between that date and the date of the General Shareholders Meeting. However, shareholders who, having declared their intention to participate in the General Shareholders Meeting, transfer ownership of shares between 00:00 on the date of registration and closure of the General Shareholders Meeting shall immediately inform the Chairman of the Board of the General Shareholders Meeting and the CMVM.

In its by-laws [Article 10(6) to (9)] Galp permits voting by mail, without any restrictions.

Shareholders may exercise their voting rights by mail on each agenda item by sending a registered letter to the Chairman of the Board of the General Shareholders Meeting at the registered office of the Company, where it must be received by the day before the date of the General Shareholders Meeting, accompanied by a photocopy of the identification document. If the shareholder is a legal entity, the vote declaration must be signed by the attorney.

In any case, the letter for exercising the voting rights by mail must contain proof of registration, on behalf of the shareholder, of the shares with which it intends to exercise the right to vote, in an account of book-entry securities. Letters with voting declarations are opened by the Chairman of the Board of the General Shareholders Meeting at the start of the meeting and postal votes are counted in determining whether or not the Meeting quorum is met, with the postal vote for each agenda item disclosed at the point to which it relates to. Postal votes will be counted as votes against proposals submitted or amended after the vote is cast, except in the case of elective resolutions, where such votes are considered as not cast.

The right of postal vote may be exercised electronically, in accordance with the requirements defined by the Chairman of the Board of the General Shareholders Meeting when notification is sent of each General Shareholders Meeting, to guarantee authenticity and confidentiality.

13. Indication of the maximum percentage of voting rights that may be exercised by a single shareholder or shareholders related to said shareholder as per Article 20(1)

Galp's articles of association do not provide any limitation on the voting rights that may be exercised by a single shareholder or shareholders in any of the relationships with said shareholder that contribute to the allocation of voting rights under Article 20(1) of the CVM.

14. Identification of shareholder resolutions that, by statutory requirement, may only be taken with a qualified majority, in addition to those provided by law and indication of these majorities

Galp's by-laws establish, in accordance with applicable corporate law, that resolutions of the General Shareholders Meeting are passed by simple majority of the votes cast, except where the law or by-laws require a qualified majority. Abstentions do not count in voting on resolutions of the General Shareholders Meeting.

The Company's by-laws establish the requirement for the resolutions of the General Shareholders Meeting to be adopted by a qualified majority of two-thirds of the votes cast only when they relate to the following matters:

a) resolutions on matters relating to the Company's management submitted to the General Shareholders Meeting by the Board of Directors;

b) amendments to the by-laws, including capital increases, as well as limitation or withdrawal of the pre-emption rights of shareholders;

c) demerger, merger, transformation or dissolution of the Company.

In relation to the resolutions of the General Shareholders Meeting on the matters referred to in b) and c) or other matters for which the law requires a qualified majority, the deliberating quorum of two thirds of the votes is applicable in both the first and the second call, even if shareholders holding at least half of the capital are present or represented. The mentioned deliberating quorum aims to ensure an adequate representativity of shareholders when passing resolutions about matters that are strategic for the Company.

II - Management and supervision

(Board of Directors, Executive Committee and General and Supervisory Board)

a) Composition

15. Identification of the governance model adopted

Galp's corporate governance model uses a management structure comprising a Board of Directors, an Executive Committee with powers delegated by the Board to exercise day-to-day management, a supervisory framework including the Audit Board and the Statutory Auditor, and a Company Secretary providing specialist support to the Company's corporate bodies.

The corporate bodies within the governance model are mandatory for companies with shares listed in a regulated market and which adopt the one-tier model under Article 278(1)(a), Article 413(1)(b) and (2)(a) and Article 446(A)(1) of the CSC.

Galp's governance model is designed to ensure the transparency and effectiveness of the Group through a clear separation of powers between the different corporate bodies. Whilst the Board of Directors exercises oversight, control and supervision of strategic matters, as well as the management of relations between shareholders and other corporate bodies, the duties of the Executive Committee – which are delegated by the Board of Directors – are operational in nature and entail the day-to-day management of business units and corporate services.

The existence of matters that are the exclusive remit of the Board of Directors ensures that this body monitors and controls Galp's strategic issues.

The allocation of responsibility for coordinating specific management areas of the Executive Committee to each of its members, without prejudice to the collective nature of the exercise of management functions by this body, promotes the effective monitoring of the Company's management and the use of synergies within each business unit and in the Company as a whole.

The chairman of the Board of Directors has, in addition to such other authority and responsibilities as are provided by applicable laws or regulations, the authority and responsibility to coordinate and supervise relations between the Company and its shareholders, including majority shareholders, in accordance with the Company's objectives, the long-term interests of shareholders and in the interest of ensuring the sustainable development of the Galp Group's business.

Under the legal provisions applicable to the relationship between the non-executive members of the Board of Directors and the Executive Committee, namely in respect of monitoring by non-executive members of the Executive Committee's activity, in accordance with Article 407(8) of the CSC, the right to attend the meetings of the Executive Committee was granted to the chairman of the Board of Directors, as well as a member specially designated for finacial matters, by the Board of Directors at its meeting of April 24, 2015.

In turn, the Audit Board is responsible for exercising the oversight functions of company business in four key areas: (i) supervision of Company activity; (ii) control of the Company's financial information; (iii) oversight of the internal risk management, control and internal auditing systems; and (iv) receipt (and processing) of whistle blowing. The Statutory Auditor is also responsible for control of the Company's financial information.

16. Statutory rules on procedural and substantive requirements applicable to the appointment and replacement of members, as applicable, of the Board of Directors, the Executive Committee and the General and Supervisory Board [Article 245(A) (1) (h)]

The General Shareholders Meeting is responsible for appointing and replacing the members of the Board of Directors, including the Chairman.

In the event of permanent absence or impediment of any member of the Board of Directors, this body shall proceed to co-opt a replacement member and must submit this proposal for endorsement by the next general shareholders meeting.

Galp's by-laws establish that members of the Board of Directors are appointed for a renewable term of four calendar years, with the year of appointment counting as a full year. Members of the Board of Directors take office at the time of appointment and remain in office until the nomination, co-option or appointment of a substitute, except that a member who has resigned or been removed remains in office for the periods established in the CSC.

Members of the Board of Directors are elected from a list, with an indication of the proposing shareholders, with the vote only applying to the full list and not to every single one of its members, as provided by the law.

Minority shareholders that, either individually or as an established group, have a voting interest in the company of at least 10% and not greater than 20%, have the right to individually nominate one director, as per the following terms of Article 14(2) of the Company's by-laws:

a) each list must propose at least two candidates for each office to be filled;

b) the same shareholder cannot subscribe to more than one list;

c) if lists are presented by more than one group of shareholders for an individual election, voting will be based on all the lists;

d) the General Shareholders Meeting cannot proceed to elect other directors until the election of the director proposed by the minority shareholders that, individually or grouped with other shareholders for this purpose, are holders of share capital with voting rights of at least 10% and at most 20%, unless such lists are not submitted;

e) the above rules apply to the election of the substitute member director.

If no list is submitted under the above provisions, or when the above procedure is concluded, the other directors are elected, including the Chairman of the Board of Directors. The shareholders who voted successfully in favour of the director proposed under the procedure outlined in the preceding paragraphs may not participate in this election.

The other directors, including the Chairman of the Board of Directors, are elected by a vote from any lists submitted for this purpose, with the proposal obtaining the highest number of votes in favour being deemed approved.

If the approved proposal includes the maximum number of directors allowed by the by-laws, and a director has been elected under the procedure referred to in Article 14(2) of the Company's by-laws, the director thus elected shall replace the person appearing in 13th place in the proposal that has been successful; if the approved proposal does not include the maximum number of directors allowed by the by-laws, the director elected under the procedure referred to in a) to d) above is added to the number of directors elected under the terms above mentioned.

For the purposes of the scheme for the replacement of directors due to permanent absence, provided in Article 393(1) of the CSC, the Company's by-laws provide that a director is deemed permanently absent when, without justification accepted by the Board of Directors, s/he misses three consecutive meetings or five non-consecutive meetings.

In accordance with the Company's by-laws, if the proposal for the election of directors (except the director to be elected by the minority shareholders who, individually or grouped with other shareholders for the purpose, are holders of share capital with voting rights of at least 10% and at most 20% under the above terms) is not approved by a majority of 55% of votes cast and with at least 40% of the share capital with voting rights, the shareholders that: (i) are qualified to participate in this election (not having voted in the election of the director appointed by the minority shareholders); (ii) have voted against that proposal or have voted in favour of a proposal that has not been successful; and (iii) hold, themselves or in a group formed for this purpose, shares representing at least 25% of the share capital with voting rights, may submit and vote on proposals, electing among themselves a number corresponding to one third of the elected directors (not including the director elected by the minority shareholders who, by themselves or grouped with others for this purpose, are holders of share capital with voting rights of at least 10% and at most 20% under the above terms). If the total number of elected directors is not divisible by three, the number of directors to be elected will be rounded up to the next whole number. Directors elected under this procedure automatically replace those who are in the final places of the initially approved list.

As required by law, if the appointed directors have a current employment contract with the Company to which they were appointed or a company in a controlling or group relationship with this Company, the contract shall be terminated if it has been in effect for less than one year or is suspended if it has been in effect for more than one year.

17. Membership, as applicable, of the Board of Directors, the Executive Board and the General and Supervisory Board, indicating the statutory minimum and maximum membership, statutory term of office, number of permanent members, date of first appointment and end date of each member's term of office

In accordance with Galp's by-laws, the Board of Directors has a minimum of 19 and a maximum of 23 directors who are appointed for four year terms and may be re-elected one or more times.

Although the members of the Board of Directors are appointed for terms of four years, their continuance as directors depends on a positive outcome from annual performance assessments in the form of a vote of praise and/or confidence given by shareholders in a General Shareholders Meeting under its powers provided by Article 376 (1) of the CSC. The lack of a positive outcome from annual performance assessments, through a motion of no confidence results in the removal of the director in question in accordance with applicable law.

The current 19 full members of the Board of Directors, elected at the General Shareholders Meeting of 16 April, 2015 for the four-year term 2015-18, are listed in the following table, as well the respective dates of first appointment and term end date.

In order to promote the strengthening of women's participation in the Company's decision-making, on 30 June 2015, before the Portuguese Government, Galp engaged itself to develop measures aimed at achieving the objective of having a female member participation in the Board of Directors of 30% until 2018, or at the beginning of the subsequent term.

Members of the Board of Directors

Name	Position	Date of first appointment	Term end date
Paula Amorim	Chairman	2012.04.24	2018.12.31
Miguel Athayde Marques	Vice-Chairman	2012.11.23	2018.12.31
Carlos Gomes da Silva	Vice-Chairman	2007.04.26	2018.12.31
Filipe Crisóstomo Silva	Member	2012.07.26	2018.12.31
Thore E. Kristiansen	Member	2014.10.03	2018.12.31
Sérgio Gabrielli de Azevedo	Member	2012.07.26	2018.12.31
Abdul Magid Osman	Member	2012.07.26	2018.12.31
Marta Amorim	Member	2016.10.14	2018.12.31
Raquel Vunge	Member	2014.10.03	2018.12.31
Carlos Costa Pina	Member	2012.04.24	2018.12.31
Francisco Rêgo	Member	2015.04.16	2018.12.31
Jorge Seabra de Freitas	Member	2012.11.23	2018.12.31
José Carlos da Silva Costa	Member	2012.11.23	2018.12.31
Pedro Ricardo	Member	2015.04.16	2018.12.31
Tiago Câmara Pestana	Member	2015.04.16	2018.12.31
Rui Paulo Gonçalves	Member	2008.05.06	2018.12.31
Luís Todo Bom	Member	2012.11.23	2018.12.31
Diogo Tavares	Member	2006.02.22	2018.12.31
Joaquim Borges Gouveia	Member	2008.05.06	2018.12.31

Note: On 14 October 2016, Américo Amorim resigned as chairman of the Board of Directors. On the same day, Paula Amorim was appointed chairman of the Board of Directors, Marta Amorim was co-opted a member of the Board of Directors and Miguel Athayde Marques was appointed vice-chairman of the Board of Directors.

18. Distinction between executive and non-executive members of the Board of Directors and, for non-executive members, identification of members who may be considered independent or, if applicable, identification of independent members of the General and Supervisory Board

In accordance with the CMVM Recommendation, the independence of the members of the General and Supervisory Board and of the members of the Audit Board is ascertained in accordance with current legislation and the other members of the Board of Directors are considered independent if they are not associated with any specific interest group in the Company and are not in any situation that might affect their impartiality of analysis or decision-making, in particular because:

a) they have been employees of the Company or of a company with which it has been in a controlling or group relationship in the past three years;

b) in the past three years, they have provided services or established a significant business relationship with the Company or a company with which it is in a controlling or group relationship, either directly or as a partner, director, officer or manager of a legal entity;

c) they are in receipt of remuneration paid by the Company or by a company with which it is in a controlling or group relationship, in addition to remuneration earned as a director;

d) is the partner, spouse or relative in the first degree and up to and including the third degree of a director or an individual with a direct or indirect qualifying holding;

e) is a qualifying shareholder or representative of a qualifying shareholder.

Executive directors
Carlos Gomes da Silva
Filipe Crisóstomo Silva
Thore E. Kristiansen
Carlos Costa Pina
José Carlos da Silva Costa
Pedro Ricardo
Tiago Câmara Pestana

Non-executive directors
Paula Amorim
Miguel Athayde Marques
Sérgio Gabrielli de Azevedo
Abdul Magib Osman
Marta Amorim
Raquel Vunge
Francisco Rêgo
Jorge Seabra de Freitas
Rui Paulo Gonçalves
Luis Todo Bom
Diogo Tavares
Joaquim Borges Gouveia

On 31 December 2016, the Board of Directors had 12 members with non-executive roles (who remain in office on this date), providing an adequate number of non-executive members, given Galp's shareholder structure and capital dispersion. They engage in monitoring activities and continuous evaluation of the Company to ensure effective capacity for monitoring, supervision, oversight and evaluation of the activity of the executive members.

Considering the criteria for determination of independence referred to above with respect to non-executive members of the Board of Directors and, based on their self-assessment, Galp's Board of Directors considers the following five Company directors for financial year 2016 to be independent:

Non-executive independente directors	
Name	Position
Miguel Athayde Marques	Non-executive vice-chairman
Sérgio Gabrielli de Azevedo	Non-executive director
Abdul Magid Osman	Non-executive director
Luís Todo Bom	Non-executive director
Joaquim Borges Gouveia	Non-executive director

At its meeting of 16 April 2015, the Board of Directors approved the appointment of the independent non executive directors Sergio Gabrielli and Abdul Magid Osman to the special role of monitoring the development of two of Galp's structural markets: Brazil and Mozambique.

On 14 October 2016, Galp reinforced the participation of independent directors in the Board of Directors with the appointment of the independent non-executive director since 2012 and holder of a respected professional career in the financial sector and university field Miguel Athayde Marques, to the role of vice-chairman of the Board of Directors.

Given the governance model adopted, the size of the Company, its shareholder structure and the respective free float, Galp believes that the proportion of independent directors (42% of the non-executive members of the board) is suitable given the number of executive directors and the total number of directors.

19. Qualifications and other relevant details of the professional experience of each member, as applicable, of the Board of Directors, the General and Supervisory Board and the Executive Committee

The table in the following page is a mapping and systematised representation of the skills, knowledge and experience of Galp's directors. It is a resource for reflection within the Board of Directors that was developed to evaluate the suitability and complementarity of the skill set of the board in terms of alignment with the challenges that Galp will face in the future, as well as support for future appointment processes.

The members of the Board of Directors have acknowledged skills and a diversity of academic backgrounds and professional experience.

The Board of Directors believes that the skills, knowledge and experience of its directors are, together, appropriate considering the activities pursued by the Company and the strategy defined for the coming years.

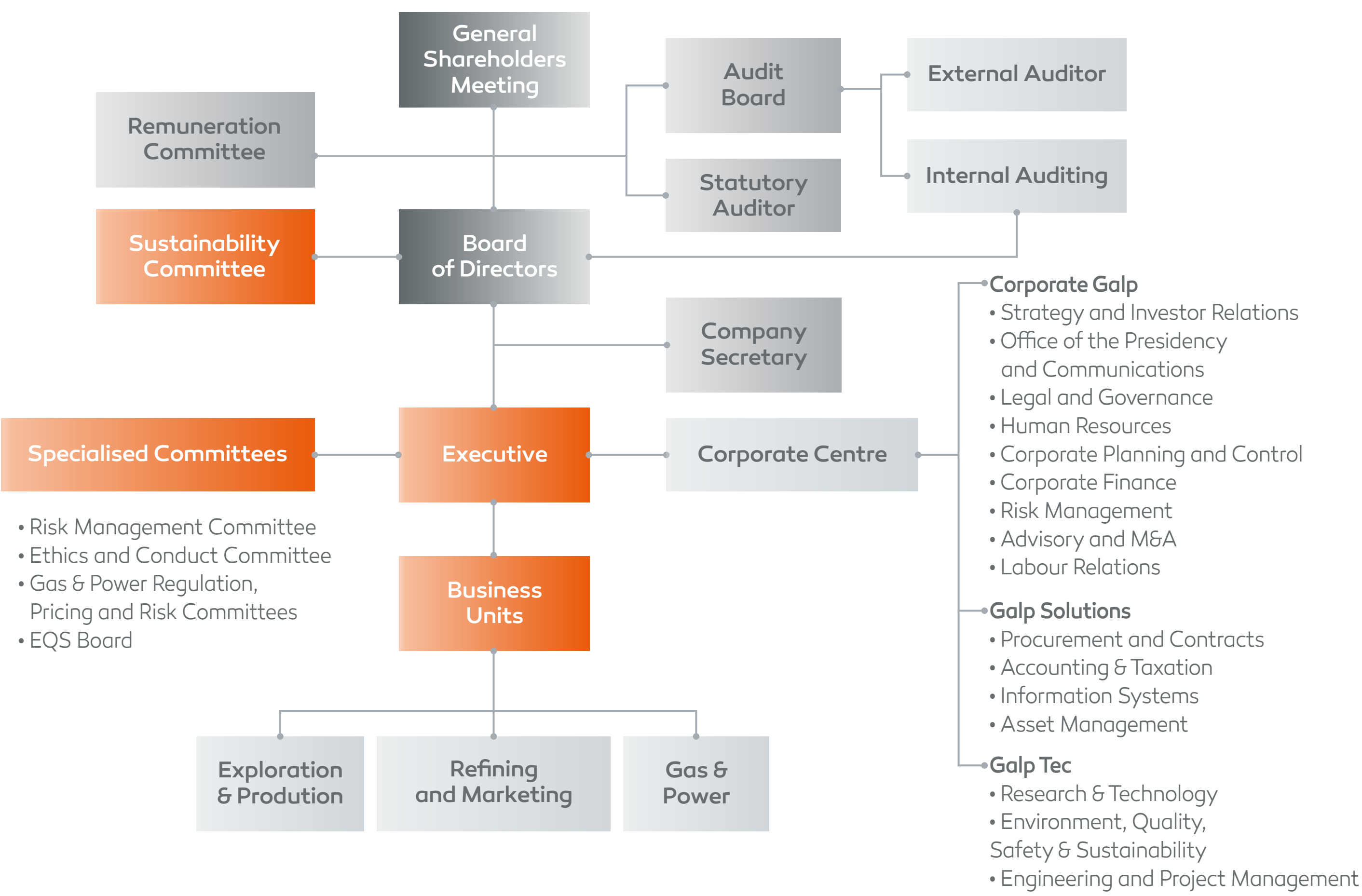
		Education				Main area of expertise											Operational experience									Others			
		Engineering	Economics/Finance	Business Administration and Management (including Risk Management)	Law	Scholar	Energy/Oil & Gas	Financial Services	Paper & Forest Products	Real estate/Hotels & Resorts	Government	Beverage Industry	Securities and Derivatives Market	Telecommunications	Textile Industry	Retail	Experience as Chairman of Board of Directors	Experience as Charmain of Executive Committee (CEO)	Experience as Chief Financial Officer (CFO)	International experience	Finance	Investor Relations	Marketing	Asser Procurement/Purchase and Management	Legal	Oil and Gas organisations	Environmental Associations	United Nations Development Programmes	Social Responsibility Associations
Paula Amorim (Chairman)	Non-executive			●					●	●							●												
Carlos Gomes da Silva (CEO)	Executive	●		●			●					●					●						●			●			
Miguel Athayde Marques	Non-executive			●		●	●						●			●	●	●		●	●	●							●
Filipe Crisóstomo Silva	Executive		●				●	●					●				●	●		●	●					●			
Thore E. Kristiansen	Executive	●		●			●										●			●	●	●	●			●			
Carlos Costa Pina	Executive		●		●	●	●	●			●		●				●			●	●	●			●	●	●		
José Carlos da Silva Costa	Executive	●					●			●														●		●			
Pedro Ricardo	Executive	●		●			●									●		●						●		●			
Tiago Câmara Pestana	Executive	●		●												●		●		●	●		●	●					
Sérgio Gabrielli de Azevedo	Non-executive		●			●	●				●							●		●	●	●							
Abdul Magid Osman	Non-executive		●					●			●						●	●		●							●	●	
Marta Amorim	Non-executive		●					●													●								
Francisco Rêgo	Non-executive	●		●						●								●											
Raquel Vunge	Non-executive			●			●	●											●	●	●								
Rui Paulo Gonçalves	Non-executive			●	●	●	●					●					●								●				
Luís Todo Bom	Non-executive	●		●		●		●		●				●			●												
Diogo Tavares	Non-executive	●		●																									
Joaquim Borges Gouveia	Non-executive	●				●	●										●										●		
Jorge Seabra de Freitas	Non-executive		●	●											●		●				●	●							

20. Significant family, professional and business relationships of the members, as applicable, of the Board of Directors, the General and Supervisory Board and Executive Committee with shareholders to whom qualifying interests above 2% of the voting rights are allocable.

Director	Shareholder with qualifying interest	Relationship
Paula Amorim	Amorim Energia	Director
Marta Amorim	Amorim Energia	Director
Rui Paulo Gonçalves	Amorim Energia	Director
Jorge Seabra de Freitas	Amorim Energia	Director
Francisco Rêgo	Amorim Energia	Director

21. Management charts or tables relating to the distribution of powers among the Company's various corporate bodies, committees and/or departments, including information on the delegation of powers, in particular about the delegation of the daily management of the Company

Organic and Functional Structure



Galp's current organisational structure is based on three business units and a corporate centre, under the coordination of each of the executive directors in accordance with the functional allocation of performance areas established by decision of the chairman of the Executive Committee, based on guidelines provided by the Board of Directors, as described in section 29 of this Report's chapter.

The guiding principles of this structure are horizontality, flexibility, simplicity, efficiency and delegation of responsibility, to create value for shareholders, in particular by the capture of synergies within and between the business units.

The Corporate Centre consists of three clusters of functions that reflect bespoke objectives, cultures and operating approaches (Galp Corporativa, Galp Soluções and Galp Tec) and whose leadership is divided among the executive directors of Galp. The goal of the Corporate Centre is to provide services for the business units in such diverse areas as planning and control, accounting, legal advice and human resources, as well as to generate significant synergies and provide an interface between the Company and its stakeholders.

In summary:

- Galp Corporativa brings together the main functions of governance, strategy, guidelines and corporate control, monitoring the implementation of the Company's policies and goals;
- Galp Soluções brings together service functions of a more transactional nature, with the clear objective of efficiency/ effectiveness and a focus on metrics and quality of service provided at a competitive cost;
- Galp Tec brings together critical cross-cutting expertise to increase and protect the value of Galp.

The Corporate Centre consists of the divisions presented below.

Galp Corporate	Mission
Strategy and Investor Relations	Define Galp's strategic guidelines, promoting clear strategic, operational and financial perception of the Company for its stakeholders and ensuring that the Company has suitable organisation and human capital for the pursuit of its strategy.
Office of the Presidency and Communications	Assist the chairman in management, coordination and relationships with the governing bodies of the Organisation and in devising the Group's internal and external communication strategy, to ensure that it is suitable for its target audiences and to promote a consistent, positive, clear and rigorous perception and effective management of Galp's brand, in line with the strategy and size of the Group as an integrated and global energy player. Coordinate and manage the corporate responsibility policy of the Organisation so that Galp can be seen as an active agent of development of the communities in which it operates, in Portugal and abroad.
Legal and Governance	Exercise and manage legal and compliance functions and the corporate secretariat, in an integrated and cross-cutting way for the Galp Group, particularly in aspects of legal support for business decisions, monitoring legal compliance and policies for compliance, definition and implementation of the process of Organisation, operation and decision-making of the governing bodies, litigation management and prevention of legal risks.
Human Resources	To act as agent and facilitator for change, by attracting, integrating and developing the best talents, as well as ensuring their alignment with the Company's culture, values and strategy. Promote an environment of value creation based on partnership, continuous learning and high performance, in order to support the sustainability of Galp's businesses.
Corporate Planning and Control	Set, monitor and consolidate Galp's budgeting, planning and control processes, challenge the performance of the business units and the Corporate Centre and ensure their alignment with the Galp Group's strategic objectives.
Corporate Finance	Propose and implement the Galp Group's financing strategy, ensuring the optimisation and diversification of its financial resources and integrated Treasury management.
Risk Management	Promote the implementation of the risk management policies defined by the Executive Committee in conjunction with the Galp Group's different business units. Propose insurance policies, negotiate and manage the related contracts at whole Group level and manage health and medicine plans (curative and occupational).
Advisory & M&A	Developing mechanisms for evaluating Galp's and the Group's Organisational Units, testing strategic requirements and evaluating macro opportunities for strategic growth and its impact on the company's value, and coordinating mergers and acquisitions.
Labour Relations	Developing the relationship with organisations that represent workers, contributing to the stability of the social and professional environment and ensuring negotiations with the trade unions.

Galp Solutions	Mission
Procurement and Contracts	Maximise Galp's purchasing power, thus contributing to the sustained improvement of the Group's results, by obtaining better value for money, while safeguarding health, safety and sustainable criteria and practices in the purchase of goods and services to ensure the implementation of procedures that demonstrate transparency and ethics in purchasing processes and the introduction of innovations that optimize the supply chain.
Accounting and Taxation	Ensure the preparation of the consolidated accounts of the Galp Group and of all the sub-holdings and the individual accounts of all the Group companies, in accordance with national and international standards and at replacement prices. Draft the respective management information reports from a general and cost accounting perspective. Propose, implement and monitor the Group's permanent capital structure (through integrated management of intra-group flows - capital, services, supplies and dividends). Ensure compliance with tax obligations under international taxation and the tax laws of the countries where it operates.
Information Systems	Promote the development and sustainability of Galp's business through efficient, effective, reliable, consistent, innovative information system management, oriented towards controlled processes and costs.
Asset Management	Ensure the management of the Galp Group's "non-operational" assets by proposing and carrying out the purchase or development of assets to ensure their permanent appreciation and the optimisation of their cost/benefit ratio. Develop, implement and manage strategy for the provision of services to Management/Business Units to ensure high quality, safety and environmental standards in compliance with current regulations. Establish partnerships with the business unit for sharing best practices.

Galp Tec	Mission
Research & Technology	Define and enact integrated policies and projects in innovation, technological and energy efficiency research, within the structure of the Galp Group's strategy and given the principles of value creation. Create and maintain a forum to ensure access to the best available technology and knowledge required for a suitable response to the technological challenges that the Galp Group may face.
Environment, Quality, Safety & Sustainability	Promote the efficiency of processes, aiming at protecting people's environment and assets, with the creation of value for all stakeholders in mind.
Engineering and Project Management	Manage Galp's projects to support its business units, from the design phase until commercial commissioning, ensuring quality of execution and compliance with budgets and deadlines for each project and promoting the development of key technical skills, updating knowledge and ensuring consistency in the processes and standards that enhance and protect Galp's value.

The current existing business units are the following:

Exploration & Production - Its mission is to access, find and produce hydrocarbons safely, sustainably and ethically, with the objective of maximising value for shareholders and employees, relying mostly on differentiated, integrated, flexible and geologically motivated partners in developing its activities.

Refining and Marketing - The Refining ensures the supply of crude oil and petroleum products in order to meet the supply needs of commercial areas, provides the highest levels of availability and reliability of refineries in order to facilitate a greater operational efficiency. Defines strategy, coordinates and controls activities that enable short and medium-term maximisation and sustainability of integrated margins throughout the oil value chain, the development and optimisation of trading, supply and logistics activity, the maximisation of assets values and customer satisfaction.

Marketing has the mission to ensure the marketing of oil products for the Fuel and Non-Fuel Retail business in the Iberia and in Africa and to define the marketing strategy to support and develop the Galp brand's position, for the creation of value and adequate profitability, providing customer satisfaction and loyalty, thus contributing to the profitability of the capital invested.

Gas & Power (G&P) - G&P's mission is to guarantee the procurement of natural gas and liquefied natural gas, so that the supply needs of the business areas are covered; operating in the trading activity of the international market and ensuring the marketing of Galp's gas output. It also acts as a benchmark operator, ensuring the development of a set of regulated and deregulated activities, including the operation of natural gas infrastructure in a regulated system and marketing through the combined supply of natural gas, electricity and services to end customers in Iberia.

The organisational model of Galp also foresees the existence of specialised commissions that contribute to the decision-making process by obtaining information and alignment on the implementation of policies and practices with transversal impact in a number of areas of the Company, which are presented below.

Risk Management Committee

The Risk Management Committee's mission is to support and monitor the development and implementation of Galp's risk management strategy and policy, jointly with the Risk Management Division and the heads of the Company's management units, which comprise the executive director, who is responsible for the risk management Division (Chief Risk Officer), the Head of the Audit Division, the Head of the Risk Management Division and the Chief Financial Officer.

This body met regularly during 2016, and routinely addressed the issues identified as most relevant from a risk perspective for the Galp Group. Among other things, it is worth noting the monitoring of the main mitigating actions on the Company's main risks, such as cybersecurity, business continuity, credit, emerging risks, access to reserves, dependence on partners, geopolitical events, as well as the results from risk assessments that are deepened whenever deemed appropriate. The Executive Committee was informed about the matters addressed therein and the resulting resolutions.

Within the sphere of the Risk Management Committee, it is worth stressing the work group that is subordinated to issues related to environment, quality and safety, and regulatory changes. Thus, it is ensured that these matters are duly integrated into the Company's risk management system. During 2016, the working group focused on the most critical risks in these matters and reported the findings of its evaluation to the committee.

Through the representation of the Risk Management Division in Risk and Credit Committees of the various business units, as well as in working groups dedicated to the Group's main projects, the alignment of risk management practices and effective communication with the Risk Management Committee is ensured.

Regulation, Pricing, Risk and Gas & Power Committees

In the G&P business unit, there are three committees that accompany regulatory affairs, market information and risk management issues, and internal control of the natural gas and electricity distribution business: the G&P Regulation, G&P Pricing and G&P Regulation Committees.

The **G&P Regulation committee** is responsible for monitoring statutory matters relating to natural gas and electricity distribution, as part of the industry's regulatory framework. Its membership consists of the executive director holding the G&P unit portfolio and the heads of the specific areas of Regulation and Pricing and Planning and Control.

This body met regularly during 2016 and addressed the issues identified as most relevant, such as:

- the ERSE regulatory parameters proposals for the 2016-19 Regulatory Period and tariffs for the 2016-17 Gas Year;
- matters regarding disputes with official entities, in particular those relating to distribution concession contracts and to CESE tax for natural gas;
- issues connected to the ERSE's penalty by-laws and issues associated with subsoil occupancy rates;

The **G&P Pricing Committee** seeks to monitor market information at the level of natural gas and electricity marketing, to analyse the competitiveness of offers in the Iberian residential and industrial markets and to monitor international markets in natural gas and LNG trading and supply.

In addition to the executive director responsible for the G&P business unit, this Committee's members include the heads of the specific areas of regulation and pricing, marketing, natural gas procurement and trading, planning and business control.

This body met regularly during 2016 and addressed the issues identified as most relevant, such as:

- analysis of change in the market shares of natural gas and electricity in the various segments;
- monitoring of natural gas and electricity margins in the various segments;
- analysis of Galp residential campaigns: GalpOn and Plano Energia3 plan;
- quarterly review of natural gas reference prices;
- setting Galp's electricity reference prices for the year 2017.

The **G&P Risk Committee** was established to monitor risk management and internal control issues within the G&P business unit; its membership consists of the respective executive director and the heads of the specific areas of these units, as well as the directors of Legal services and Risk Management.

This body met frequently during 2016 to address issues corresponding to the main risks, by:

- monitoring the debt of Portuguese and Spanish clients in the various segments and main indicators;
- monitoring the TOP 10 Matrix of the unit risks;
- monitoring the evolution of the company's main KPIs;
- identifying and monitoring risk mitigation actions.

EQS Board

The EQS Board's mission is to assist the Executive Board in promoting the principles that underpin Galp's EQS culture by ensuring the implementation of the EQS strategic policies and objectives.

The Board is chaired by the executive director responsible for the EQS area and includes the heads of the relevant business areas and corporate divisions.

In 2016, it met twice and addressed the EQS performance (objectives and targets) and the monitoring of the strategic EQS initiatives in the business units.

Ethics and Conduct Committee

Following the entry of the new Code of Ethics and Conduct, the Ethics and Conduct Committee was created (CEC), with membership consisting of the heads of internal audit, human resources and legal matters, appointed by the Audit Board as proposed by Galp's Executive Committee.

The CEC is the independent and impartial internal structure responsible for monitoring the implementation and interpretation of the Code of Ethics and Conduct, as defined in the respective Regulation, replacing the previous, disbanded, Commissions for the Verification of Compliance with the Code of Ethics and Anti-Corruption Policy Monitoring. It also responsible for receiving and processing information sent to it under the Reporting of Irregularities Procedure ("Open Talk" Ethics Line) in force in Galp and Affiliated Companies, relating to alleged violations of the provisions of the Code of Ethics and Conduct or its implementing regulations or rules that deal with the topics listed therein, in the fields of accounting, internal accounting controls, auditing and the fight against bribery, banking and financial crime.

Galp's Audit Board is the governing body that oversees the proper operation and implementation of the Code of Ethics and Conduct through the frequent and regular reporting of the CEC.

During the year 2016, the CEC held three meetings for analysing and deciding on forwarding reports of irregularities that were received and participated in three meetings of the Audit Board, in which the due report was given to this body.

b) Operation

22. Existence and location for consultation of the operating rules, as applicable, of the Board of Directors, the General and Supervisory Board and the Executive Committee

Galp's Board of Directors operates in accordance with the regulations governing organisation and operation approved by this body at its meeting of 16 April, 2015, to take effect during the term of 2015-18, in accordance with Article 16 of the by-laws, available on the official Galp website at http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Orgaos-sociais/Documents/Regulamento_CA_EN_Web.pdf

23. Number of meetings held and attendance of each member, as applicable, of the Board of Directors, the General and Supervisory Board and the Executive Committee

In accordance with the provisions of Article 16(2) of Galp', the Board of Directors meets ordinarily once a month, unless otherwise determined by the Board of Directors and, in addition to this, whenever convened by the Chairman or by any two directors.

Galp's by-laws provide for the possibility that the meetings of the Board of Directors will be held by electronic means and will allow postal voting.

In 2016, the Board of Directors held thirteen meetings, four of which were held by electronic vote.

The degree of attendance of the Members of the Board of Directors to this body's nine in-person meetings in 2016 is as follows:

Directors	Presence	Representation	Absence	% Attendance
Paula Amorim	9	0	0	100%
Miguel Athayde Marques	9	0	0	100%
Carlos Gomes da Silva	9	0	0	100%
Filipe Crisóstomo Silva	9	0	0	100%
Thore E. Kristiansen	9	0	0	100%
Sérgio Gabrielli	4	5	0	44.4%
Abdul Magid Osman	6	3	0	66.6%
Marta Amorim [1]	3	0	0	100%
Raquel Vunge	5	0	4	55.5%
Carlos Costa Pina	9	0	0	100%
Francisco Rêgo	9	0	0	100%
Jorge Seabra de Freitas	9	0	0	100%
José Carlos da Silva Costa	8	1	0	88.8%
Pedro Ricardo	9	0	0	100%
Tiago Câmara Pestana	9	0	0	100%
Rui Paulo Gonçalves	9	0	0	100%
Luis Todo Bom	8	1	0	88.8%
Diogo Tavares	9	0	0	100%
Joaquim Borges Gouveia	7	2	0	77.7%

[1] Since the date of election for the 2015-2018 term.

24. Indication of the Corporate Bodies with powers to evaluate the performance of the executive directors

The Remuneration Committee conducts the annual performance review of the executive and non-executive directors under the powers of said committee, in accordance with the term conferred upon it by the General Shareholders Meeting in accordance with Article 8 of the Company's by-laws. The Committee consults non-executive members to assess the qualitative performance of the executive members of the Board of Directors and considers compliance with economic, financial and operational objectives, as defined annually by the Company's remuneration policy.

Furthermore, the non-executive members, as part of their oversight role, monitor the performance of the executive directors.

Also, the shareholders in a General Shareholders Meeting under their powers provided by Article 376 of the CSC, make a general appreciation of the management of the Company in general and of each of the directors in particular, on an annual basis. That appreciation is expressed through a vote of confidence or distrust, leading the latter to the removal of the concerned director.

25. Pre-determined criteria for the performance evaluation of executive directors

The performance of the executive directors is evaluated based on fulfilment of certain economic, financial and operational objectives, as defined annually by the remuneration policy submitted by the Remuneration Committee and approved by the General Shareholders Meeting.

The predetermined criteria for the performance evaluation of the executive directors for financial year 2016 are set out in section 69 of this Report's chapter.

26. Availability of each member, as applicable, of the Board of Directors, the General and Supervisory Board and the Executive Committee, indicating the positions held simultaneously in other companies inside and outside the Group, and other relevant activities of said members during the year

The positions held by the members of the Board of Directors in other companies inside and outside the Galp Group, and other relevant activities carried out by members of these bodies in the 2016 financial year are presented in Annex 8.8.

In general, the members of Galp's Board of Directors have a high degree of availability for the exercise of their functions, without prejudice to the natural accumulation of functions by executive directors in Group companies and rare situations of accumulation of functions by non-executive directors in companies outside the Group, which do not affect the exercise of their positions involving the monitoring, evaluation and supervision of executive management.

As is apparent from the table in Annex 7.9, directorship duties exercised in other companies by Galp's executive directors are in the administrative bodies of Galp's direct or indirect subsidiaries. Accordingly, they are fully available for the positions of executive members of Galp's Board of Directors, as is confirmed by their attendance at the meetings of the Board of Directors and of the Executive Committee and by their work in Galp, as annually certified by the Remuneration Committee under the qualitative performance assessment of the executive directors.

With regard to the non-executive directors with the highest number of positions held in other companies, it is noted that they perform these functions in the Amorim or Américo Amorim group. This availability has been confirmed by their attendance at Board meetings.

The legal and statutory regime of absences from the Board of Directors meetings provides for the removal from office or replacement of the member of the Executive Committee in question by another director, with the other director becoming non-executive.

On another hand, Galp has the legal, statutory and regulatory mechanisms to prevent and deal with any conflicts of interest between directors and the Company in the exercise of other positions outside the group.

Indeed, as required by law under Article 398 of the CSC, directors shall not:

- engage in any activity in competition with the Company or a company in a controlling or group relationship with it, alone or on behalf of a third party or perform duties in a competing company or be appointed for it, except if authorised by the General Shareholders Meeting;
- hold any position with an employment contract, which will be deemed terminated or suspended if agreed less than or more than one year ago, respectively.

In particular, Article 14 of the Board of Directors Regulation establishes, for the purposes of Article 398 paragraphs (3) and (4) of the CSC, the special arrangements for access to sensitive information applicable to members of the Board of Directors who are in a situation of conflict of interest due to the exercise of an activity in competition with Galp, as authorised by the General Shareholders Meeting.

Also to protect the Group's interest in possible situations of conflict of interest between the Company and its directors arising from business between them and the Company or companies in a controlling or group relationship with it, Galp's regulatory standard governing Group transactions with related parties makes the implementation by Galp (or any entity in which it holds ownership or voting rights or where it can appoint members of the management body) of significant transactions with related parties, subject to prior opinion of the Audit Board, as per the definitions of that standard. Those definitions include the members of Galp's board of directors and the bodies in which they are: (i) a partner with limited liability, manager, particularly as a member of the administrative or supervisory bodies or with regular access to inside information and involvement in management decisions and entity strategy or (ii) holder, individually or jointly, of at least half of the share capital or voting rights, as well as entities that have been established for the benefit of any person referred to above.

Moreover, Galp's by-laws subordinate approval of business with shareholders in an amount exceeding €20 million to a deliberation in favour thereof by a qualified majority of two thirds of the current directors, reflecting the special corporate governance requirement to which these transactions are subject.

c) Committees within the Management or the Supervisory Board and Delegated Directors

27. Identification of the committees created within, as applicable, the Board of Directors, the General and Supervisory Board and Executive Committee, and where the operating regulations can be viewed

Executive Committee

The current Board of Directors, at its meeting of 16 April, 2015, appointed an Executive Committee of seven members and approved its delegation of powers and the regulations defining the basic principles and rules of its Organisation and operation, which can be viewed on Galp's official website at http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Orgaos-sociais/Documents/Terms_of_reference_for_the_executive_committee_2012.pdf

Galp's Board of Directors considers that specific committees are not required for matters such as performance evaluation of management or corporate governance.

This is due to the corporate governance model adopted by the Company, which includes a Board of Directors that assesses the operation of the corporate governance system and largely consists of non-executive members (including the chairman), who monitor the overall performance of the Board of Directors and whether directors' profiles are appropriate for the exercise of their duties. In this context, it should also be noted that there is: a Remuneration Committee, which evaluates the performance of executive directors with the support of non-executive directors; and a Audit Board, which analyses the structure and governance practices adopted in order to verify their effectiveness.

Sustainability Committee

At Galp, management for sustainability is deemed strategic and involves the incorporation of principles, approaches and practices that favour the long-term value creation component. It therefore involves managing for the creation of sustainable and lasting value that generates confidence in the future for the various stakeholders.

With the aim of creating sustainable value, in 2012 the Sustainability Committee was set up. Its mission is, therefore, to ensure the integration of sustainability principles in the management of the Group companies, by promoting best industry practices in all business and corporate areas.

The Committee is chaired by the independent vice-chairman of the Board of Directors, while its permanent members are the Chairman of the Executive Committee, the executive manager who coordinates the area of sustainability and the heads of the business areas and relevant corporate divisions. This body reports directly to the Executive Committee and to the Board of Directors.

In 2016, the Sustainability Committee met four times with the agendas covering the following matters:

- analysis of Galp's performance, commitments, objectives and goals;
- analysis and sharing of Galp's sustainability context, as a support to the strategy and development of operations;
- integration of sustainability practices in business development;
- alignment of Galp's sustainability practices with the best international practices and benchmarking with peers and benchmark performers;
- monitoring of the stakeholder consultation process and analysis of the materiality of sustainability issues;
- information analysis and preparation for communication and dialogue with stakeholders;
- integration of the carbon price in the investment analysis for new projects.

Other specialised committees

The Board of Directors approved the appointment of the two independent non-executive directors Sérgio Gabrielli and Abdul Magid Osman to the special role of monitoring the development of the Brazilian and Mozambiquean markets' evolution, respectively, with the aim to ensure a strategic analysis of two geographically central markets for the Company's business.

In view of the national legal framework, there is no appointment committee at Galp. In fact, although there is no legal impediment to its existence, such a committee could not substitute for the competence of the shareholders in the election of the members of the Board of Directors, in accordance with Article 391 of the CSC.

28. Composition, as applicable, of the Executive Committee and/or identification of delegated director(s)

Galp's Executive Committee currently consists of the following seven directors:

Chairman:	Carlos Gomes da Silva (CEO)
Members:	Filipe Crisóstomo Silva (CFO)
	Thore E. Kristiansen
	Carlos Costa Pina
	José Carlos da Silva Costa
	Pedro Ricardo
	Tiago Câmara Pestana

29. Indication of the powers of each of the committees created and summary of their activities in the exercise of those powers

The Executive Committee is the body responsible for Galp's ongoing management, in accordance with the strategic guidelines defined by the Board of Directors and under the powers delegated to it by the Board.

The delegation of the Company's ongoing management to the Executive Committee approved by the Board of Directors, pursuant to Articles 17 and 18 of the by-laws and Article 407(3) and (4) of the CSC has the following limits:

1. The following are not delegated to the Executive Committee:

f) choice of the Chief Executive Officer;

g) co-opting of directors;

h) convening the Company's General Shareholder Meetings;

i) approval of management and annual accounts reports;

j) provision of deposits and personal or real guarantees by the Company;

k) change of registered office and capital increases, as provided in the Company's by-laws;

l) Company merger, demerger and transformation projects.

2. The following are not considered ongoing Company management powers and are therefore not delegated to the Executive Committee:

a) approval of the strategic investments of the Company and of the companies controlled by the Company and approval of the financing thereof;

b) approval of the strategic divestments of the Company and of the companies controlled by the Company;

c) investment, particularly through the direct or indirect acquisition of interests in companies that do not engage in the main operational activities pursued by the companies controlled by the Company (i.e. exploration, production, refining, transportation, marketing and distribution of oil and gas);

d) establishment of strategic partnerships in the context of the main operating activities pursued by the companies controlled by the Company;

e) approval and modification of the strategic plans of the Company and of the companies controlled by the Company engaged in the Galp Group's main activities;

f) approval of the Galp group's annual budget and business plans and amendments thereto in excess of 20% of the value of the budget item in question or 10% of the total annual budget amount;

g) transactions of the Company or of the companies controlled by the Company, with related parties or with any shareholders of the Company, in a unit or total amount exceeding €20,000,000.00 (twenty million Euros);

h) definition and organisation of the Galp Group's corporate structure

i) proposal and exercise of voting rights in the election of the Boards of Directors of the companies controlled by the Company;

j) issuance of bonds or other debt instruments by the Company or by companies controlled by the Company;

k) demerger, merger or dissolution projects of any companies controlled by the Company;

l) signing, by the companies controlled by the Company, of subordination agreements or parity group agreements.

Notwithstanding the limits on the delegation of powers referred to in paragraphs 1 and 2 above, the Executive Committee has a special duty of initiative and proposal, to the Board of Directors, in respect of the acts and matters referred to in section 2 above.

For the purposes of the delegation of powers to the Executive Committee, the expression "controlled companies" means the following companies or those that succeed them:

a) Petróleos de Portugal – Petrogal, S.A.

b) Galp Exploração e Produção Petrolífera, S.A.

c) Galp Energia, S.A.

d) Galp Gás Natural, S.A.

e) Galp Gas & Power, SGPS, S.A.

f) Galp Energia España, S.A.U.

g) Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A.

h) Lusitaniagás – Companhia de Gás do Centro, S.A.

i) Petrogal Brasil, S.A.

j) Petrogal Angola, Lda.

k) Petrogal Moçambique, Lda.

l) Petrogal Guiné-Bissau, Lda.

m) Galp Energia E&P, B.V.

n) Galp Sinopec Brazil Services, B.V.

At the meeting of the Board of Directors held on 16 April, 2015, the chairman of the Executive Committee defined a functional allocation, among the members of the Executive Committee, of areas of action in respect of the business and activities of the Company and of its controlled or subsidiary companies, under the terms set forth in its Regulations, notwithstanding the collective exercise of the powers of this body, as mentioned in the following page.

Specific Operation Areas of Executive Directors

	Board Directors		Internal Audit[1]				
	Carlos Gomes da Silva CEO	Filipe Silva CFO	Thore E. Kristiansen COO	José Carlos Silva COO	Tiago Câmara Pestana COO	Pedro Carmona Ricardo COO	Carlos Costa Pina CRO
Business Units			Exploration & Production	Supply, Refining and Planning	Iberian and International Oil Marketing	Gas & Power	New Energies
Corporate Galp	Office of the Presidency and Communication Strategy and Investor Relations Human Resources Legal and Governance	Corporate Planning and Control Corporate Finance Advisory and M&A					Risk Management
Galp Solutions		Accounting and Taxation		Procurement and Contracts Asset Management			Information Systems
Galp Tec	Research and Technology			Engineering and Project Management			EQS and Sustainability

[1] Hierarchical report to the Chairman of the Board of Directors, functional report to the Audit Board and administrative report to Carlos Costa Pina.

For matters of the ongoing management in the context of the requests of the operators of the various oil exploration blocks in which Galp is involved, including the development plans of the blocks and the approved budget and action plans, the Executive Committee delegated approval of the respective decisions, namely AFEs, Cash Calls and ballots to the executive directors Thore Kristiansen, Filipe Crisóstomo Silva and José Carlos Silva, namely authorisations for expenditures, cash calls and ballots.

The Executive Committee functions in accordance with the basic principles and rules set out in its regulations and must meet once a week. It met 46 times in 2016.

In order to ensure effective and efficient monitoring by the non-executive members of the activity of the Executive Committee and to facilitate the related duty to inform, a range of mechanisms were adopted to ensure effective monitoring and coordination of the work of the Executive Committee by the members with non-executive functions, under the following terms.

The calls and minutes of the meetings of the Executive Committee are sent to the Chairman of the Board of Directors and to the Chairman of the Audit Board.

In accordance with the Regulations of the Board of Directors, the Chairman of the Executive Committee regularly informs the Chairman of the Board of Directors about the agenda of the meetings of the Executive Committee, the decisions taken in its meetings and other matters deemed relevant for the proper use of the powers and responsibilities of the Board of Directors. The Chairman of the Board of Directors and any other two non-executive directors may ask the Chairman of the Executive Committee directly for information on the business of the Executive Committee.

Under the terms of Article 407 (8) of the CSC, the Chairman of the Board of Directors and a member especially appointed for this purpose by the Board of Directors at its meeting of 24 April 2015 were granted the right to attend the meetings of the Executive Committee.

In accordance with the Regulations of the Executive Committee, the Chairman of the Executive Committee regularly informs the Chairman of the Board of Directors on any matters deemed relevant for the proper use of the powers and responsibilities of the Board of Directors. Each and every member of the Executive Committee is duty bound, when so requested by other members of governing bodies, to supply information promptly and in a form that is appropriate to the nature of the request.

The main activities performed by the Executive Committee during 2016 in the exercise and within the limits of its responsibilities involve, among other things:

a) approval of operations to be carried out by the Group's business units and companies;

b) assessment of monthly results;

c) approval of proposals for submission to the Board of Directors on matters pertaining to its exclusive powers, as set out in the by-laws and Regulations of the Board of Directors;

d) approval of significant transactions;

e) assessment of information from specialist committees, particularly in the area of risk management and sustainability;

f) approval of capital increase and reduction operations of the Galp Group companies, performance and reimbursements of ancillary services and supplies;

g) change to the by-laws of the Group Companies;

h) real estate purchases and sales;

i) approval of the comfort letters from Group Companies;

j) definition of the voting behaviour and appointment of representatives in the General Shareholder Meetings of subsidiaries and other companies.

III – Supervision

(Audit Board, Audit Committee or General and Supervisory Board)

a) Composition

30. Identification of the supervisory body (Audit Board, Audit Committee or General and Supervisory Board) corresponding to the model adopted

According to the government model adopted, the Audit Board is the body in charge of supervising the Company.

Under the terms of Article 413(1) (b) of the CSC, because Galp is a public company, its financial statements have to be examined by Statutory Auditors, with their responsibilities stated in Article 446 of the CSC, and who have to be independent from the Audit Board.

31. Composition, as applicable, of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, with an indication of the statutory minimum and maximum number of members, statutory duration of term, the number of permanent members, date of first appointment and end date of each member's term. A reference may be included to the part of the report where this information is already noted, pursuant to the provisions of section 18

Under the Company's by-laws, the Audit Board consists of three permanent members and one substitute member, elected by the General Shareholders Meeting, which will also elect its chairman.

The members of the Audit Board are elected in for a four-year term, together with the members of the remaining corporate bodies.

The Company's Audit Board was elected at the General Shareholders Meeting of 16 April, 2015 for the term 2015-2018.

The following table lists the members of the Audit Board, their appointment dates and the end date of their term.

Name	Position	Date of first appointment	Term end date
Daniel Bessa	Chairman	2006.10.05	2018.12.31
Gracinda Raposo	Board member	2011.05.30	2018.12.31
Pedro Antunes de Almeida	Board member	2012.11.23	2018.12.31
Amável Calhau	Substitute member	2006.10.05	2018.12.31

32. Identification, as applicable, of the members of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs who are considered independent, under Article 414(5) of the CSC. A reference may be included to the part of the report where this information is already noted, pursuant to the provisions of section 19

Under Article 414 (5) of the CSC, any member of the Audit Board is considered independent if they are not associated with any specific interest group in the company and are not in a situation that might affect their exemption from analysis or decision making, namely because:

a) they are holders or are acting on behalf of holders of qualified shareholdings greater than or equal to 2% of the company's share capital;

b) they have been re-elected for more than two terms, whether or not they are consecutive.

The Audit Board currently has two independent members, namely: Gracinda Raposo and Pedro Almeida. As for the Chairman of the Audit Board, his appointment to complete the 2005-2007 term occurred following changes in the shareholder structure of Galp and rules agreed upon by the shareholders regarding the election of the members of the corporate bodies (Shareholders' Agreement, entered into in 2006). In this sense, the 2008-2010 term should be considered as the first appointment. Taking the above into account and considering the recognised and prestigious reputation and business and scientific quality of the Chairman of Galp's Audit Board, the Company believes that his independence must also be recognised.

33. Professional qualifications, as applicable, of each of the members of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs and other relevant information about their professional experience. A reference may be included to the part of the report where this information is already noted, pursuant to the provisions of section 21

The members of the Audit Board have professional skills and qualifications suitable for their roles. Each member's professional profile is presented in Annex 8.7.

b) Operation

34. Existence of and location where the regulations, as applicable, of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, can be consulted. A reference may be included to the part of the report where this information is already noted, pursuant to the provisions of section 24

The powers of the Audit Board and its operating rules are defined in the regulations of this body, approved on 16 April, 2015 and available on the Galp website at http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Orgaos-sociais/Paginas/Conselho-Fiscal.aspx

35. Number of meetings held and level of attendance at the meetings, as applicable, of each member of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs. A reference may be included to the part of the report where this information is already noted, pursuant to the provisions of section 25

Under Article 10(2) of its Regulations, the Audit Board must meet at least once a quarter and shall also meet whenever the chairman convenes it, at his own initiative or at the request of the chairman of the Board of Directors, the Chief Executive Officer or the Statutory Auditor.

In 2016, the Audit Board held 13 meetings.

The attendance of the Audit Board members to the meetings hold on 2016 was the following:

Directors	Presence	Representation	Absence %	Attendance
Daniel Bessa	13	0	0	100%
Gracinda Raposo	12	0	1	97.4%
Pedro Antunes de Almeida	13	0	0	100%

36. Availability of each member, as applicable, of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, indicating the positions held simultaneously in other companies inside and outside the Group, and other relevant activities of said members during the year. A reference may be included to the part of the report where this information is already noted, pursuant to the provisions of section 26

In general, the members of the Galp Audit Board have a high level of availability for the performance of their roles.

Annex 8.8 presents the relevant positions held by the members of the Audit Board during the financial year 2016.

c) Powers and roles

37. Description of the procedures and criteria applicable to the supervisory body's activity in procurement of additional services from the external auditor

In accordance with the legal framework for audit supervision approved by Law No 148/2015 of 9 September, which transposed into national law Directive 2014/56/EU of the European Parliament and of the Council of 16 April, procurement by Galp or any of its subsidiaries or group companies of additional services from the external auditor or from any entity with which there is an investment relationship or which is part of the same network, is preceded by an opinion of the Audit Board, which evaluates the reasons for the procurement and compliance with the independence requirements of the auditor, requesting, where appropriate, relevant information from the areas involved.

Additional services provided by the external auditor in 2016 are described in sections 46 and 47 of this Report.

38. Other functions of the supervisory bodies and, where applicable, of the Commission for Financial Affairs

The role of the Audit Board is to monitor the effectiveness of the risk management, internal control and internal audit systems, as well as to annually assess the operation of the systems and their internal procedures, thus strengthening the internal control environment, through recommendations and suggestions for adjustment to the operation of the internal control and risk management systems.

The Audit Board monitors the operation of the corporate governance system adopted by Galp and compliance with legal and statutory requirements, as well as legislative and regulatory changes in the field of corporate governance, in particular the recommendations and regulations issued by the CMVM, and presents proposals for improvement of the Company's governance.

In accordance with the legal regime of Audit Supervision mentioned above, Galp's supervisory body also has the following duties: (i) informing the Board of Directors of the results of the statutory audit and explain how it has contributed to the integrity of the process of preparation and disclosure of financial information, and the role of the supervisory body in that process; (ii) monitoring the preparation and disclosure of financial information and make recommendations or proposals to ensure its integrity; (iii) monitoring the effectiveness of internal quality control and risk management and internal audit systems in relation to the preparation and disclosure of financial information, without violating their independence; (iv) monitoring the statutory audit of the individual and consolidated annual accounts, namely their execution, taking into account any findings and conclusions of the CMVM, in its capacity of the competent authority for audit supervision; (v) verifying and monitoring the independence of the Statutory Auditor or Statutory Audit Firm in accordance with the law, and in particular verifying the adequacy and approval of the provision of other services, in addition to audit services; (vi) selecting statutory auditors or audit firms to be proposed to the General Shareholders Meeting for election and justifiably recommending a preference for one of them.

The Audit Board's functions also include issuing an opinion on business between the Company and related parties and receiving reports of irregularities submitted by the Company's shareholders, employees, customers or suppliers.

IV - Statutory auditor

39. Identification of the statutory auditor and the partner representing the statutory auditor

Under Article 420(2) (b) of the CSC, the Audit Board is responsible for proposing the appointment of the Statutory Auditor or Company of Statutory Auditors to the General Shareholders Meeting.

Accordingly, the general shareholders meeting held on 16 April 2015 approved the proposal from the Audit Board to elect, for the four-year term, 2015-18:

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., Corporate Tax Number 506628752, with registered office at Palácio Sottomayor, Rua Sousa Martins, 1 – 3.°, 1069-316 Lisbon, entered in the Institute of Statutory Auditors under No. 183 and registered with the CMVM under No. 20161485, represented by António Joaquim Brochado Correia, Statutory Auditor No. 1076, or by Ana Maria Ávila de Oliveira Lopes Bertão, Statutory Auditor No. 902, for role of Statutory Auditor; and José Manuel Henriques Bernardo, Tax ID Number 192184113, Statutory Auditor No. 903, with address at Rua Ilha dos Amores, 52, Bloco A, 1.° Dto., 1990-375 Moscavide, as substitute Statutory Auditor.

40. Indication of the consecutive number of years during which the statutory auditor has been operating for the Company and/or Group

Galp's Statutory Auditor has been in the role since 16 April, 2015.

41. Description of other services that the Statutory Auditor provides for the Company

Description of other services that the Statutory Auditor provides for the Company is in sections 46 and 47 of this Report's chapter.

V - External auditor

42. Identification of the external auditor appointed pursuant to Article 8 and of the partner representing them in accordance with these functions, as well as the respective CMVM registration number

The Galp Group's current external auditor is PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., represented by its partner António Joaquim Brochado Correia, Statutory Auditor No. 1076.

43. Indication of the consecutive number of years during which the external auditor and the respective partner representing them in accordance with its functions have been operating for the Company and/or Group

The external auditor and the respective partner representing them have been operating consecutively with Galp and its Group since 2011, when they were appointed by tender, for the term 2011-2013.

At the proposal of the Audit Board and in the Company's interest in ensuring continuity in the provision of audit services, Galp extended the external audit contract with PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. the 2014 and 2015-2018 terms.

44. The rotation policy and frequency of rotation for the external auditor and the partner representative in the exercise of these functions

Galp's external auditor rotation policy provides for the selection by the Audit Board of the external auditor and related statutory auditor partner at the end of three terms, through a process of prior consultation with the main internationally renowned auditors for a period of three years.

Taking into account the aforementioned rotation policy and the recently published legislation on this matter, at the end of the current term (31 December 2018) the new rules of mandatory rotation of the statutory auditor/external auditor will be complied with through a selection of a new auditor by a tender process.

45. Indication of the body responsible for evaluating the external auditor and the frequency of this evaluation

The Audit Board, the contact point in the Company and the first recipient of information prepared by the external auditor, annually evaluates the activity of the external auditor, with a critical appraisal of its reports and other documentation.

The Audit Board represents the Company, for all purposes, before the external auditor and shall be responsible, in accordance with Article 19(4) of its by-laws, for proposing the appointment of the Statutory Auditor/Company of Statutory Auditors and their remuneration to the General Shareholders Meeting.

The external auditor's specific role in the legal audit/examination of accounts includes checking the application of the policies and systems governing the pay of corporate bodies and the efficacy and operation of the internal control mechanisms and reports any deficiencies detected to the Audit Board.

The Audit Board is also responsible for appointing and dismissing the external auditor, under the approved regulations, and for suggesting the respective remuneration.

The Audit Board ensures that the management organisation of the Company, particularly the relationship with the Board of Directors and the Executive Committee, involves providing the external auditor with the information and other conditions required for the respective service to be performed.

Each year the Audit Board, in its annual business report, shall present an assessment of the external auditor.

46. Identification of work, other than audit, performed by the external auditor for the Company and/or its subsidiaries, and indication of the internal procedures for the approval of procurement of such services, indicating the reasons for their procurement

In 2016 the external auditor provided the Company and its subsidiaries with other audit services as follows:

- support for surveys and assessment of human resources;*
- support in the preparation of non-financial information on sustainability;*
- administrative and legal advice;*
- study on governance and internal control;
- consultancy for various projects.

The different audit services represented 29.1% of the total value of the services provided by the external auditor.

When procuring services from the external auditor, sufficient internal procedures are in place to safeguard the independence of the auditors, through careful definition of the work to be procured. In order to safeguard the independence of the external auditor, it is expressly forbidden to purchase any type of service that might compromise such independence.

Service provision proposals submitted by the auditor are analysed and evaluated and, where possible, undergo market consultation and, subsequently, are sent to the Audit Board for approval.

The services provided by the external auditor in 2016, in the area of human resources, did not include any type of support for the work of the Remuneration Committee.

The services of governance and internal control provided by the auditor were related to benchmarking of best practices.

*Services iniciated in 2015 and previous years.

47. Indication of the annual remuneration paid by the Company and/or by its subsidiaries or group companies to the auditor or other natural or legal persons belonging to the same network and breakdown of percentage of the following services: [For the purposes of this information, the notion of network is as provided in European Commission Recommendation No. (2002) 1873, dated 16 May]

In 2016, the remuneration paid to the auditor and to other natural or legal persons belonging to the same network was as presented in the following table.

By the Company		
Value of audit services	18,400.00 €	1.2%
Value of assurance services	17,250.00 €	1.1%
Value of tax advice services	0 €	0%
Value of other non-audit services	0 €	0%

By other Group companies		
Value of audit services	608,750.00 €	39.9%
Value of assurance services	439,209.74 €	28.8%
Value of tax advice services	0 €	0%
Value of other non-audit services	443,717.98 €	29.1%

C – Internal Organisation

I - by-laws

48. Rules applicable to amendment of the Company's by-laws [Article 245-A(1) (h)]

Under Article 12(4) of the Company's by-laws, resolutions of the General Shareholders Meeting on amendments to the Company's by-laws must be approved by a qualified majority of two-thirds of the votes cast.

II - Reporting of irregularities

49. Company reporting of irregularities policy and resources

Galp bases its operations on the principles of loyalty, correctness, honesty, transparency and integrity, with full respect for the law and best international practices, with a particular emphasis on creating internal regulation to ensure conduct that implements these principles and employee training on such issues, in all Group companies.

The approval of the new Galp Code of Ethics and Conduct by Galp's Board of Directors at their meeting of 24 July 2015 and its subsequent approval by the boards of directors of the subsidiary companies, is one of the main measures for implementation of the Group's corporate culture.

The submission of complaints in this area is regulated in the Reporting of Irregularities Procedure - Ethics Line adopted on 3 December 2015 by the Audit Board and distributed internally to all of the employees of Galp and its subsidiaries via the normal means of communication and externally through the official Galp website at http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Documents/Procedure_on_Reporting_Irregularities_EthicsLine.pdf

The Reports of Irregularities Procedure seeks to enable any party related to Galp, including employees, members of corporate bodies, shareholders, investors, customers, suppliers or business partners to report to the Ethics and Conduct Committee any knowledge or suspicion of irregularities or instances of non-compliance with the Code of Ethics and Conduct, of standards that refer to them or that deal with the topics referred to, in the areas of accounting, internal accounting controls, auditing, anticorruption measures, banking and financial crimes.

The said procedure applies to Galp and all the companies in which Galp directly or indirectly holds 50% or more of the share capital or in which it exercises management control, in all countries where the Group operates.

Complaints submitted under the ethical line are received and processed by Galp's CEC, which was set up by and reports to the Audit Board, the corporate body responsible for oversight of the Company.

The security of Reporting of Irregularities information and the related records is ensured by Galp's internal rules, in accordance with relevant legislation on data protection and information security or any legislation that may replace it.

Personal data processed under the Reporting of Irregularities Procedure is covered by Authorisation No. 7924/2015, granted by the National Data Protection Commission (CNPD), whose conditions and limits are set in that Authorisation and in CNPD Resolution No. 765/2009 or any that may replace it.

Information reported under this procedure shall be used only for the purposes set forth herein.

Notwithstanding the provisions of the Code of Ethics and Conduct, the Reporting of Irregularities Procedure is of a voluntary nature, so failure to apply it does not entail any penalties.

The person identified by the complaint is entitled to information about the entity responsible, the content of the complaint and the purpose of the processing and is entitled to access the data about himself/herself and has the right to demand its correction or deletion if it is inaccurate, incomplete or ambiguous.

Galp and its subsidiaries guarantee that entities reporting an irregularity or suspected irregularity or providing information as part of a Reporting of Irregularities investigation shall not be subject to any retaliation, intimidation or discrimination, including disciplinary action or withholding or suspension of payments.

Abuse or use in bad faith of the Reporting of Irregularities procedure may lead to disciplinary or court action, as applicable, if the conduct justifies it as provided in the Code of Ethics and Conduct.

Complaints about the quality of the products supplied or services provided shall not be considered.

In the event of preliminary archiving of the case, the Audit Board shall ensure that the reported and collected information is destroyed. Personal data subject to complaint will be immediately destroyed if revealed to be inaccurate or useless. Where there is no need for disciplinary or court procedure, the data will be destroyed within six months of conclusion of the case.

In the event of disciplinary or court procedure, the data will be retained for a maximum of six months following the end of this procedure.

Each Reporting of Irregularities case will be treated as confidential and all people with access to the information in cases of alleged irregularities are required to maintain confidentiality.

For confidentiality reasons the only people who have access to Reporting of Irregularities cases are: Audit Board members, CEC members and, on a strictly need to know basis, Executive Board members and employees or external consultants specifically appointed to support the work of the CEC.

All instances of Reporting of Irregularities must be submitted in writing, by email or by letter, to the CEC, at the following address:

Email:
opentalk@galp.com

Postal address:
Comissão de Ética e Conduta da Galp Energia, SGPS, S.A.
Edifício Galp, Torre A
Rua Tomás da Fonseca
1600-209 Lisboa, Portugal

Reporting of irregularities must adopt a format that: guarantees confidentiality until it is received by the CEC; identifies the whistle-blower, whose identity will be kept confidential; contains a description of all the circumstances and information to enable the reported irregularity to be evaluated; or, if it is a suggestion, the specific elements that might prevent or reduce the likelihood of an irregularity.

Communication with the CEC must take place through the above channels, notwithstanding the possibility that the CEC may request any meetings required to clarify the information received.

Employees who reported irregularities are required to provide the CEC with all information in their possession and to cooperate in the investigation process.

In 2016, approximately ten cases were reported to the CEC and investigated under the Reporting of Irregularities Procedure, which were analysed and reported to the Audit Board for decision.

III - Internal control and risk management

50. People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

Matters relating to the definition of Galp's internal control system are functions assigned to the Risk Management and Legal and Governance Matters Divisions, part of the Corporate Centre.

The Internal Auditing Division, the External Auditor and the Audit Board are all responsible for monitoring the effectiveness of the internal control system and for assessing the operation of the system and its internal procedures.

The Board of Directors is responsible for defining the risk management supervision strategy, to be monitored by the Executive Committee, in particular by its member with the responsibility for Galp's risk management.

The functions of the Statutory Auditor and the External Auditor include evaluation of the internal control mechanisms of the key functional cycles of the Group companies with impact on financial reporting.

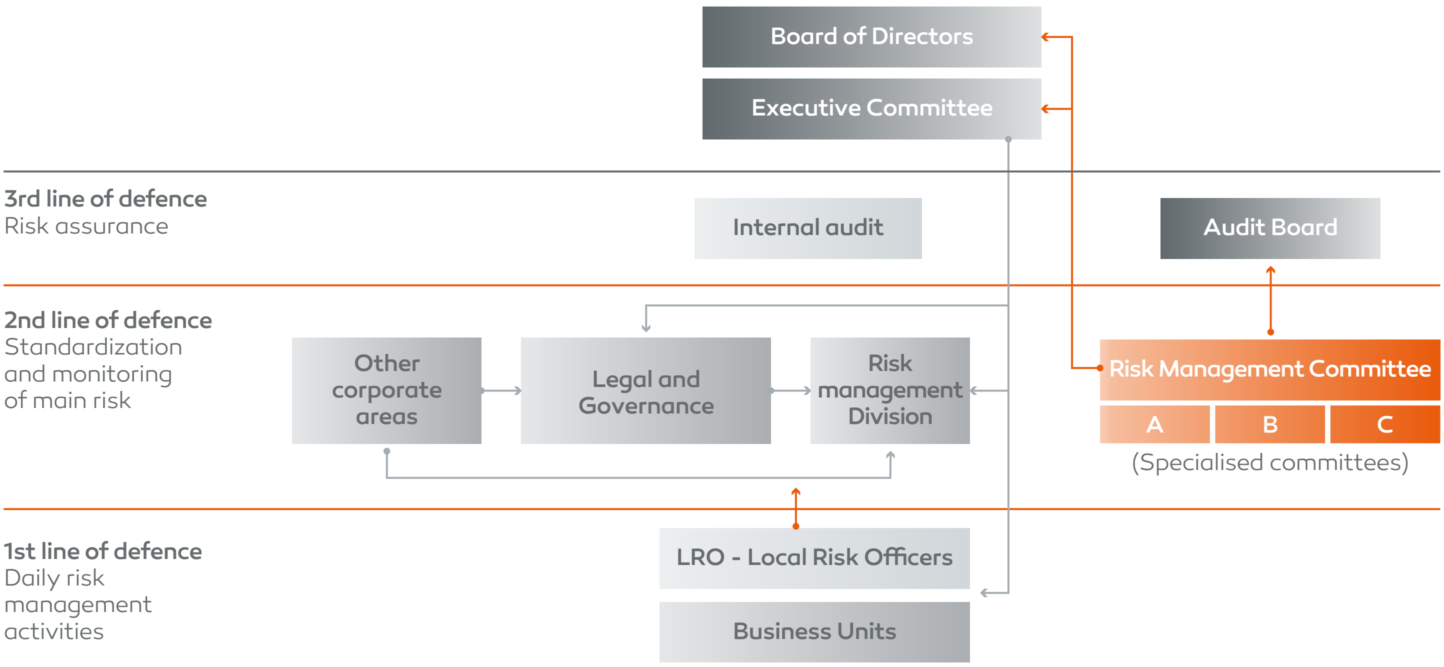
The implementation of the internal control systems is the responsibility of the local risk control and management units (Local Risk Officers) of the company and group business units.

51. Explicit definition, including a management chart, of the hierarchical and functional dependency relationships with other Company bodies and committees

The existence of a robust regulatory framework and a disciplined approach to risk are important elements in an organisation with wide geographical diversification to ensure that the execution is carried out in accordance with the strategic objectives that the accepted risks are duly rewarded and that surplus value is created in the long term for the shareholders.

At Galp the organisation and governance structure of risk management is based on the “three lines of defence” model in accordance with generally accepted best practices, as outlined in the chart below. Daily risk management, standardisation and monitoring of the main risks, and the assurance of the risk, correspond to the first, second and third lines of defence, respectively.

Enterprise Risk Management (ERM)



Galp's Enterprise Risk Management is addressed in its risk management policy. This approach enables a consistent relationship between daily risk management activities, the supervision of the strategic and corporate risk, and the supervision of risk and assurance of governance, that enable to:

- identify and understand the risk environment, evaluate and communicate the potential value of exposure to risk, determine and implement the best way of capturing or mitigating this exposure to the risk - 1st line of defence;
- monitor corporate risk level, define standards and regularly report risk and the by-laws of action plans to the Risk Management Committee, the Executive Committee, the Audit Board and the Board of Directors - 2nd line of defence;
- supervise and evaluate, by recourse to independent internal and external entities, the effectiveness of the risk management and the internal control process – 3rd line of defence.

Based on the approved strategy, the Board of Directors is the highest authority for establishing the level of risk that Galp is willing to accept - the risk appetite and risk-tolerance - and for ensuring the alignment of the strategy with this risk level. Although these are responsibilities of the Board of Directors, the board may delegate powers to the Executive Committee.

In fact, it is the Executive Committee's responsibility to oversee risk management with a focus on the main risks that the Galp Group faces, including strategic, operational, financial and regulatory risks, identified and described in section 53 of this Report's chapter.

Supported by the Risk Management Committee, the Executive Committee monitors the most material risks as well as the implementation of critical projects from the risk point of view.

The member of the Board of Directors responsible for Galp's risk management is a member of the Executive Committee and chairman of the Risk Management Committee, thus ensuring that discussions of the topics are consistent and effective at all levels. The Chief Risk Officer is responsible for overseeing and coordinating risk assessment processes and respective mitigation actions throughout the Organisation, as well as for their adequate management, ensuring that the guidelines of the Board of Directors and the Executive Board are complied with and they are reflected in policies and procedures.

The Internal Auditing Division independently and systematically assesses the proper functioning of the Group's internal control systems and risk management, as well as the effectiveness and efficiency of implementation of mitigation controls and actions, regularly informing and alerting the Board of Directors and the Audit Board of the most relevant facts, identifying opportunities for improvement and promoting their realisation.

It is intended, therefore, to ensure the effective application of the risk management system through continuous control of its adequacy and effectiveness, to ensure the permanent monitoring of the risks Galp is subject to and the implementation of the control mechanisms pertaining thereto.

Annually, the Internal Auditing Division defines an audit plan, based on the results of the risk assessment of Galp's different processes and the various business units and strategic priorities that are approved by the chairman of the Board of Directors and by the Audit Board.

Although it depends hierarchically on the chairman of the Board of Directors, the Internal Audit reports functionally to the Audit Board, which approves the annual plan of internal audit activities and supervises their implementation.

The role of the Audit Board is to monitor the effectiveness of the internal control and internal audit systems, as well as to assess annually the functioning of the systems and the respective internal procedures, thus strengthening the internal control environment.

Within the framework of its supervisory function, the Audit Board accompanies the work plans and resources entrusted to the Internal Auditing Division and to the Legal and Governance Matters Division, Compliance and Corporate Secretary, which is the recipient of periodic reports made by these services, as well as information on matters related to accountability, identification or resolution of conflicts of interest and the detection of potential illegalities.

The risk management functions identified in the previous point are monitored by the Risk Management Committee.

Within the sphere of the Risk Management Committee there is a work group that is subordinated to issues related to safety, health and environment, quality and regulatory changes. Thus it is ensured that these matters are duly integrated into the Company's risk management system.

The relationship model between the agencies, departments and committees responsible for the implementation of internal control systems favours the centralised management of the risks at the level of the Risk Management Division.

This department is responsible for defining, monitoring and evaluating risks and mitigation measures, ensuring alignment with approved policies and strategies by ensuring the consistency of the principles, concepts, methodologies and tools for the risk assessment and risk management of all the business units and companies of the Group.

The mission of the Risk Management Division is to ensure the effective application of the risk management system, through the relationship with the Executive Committee, Risk Management Committee and focal points of the business units and companies of the Group. It is its responsibility to:

- promote the implementation and coordination of the policy and the acceptable levels of risk (risk appetite and risk tolerance);
- propose and ensure the application of a risk management strategy appropriate to the approved risk profile;
- develop risk assessment methodologies and ensure consistency across the entire Company;
- lead the process of evaluating, monitoring and mitigating risks in collaboration with the business units;
- support the Risk Committee, the Executive Committee and the Board of Directors in defining the risk strategy and policies on the supervision of risks and respective mitigation measures at the Group level;
- monitor the risk profile and report to the Risk Committee, the Executive Committee and the Board of Directors.

The Local Risk Officers are responsible for identifying, evaluating and managing the risks in the respective business units, in light of the defined risk management standards. They are also responsible for incorporating risk information in their decision-making process, ensuring compliance with the risk management policies and procedures. Furthermore, they are responsible for compiling, reporting and publishing information on exposure to risk in their business unit.

52. Existence of other functional areas with risk control powers

As noted and described above, all Galp's management structures are responsible for controlling their risks.

In addition to those described in point 50 above, we highlight the Division of Environment, Quality, Safety and Sustainability and the Division of Information Systems, notwithstanding the involvement of all Galp teams in the implementation of the risk control process in the course of their activities.

Indeed, the Division of Environment, Quality, Safety and Sustainability have been assigned powers of corporate management of environmental, safety and security risk, particularly to define and propose methodologies for the environmental and security risk assessment of Galp Group activities and product quality, in conjunction with the business units, ensuring the definition and scheduling of actions to remove or minimise the risks.

The cyber-security area of the Division of Information Systems is responsible for defining and managing the cyber-security policy of the Group's information systems and data and for supporting the business units in managing risk and business continuity.

53. Identification and description of the main types of risks (economic, financial and legal) to which the Company is exposed in its business operations

Galp's commercial operations are of a long-term nature, which implies that many of the risks to which it is exposed are permanent. However, the triggering factors of the internal or external risks, are changeable and can develop and evolve over time, and may vary in probability, severity and detectability.

We identify below the risks with high priority with regard to specific supervision which should be carried out, by the Board of Directors and its various committees. It is stressed, however, that they may undergo updates during the year, in response to changes caused by exogenous or endogenous factors.

It should be noted that there can still be no certainty as to the efficacy of our risk management activities, namely in what concerns mitigating those risks or any other risk.

Main risks (in alphabetical order):

- credit;
- partner dependency;
- discovery and development of resources and oil and natural gas reserves;
- disruptive events;
- project execution;
- geopolitical risks;
- regulatory and compliance uncertainties;
- IT and cybersecurity;
- volatility of prices and markets.

Galp's main risks and uncertainties are managed, monitored and reported at the counterparty, project, industrial and geographical sector level, according to the case.

The risks identified through our risk management process are organised according to their degree of priority and, depending on the respective probability, severity and detectability, are communicated to the director responsible for the Risk Management Division. These risks are discussed in the business unit responsible for them ("owner" of the risk) and their alignment with Galp's acceptable levels is checked jointly with the Enterprise Risk Management team.

The responsibility for risk management, and the related periodic analysis, is assigned to the Company or to the functional leader. Galp has risk management strategies available that classify the risks per response categories according to whether it is decided to avoid, transfer, reduce or accept the risk. These strategies are defined in such a way so as to ensure that the risks are within the acceptable guidelines by Galp's Executive Committee.

Depending on the nature of the risk involved and the Company or specific job affected, Galp uses a wide range of mitigation strategies.

The incorporation of the insurance activity in the Company's Risk Management Division allows for optimising the risk transfer, whenever that proves to be the best option.

Main Risk	Description and impact	Forms of migration
Credit	Risk arises from the possibility of a counterpart not fulfilling its contractual payment obligations, meaning that the level of risk depends upon its financial capacity. The risk includes both the possibility of one of the parties not fulfilling the payment obligations they assumed by entering into financial investment or hedging agreements (relating to exchange rates, interest rates, and others), such as the risks arising from commercial relations between the Company and its clients. The increase in the exposure to risk may, in a significant and adverse manner, affect Galp's operational results and financial position.	Credit risk is managed at the business unit level, in accordance with the Executive Committee's directives, specifically in relation to credit exposure limits and actions designed to minimise or eliminate risk in operations with clients or financial counterparties. The actions mentioned include: prior assessment and analysis of a client's credit (credit management manual, limit and rating) or of their financial counterparty; management of hedges through bank guarantees, credit insurance or others; monitoring of matured credit; sufficient efforts to recover debts and efficient dispute management; careful drafting of agreements, with the inclusion of suitable commercial conditions; monitoring of the client's profitability, including potential reimbursements; optimisation of sales and distribution channels.
Partner dependency	Many of Galp's main projects are carried out through partnerships, and may be operated by third parties and managed by joint venture agreements. In these partner agreements, the Company may be vulnerable to events that affect their partners, even though they are not related to Galp. The Company's partners could also approve certain matters without the Company's consent. The partners may not have the ability to fulfil their obligations on certain projects or in relation to third parties and, as such, they could affect the viability of the projects. All these risks could place the execution of projects at risk and, ultimately, constrain and interfere with the implementation of Galp's strategy, with this possibly having a negative impact on its operational results and financial position.	Despite Galp not operating in the majority of the most relevant E&P projects in its portfolio, it is actively involved in the respective execution. In effect, Galp monitors the activities of each project on a daily basis, using internal, multidisciplinary teams, and maintaining direct contact with the operators, which essentially consist of well-respected international companies with vast experience in the sector. Galp utilises a decision-making process that involves prior screening in relation to the selection of its strategic partners, and also using due diligence processes. The Company also develops a long process of negotiations that includes the drafting, analysis and signing of Joint Operating Agreements (JOAs) in order to ensure Galp's rights and powers in the governance structures under joint venture systems. The Company can exercise possible veto rights on certain matters within the consortia.

Main Risk	Description and impact	Forms of migration
Partner dependency (cont.)		Within the scope of the E&P assets not operated by Galp, the acquisitions of goods and services are governed by JOAs signed with the partners. These agreements ensure alignment among all partners on quality, social responsibility and HSE criteria for the pre-qualification of suppliers in the purchasing processes. Local contracting is a requirement, varying according to the geographical area and taking into account the specifics of the concession contracts. Galp feels that its proven and diverse experience, combined with the knowledge acquired in the various projects in which it is involved, is a key factor that allows it to have influence in the partnerships in which it participates. However, the Company's objective consists of continuing to develop its E&P activities, which tend to increase its ability to control and influence.
Discovery and development of resources and oil and natural gas reserves	Galp's future production of oil and natural gas depends on its success in the consistent and profitable acquisition, discovery and development of new reserves to replace the reserves that have already been produced. However, the Company's ability to acquire and find new resources and reserves is subject to a number of risks. Estimates with respect to oil and natural gas reserves and resources are based on available geological, technological and economic data and is therefore subject to a large number of uncertainties. The accuracy of these estimates depends on numerous factors, assumptions and variables, some of which are outside the Company's control. These factors include changes in the prices of oil and natural gas, which may have an impact on the amount of proven reserves (given that reserves are calculated on the basis of the prevailing economic conditions on the date of the respective calculation); changes in the applicable tax regime or other regulations and contractual conditions, which occur after the date of calculation of the reserves (which can have an impact on the economic viability of the development of these reserves); and certain actions of third parties, including the operators that carry out activities in areas where Galp is involved.	Galp has a set of exceptional assets. All projects undertaken by the Company are rigorously analysed and submitted to the management team for approval, which is only given when the expected value exceeds the estimated cost of the capital. The Company has a multidisciplinary team, under the responsibility of the director of the E&P area, dedicated to identifying and assessing new areas that may contribute to the expansion of its resource base. Galp has been making efforts to broaden its knowledge base and strengthen the expertise of its teams, helping to provide better understanding and control over the different areas of exploration and production activities, including the estimate of reserves and resources in the portfolio.

Main Risk	Description and impact	Forms of migration
Discovery and development of resources and oil and natural gas reserves (cont.)	E&P activities are usually carried out in extremely challenging environments with potential risks of technical failures and natural disasters. A number of factors, such as unexpected drilling or pressure conditions, or irregularities in geological formations, equipment malfunctions or accidents, adverse weather conditions, non-compliance with the requirements imposed by government entities, as well as failures or delays in the availability of drilling rigs and equipment supply, may lead to higher costs or downsizing (decrease in staff) and delay or suspension of drilling activities. In addition, the production blocks of oil and natural gas are typically made available by government authorities. Galp is subject to strong competition in the bidding for these blocks, particularly with respect to those which are considered to be potentially more attractive in terms of resources. Due to this competition, Galp may not be able to obtain the desired production blocks, or may have to pay a higher price to obtain them, which may affect the economic viability of subsequent production. The projects may be sanctioned based on incorrect assumptions or inadequate information. The projects may be delivered late, exceed the budget or have levels lower than the operational reliability standards. If the Company is not successful in de-risking the resources and in the development of reserves, its total proven reserves may decrease and Galp may run the risk of not achieving its production targets. This may negatively affect the results and the Company's financial position.	It should also be mentioned that Galp applies a phased approval mechanism to its key projects which considers the maturity and the risk of the project in question. This process allows for the assessment of the risk profile of the project over various phases, supporting a decision for its optimisation. At this point, and considering the existing forms of mitigation, Galp has a considerable base of contingent resources which give it a comfortable and sustainable position with regards to the future development of its assets. Every year, Galp uses an external independent verification company to carry out the certification of its reserves and resources that it holds.
Disruptive events [including any interruption of the operations of the industrial unit, which give rise to catastrophic impacts in terms of Health, Safety and Environment (HSE)]	The variety and the complexity of Galp's operations – namely in exploration and production in ultra-deep waters or in the refining process – entail considerable potential risks. These risks include incidents such as natural disasters, civil unrest, war and terrorism. Exposure to generic operating risks, health and personal safety risks and risks related to criminal activities are also included.	Galp understands that the environment, health and safety of its employees, customers and the community, combined with the protection of its assets, is key to ensure that the Company is sustainable. Consequently, the Company has established a commitment to integrating the most important aspects of HSE in its strategy and activities, as well as ensuring continuous improvement in its performance.

Main Risk	Description and impact	Forms of migration
Disruptive events [including any interruption of the operations of the industrial unit, which give rise to catastrophic impacts in terms of Health, Safety and Environment (HSE)] (cont.)	A major incident of this type may cause injury, loss of life, environmental damage or destruction of facilities. Depending on the cause and severity, any of these incidents may affect Galp's reputation, operating performance and financial position.	It is also important to highlight the HSE management system. When implementing the guidelines of this system in the Company's daily operations, the business units can identify and manage their own operating risks, through the full cycle of the different projects, equipment and assets. Galp also has an insurance programme that includes civil liability, to minimise the impact of any potential risks that actually occur, among others.
Project execution	The organic growth of the Company depends on the creation of a portfolio of high quality assets and on the investment in the best options. If Galp is unable to make an efficient selection and does not develop its investments, the result may be a loss in value and/ or higher investment costs, thus jeopardising the implementation of its strategic plan. The success of large-scale projects is, therefore, essential for Galp's future growth. The non-execution of these projects within the established budget and time limits, and in conformity with predefined specifications, may have an influence on the execution of Galp's strategy, as well as on its results, reputation and financial position. However, the implementation of projects is exposed to a variety of risks, particularly in terms of health, safety and environment, economic, technical, commercial, regulatory and legal risks. At the same time, Galp's activities depend on the performance of their partners, various service providers and other contracted parties, therefore the Company is being exposed to the risk of execution through these entities	At Galp, the final investment decision in a project is taken after a detailed review of feasibility studies, the evaluation of key variables in the implementation stage, the definition of the concept of development, as well as the mitigation measures that can protect the future execution of the project. In addition to the teams that analyse in detail the feasibility of each project, Galp has a team that analyses the portfolio of projects/assets and how these fit into the Company's strategy. The goal is to ensure that Galp chooses its investments so as to effectively protect shareholder value and ensure the Company's sustainability. In the execution phase, the Company constantly monitors the critical factors in order to identify potential risks as quickly as possible, thus ensuring the timely implementation of corrective measures. Also with respect to the projects where it is not an operator, the Company monitors activities and participates in the various phases of the project, with multidisciplinary internal teams.

Main Risk	Description and impact	Forms of migration
Project execution (cont.)		The information collected in each project, and subsequently used for other projects is also important, enabling the Company to benefit from the experience and learning curve. Galp participates in numerous projects worldwide, which enables it to take advantage of the diversified knowledge and experience that it has acquired, by applying various techniques and experience curves from one region to another. Regarding the risk that results from the performance of its partners, it should be noted that Galp develops partnerships with leading companies in the sector, recognised for their knowledge and experience. On this topic, it is recommended to read the section "Partner Dependency" on risk. With respect to the risk that arises from contracting suppliers, service providers and other third parties, Galp analyses and implements a selection and contracting process, combining multiple operational, compliance and HSE criteria.
Geopolitical	Galp carries out its most important E&P projects in countries that are not part of the Organisation for Economic Co-operation and Development (OECD), which may raise some issues with respect to security failures, civil disturbance or expropriation of assets and, consequently, compromising and negatively affecting the results of Galp's operations and financial position, and placing the implementation of the Company's strategy at risk. The Lula/Iracema project in Brazil is currently the biggest contributor to the Company's oil and natural gas reserves base. Although, to date, Galp has not had any material problems with its operations in that country, there is no guarantee that these events may not occur in the future. Thus, although the authorities and the Brazilian government have been cooperating in terms of developing the country's oil and natural gas reserves, any adverse circumstances that may arise during the development phase of Galp's E&P projects could jeopardise the operations in this country. Therefore, the production targets set by the Company could be compromised and negatively impact the results and the financial position of the Company.	Galp is permanently aware of all the events occurring in the countries in which it conducts its activities and that may have implications for the Company's activities, particularly in Brazil, Angola and Mozambique. In the case of Brazil, the Company's presence and the relationships that it has built with the oil company, Petrobras, facilitate the opening of a channel of communication and allow it to react in a timely manner, especially with respect to the decision-making process and its subsequent ability to influence stakeholders at the local level, including its partner company.

Main Risk	Description and impact	Forms of migration
Regulatory and compliance uncertainties	Galp's main E&P projects are located in non-European countries, whose economies are under development or whose regulatory and political situation have a history of instability. Furthermore, Galp is supplied with natural gas for its supply & trading business by Algeria and Nigeria and sells oil products in other African countries. Therefore, a portion of Galp's income is derived from, and will increasingly be derived from, or dependent on countries with greater associated economic and political risks. These include the possible expropriation and nationalisation of assets, significant increases in taxes and royalties on oil and natural gas production, among others. Moreover, political changes may lead to changes in the context in which the Company develops its activities, such as regulatory changes on matters such as allocating licenses for exploration and production, and the imposition of specific obligations on drilling and exploration activities. Although Galp has not experienced to date, major disturbances resulting from economic or political instability, changes in the legal, regulatory or tax framework, potential future disruptions may negatively affect its activity, its operating results and its financial position. Downstream activities in Iberia are also subject to risks of a political, legal and regulatory nature. In fact, any changes in these levels can have an impact on the business context in which the Company operates, potentially affecting Galp's activities and its operating results. Significant changes in the tax systems in force in the countries where Galp carries out its downstream activities may have a materially adverse impact on the Company's operating results and its financial position.	With respect to the risks of a regulatory nature and of compliance to which the Company may be exposed in its E&P activities, Galp operates on two distinct fronts. First, the Company has been building a balanced portfolio of projects, entering a wide range of new geographical areas, which has helped to reduce its exposure to the risk related to any one country. The level of exposure to regulatory risks is analysed in the process of entry into new areas, and potential amendments by the lawmakers or regulators of those countries are permanently monitored, and Galp acts accordingly and in order to protect the interests of its stakeholders. In compliance with best compliance practices, Galp has implemented a procedure in which transactions with new counterparties are subject to due diligence. At the same time, Galp has a code of ethics and conduct and an anti-corruption policy aimed at the public announcement of its commitment to permanently ensuring full compliance with the best practices and international law. In accordance with the update of its code of ethics and conduct, Galp has implemented a new version of its procedure for communication of irregularities occurring in companies of the Group. This procedure is in conformity with the best practices of corporate governance and the applicable rules and regulations of the capital markets. And it is in line with the principles of loyalty, rectitude, honesty, transparency and integrity, on which Galp's activities are based, in order to promote a responsible and ethical culture and prevent or prohibit improper or illegal practices.

Main Risk	Description and impact	Forms of migration
Regulatory and compliance uncertainties (cont.)	Galp considers that it operates in accordance with the international standards applicable in all the countries in which it carries out its activities. However, any (real or alleged) irregularities may have a very important adverse effect on Galp's capacity to develop its activity.	
Failures in information systems and cyber-security	System failures, whether accidental, or resulting from intentional actions, such as computer attacks or others, including those that are caused by network, hardware or software failures, may have adverse impacts at various levels. These failures may namely affect, the quality of Galp's activities or cause an interruption of these activities, may lead to loss, misuse or abuse of sensitive information, loss of lives, damage to the environment or assets and breaches in the legal or regulatory sphere, with the possibility of fines or any other type of measures imposed by the regulatory authorities. These events can have consequences for the Company's reputation, may severely compromise Galp's operations and result in significant costs.	Galp mitigates these risks through a series of measures, including control procedures, backup systems, and protection systems, such as firewalls, antivirus and building security. In addition, Galp has implemented information security policies and regularly conducts audits, complementing them with computer risk assessments with respect to the most important assets.
Volatility of prices and markets	The prices of oil, natural gas, LNG and oil-derived products are affected, at any time, by the dynamics of market supply and demand. In turn, these products are influenced by different factors, such as economic and operational circumstances, natural disasters, weather conditions, political instability, armed conflicts or supply constraints of oil exporting countries. Over the course of its operations and trading activities, Galp's results are therefore exposed to the volatility of the prices of oil, natural gas and oil-derived products. Even though, in the long term, the operational costs tend to be in line with the rises and falls of the prices of raw materials and products, there is no guarantee that this will happen in the short term. Consequently, a reduction in the price of oil or natural gas could compromise investment plans, including exploration and development activities. On the other hand, the increase in the prices of oil or natural gas could affect the value and profitability of Galp's assets. Even though the prices that the Company charges its clients reflect market prices, they cannot be adjusted immediately, and may not entirely reflect the changes in market prices. Furthermore, the significant differences in price that are seen between the purchase of the raw materials and the sale of refined products, could negatively affect Galp's operational results and financial position.	Galp's simultaneous presence in upstream and downstream has allowed a natural hedge to form in relation to its activities. New projects and investments are evaluated internally, taking into consideration an analysis of their sensitivity to key variables, particularly commodity prices. The risk associated with the volatility of raw material prices, particularly the refining margin, is managed at the business unit level, balancing the obligations of sourcing and supply. The aforementioned risk is managed by means of the instrument made available by over-the-counter (OTC) or Intercontinental Exchange (ICE) markets.

Main Risk	Description and impact	Forms of migration
Volatility of prices and markets (cont.)	Galp is also exposed to fluctuations in exchange rates due to the fact that the results and the cash flow generated by the sale of oil, natural gas and refined products are usually related to US dollars and Brazilian Reais, and are affected by the exchange rates associated with these currencies. In those countries where Galp is developing commercial activities, be it directly or indirectly, the operational results are also exposed to the fluctuations of the relevant exchange rates. Galp is also exposed to the risk of exchange rates in relation to the value of its financial assets and investments, mainly those that are defined in US dollars and in Brazilian Reais, which could have an impact on the Company's financial position, given that the financial statements are expressed in Euros. Despite the ability to access the market instruments designed to hedge the interest rate risk, Galp's financing costs could be affected by volatility in market rates, which could, in turn, negatively influence its results.	The interest rate, the exchange rate and other financial risks, including financial investments and debt, are managed centrally. Risk management of the interest rate seeks to reduce the volatility of interest charges through the use of simple derivative instruments, such as swaps. With the aim of mitigating the exchange rate risk, Galp can, whenever it deems it necessary, hedge its position by means of derivatives, for which a liquid market exists.
Attraction and retention of qualified human capital	The successful execution of Galp's strategy depends on the competence and efforts of its teams of employees and managers. In the energy sector, particularly in oil and gas, the competition for qualified and experienced human capital is very strong. If Galp does not manage, in the future, to attract, retain and motivate the right human capital, that could compromise the Company's success and, consequently, its operational results and financial position.	Galp positions itself as an attractive employer, offering the conditions to attract, develop and retain the talent of employees, considering the strategic and context challenges that the Organisation faces. To this end, the Company has defined a human capital strategy focused on the following areas: recruitment, development, performance management, compensation, information systems, welcoming, learning and training.
Competition	The energy industry is extremely competitive and is also exposed to players from other sectors. The competition puts pressure on the prices of raw materials and products, namely affects the marketing activities relating to oil products, and demands a constant focus on cost control and increased efficiency while, at the same time, guaranteeing the safety of the operations.	In view of the competition that exists in the energy sector, and to reduce the exposure to risks associated with the high level of operational complexity in the sector, Galp systematically applies the sector's best practices.

Main Risk	Description and impact	Forms of migration
Competition (cont.)	Within this context, implementation of the Company's strategy requires considerable effort, in relation to innovation and constant technological progress, including the progress achieved in terms of exploration, production, refining and energy efficiency. The Company's performance may be affected if its competitors develop or acquire intellectual property rights or technology that the Company needs, or if the Company is not able to keep up with the sector in terms of innovation. Some of Galp's competitors are operators that are well established in the reference markets, with a relevant size and access to a relevant number of resources. The weight of these companies in the market is due to a combination of factors, including: diversified and reduced risk; the financial capacity necessary for the developments that require high levels of investment, the capacity to benefit from economies of scale in terms of technology and organisation; and a size that allows them to benefit from advantages related to the competencies acquired, infrastructures established and reserves. In this way, these companies have the capacity to make competitive proposals with direct impacts on the effectiveness of Galp's operations. The intense competition to which the Company is subject can affect its activities, operational results and financial position.	The Company has implemented a solid culture of innovation and research in an attempt to continually track the most recent advances in the industry, and is committed to the development of competencies, be it internally or through partnerships, that will allow for the creation, study and implementation of new and better technical and technological solutions. In relation to the fact that some of Galp's competitors are much bigger operators, with greater potential financial capacity and with the possibility of access to a greater amount of resources, attention should be drawn to the fact that the Company makes the best use of its competitive advantages. In the E&P business, Galp is involved in two of the most important, global-scale development projects – the pre-salt region in the Santos Basin in Brazil, and the LNG project in the Rovuma Basin in Mozambique, a situation which favours its competitiveness in relation to other companies in the sector. In addition, Galp has a series of competitive advantages as well as a solid capital structure that supports its activities in E&P. In the downstream business, Galp develops a wide range of activities along the value chain, being a leading operator in Iberia, its core market, and having developed relevant skills that contribute to the expansion of its activity in the International market, particularly in the scope of its trading activities.
Funding and liquidity needs	Due to its investment strategy and plan, it is expected that Galp will need significant funds. Galp expects to finance a substantial part of its investment plan using operational cash flow, cash and equivalents and other available liquidity.	One of Galp's strategic pillars is the maintenance of a solid capital structure, specifically by means of strong financial discipline, which should facilitate access to diverse sources of financing at competitive costs.

Main Risk	Description and impact	Forms of migration
Funding and liquidity needs (cont.)	However, if its operations do not generate enough cash flow, the Company may have to turn to other sources of external financing, in addition to those which had originally been planned, including bank loans, the placing of debt and equity on the capital market, or establishing partnerships. There is no guarantee that Galp will be able to satisfy all of its financial needs to execute its investment plan under commercially acceptable conditions. If the Company is unable to deal with its financing and liquidity needs, it may have to reduce its investment plan, which could have a negative impact on the Company's strategic plan, on its activities and, consequently, on its operational results.	The solid capital structure and the resilient cash flow generated by the downstream businesses, together with the expected cash flow generated by the increase of production in Brazil, will be essential for an improvement of credit conditions, allowing to extend maturity periods and negotiate competitive rates, as well as for a diversification of the sources of financing. In addition, Galp has maintained the lines of credit at a level that was considered suitable, thus providing them with flexibility in terms of cash needs.
Losses resulting from trading activities	During the course of its activities, Galp is subject to operational risks that are inherent to the activities of cash and trading management. Galp operates on the derivatives market, making use of procedures that are periodically performed and designed to limit its exposure to risks involved in the operations in question. In relation to the physical market of raw-materials connected with Galp's activities, there is no guarantee that, in the future, the Company will not come to suffer losses due to the tendency of the prices of the raw materials in question to fall, or other factors that could influence the Company's commercial positioning. The effective control of these activities depends on Galp's ability to process, manage and monitor a large number of complex operations in different markets and currencies. In relation to this, any event that results in losses could have a negative impact on Galp's activities, operational results and financial position.	Galp has implemented a set of procedures aimed at reducing the risk of trading activities. For a trading activity to be successful, it is essential to ensure sufficient sourcing of oil-derived products and raw materials, such as oil and natural gas. Galp therefore aims to create a diverse and flexible mix of sourcing of crude oil, natural gas, LNG and electricity. In relation to the trading of petroleum products, the Company's priority is to place them in the most attractive markets, such as in the Iberia, the United States of America and selected African markets. Galp plans its production in an appropriate way, analysing the best markets to place products available for trading in. In relation to the trading of LNG, in addition to ensuring sourcing of a diverse and flexible sourcing mix, Galp seeks to maintain a stable basis of demand for natural gas in the Iberia, which will allow risks to be taken in the provision and management of the portfolio. In addition, Galp periodically performs control procedures designed to limit the exposures to risk that involve trading operations.

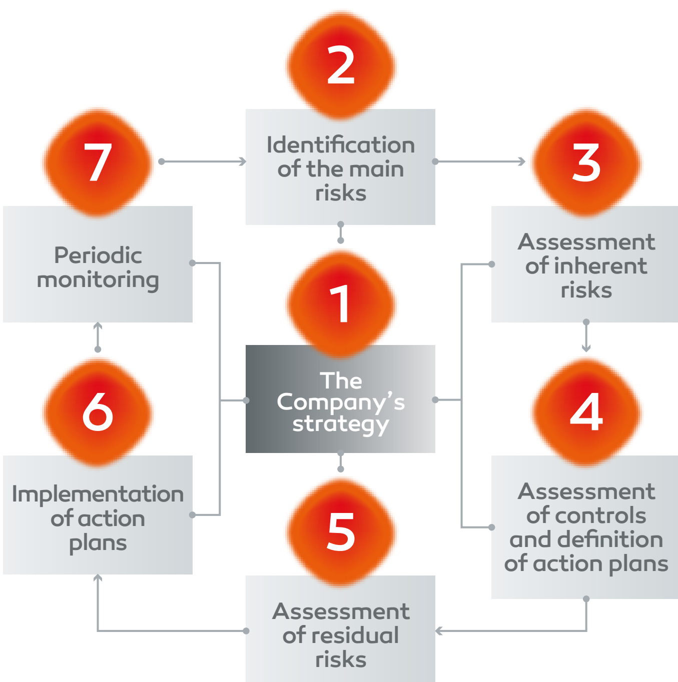
54. Risk identification, evaluation, monitoring, control and management

The internal control system consists of a set of policies and procedures adopted for the purpose of ensuring, with a reasonable probability of success, compliance with the Company's objectives with respect to:

- conducting their activities in an orderly and efficient manner;
- safeguarding their assets;
- preventing and detecting fraud and errors;
- complying with laws and regulations; and
- reliability of financial reporting.

This system is based on the guidance of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) concerning the main aspects of Galp's internal control: environment of control, risk assessment, control activities, information and communication, and monitoring.

Assessment Methodology and risk management of the Galp Group



The control environment is the basis of the internal control system. It influences how the Company's strategy and goals are defined, how operating activities are structured and how the Company's risk culture is assumed. It consists of various elements, including values, general attitude and management style.

Galp's control environment is based on a set of internal codes, policies, standards and procedures, which define principles of ethical conduct and ensure scrutiny of the different management acts, in line with the best international practices and in conformity with the legal and regulatory requirements, which were adopted in order to ensure, with reasonable probability, compliance with the Company's goals and the expectations and requirements of the Group's internal and external stakeholders.

Timely identification of the factors and the resulting risk assessment enables the Company to identify potential events that may affect achieving corporate objectives. Accordingly, Galp promotes continuous identification of factors and a systematic assessment of the major risks that could compromise the goals of the business units. This is a bottom up process, which is the responsibility of the various business units "owners of the risk".

Through a process that involves Enterprise Risk Management and the business units, the appropriate options for mitigation of risk are identified and selected, considering not only the effect of these options on the likelihood and impact of events, but also the cost of each option in relation to the respective benefits. After choosing the option, the business unit prepares a response action plan to mitigate, transfer, avoid or accept the risk.

Control activities to ensure that risk responses are effective, and allow the achievement of the objectives, are the responsibility of each business unit. However, the risk management team and the committees set up for this purpose are also involved. The residual risks are assessed and deviations regarding the level of risk taken in the business unit's business plan are identified, and that ensures the mitigation plan's monitoring and reporting.

This process is in accordance with what is recommended by COSO and is illustrated in the previous chart, which also shows the sequence and dependencies of various activities.

To ensure an effective internal control system, Galp promotes the exchange of relevant information, maintaining permanent communication with the various stakeholders, both internal and external.

Given that the inherent risks and the effectiveness of internal controls depend on internal and external variables, this process is not static. For this reason, it is a good practice to conduct a periodic re-evaluation of the risk of Galp's main activities, in order to ensure that there is alignment between the risk profile, decided by the Board of Directors, and the mitigation plan implemented by the business units.

Finally, operational, compliance and financial audits are carried out, as well as revisions of information systems, in order to test the effectiveness of the internal control mechanisms that have been implemented.

55. The key elements of the internal control and risk management systems implemented in the Company for the financial information disclosure process [Article 245(A) (1) (m)]

The process for disclosing financial information by Galp is accompanied not only by the management and supervisory bodies but also by the business units and corporate services. The documents for presenting financial information to the capital markets are prepared by the Strategy and Investor Relations Division (DERI in Portuguese), based on information provided by the business units, the Accounting and Taxation and the Corporate Planning and Control divisions. Before disclosure, the documents are sent to the administrative and supervisory bodies. All the documents presenting financial information are approved by these two bodies before being released.

IV – Investor support

56. Service responsible for supporting investors, composition, duties, information provided by these services and contact details

Composition

The service responsible for supporting investors is part of the Strategy and Investor Relations Division (DERI) and has the following members:

Diretor: Pedro Dias
Investor Relations Officer: Otelo Ruivo
Employees: Cátia Lopes, João G. Pereira, João P. Pereira, Teresa Rodrigues

Main duties

The DERI performs all the duties of the investor support office. This department reports directly to the Chief Executive Officer (CEO) and its duties include devising, managing and coordinating all the activities required to achieve Galp's objectives in respect of relations with the capital market, namely, shareholders, whether those referred to as leading ones or the holders of minority interests, institutional investors and financial analysts.

The Investor Relations (IR) team is responsible for ensuring that communications with capital markets result in an integrated and consistent perception of Galp's strategy and operations so that investors are capable of making informed decisions. To this end, the IR team provides the market with relevant, clear and accurate information about Galp, regularly, transparently and promptly, aiming at information symmetry in the market.

The IR team is also responsible for meeting the legal obligations to report to the regulator and the market, including drawing up reports disclosing Galp's results and activities, drafting and disseminating communiqués on important matters, answering requests for information from investors, financial analysts and other capital market participants. It also supports the Executive Committee in aspects relating to Galp's status of a publicly traded company.

The IR team monitors change in Galp's share price and those of comparable companies and supports the management team in direct and regular contact with national and foreign financial analysts and institutional investors, in conferences and collective presentations, addressed to investors and in bilateral meetings.

Information disclosed

Galp's capital market communication policy aims to provide all relevant information to enable reasoned judgements to be made about the evolution of the Company's activity, expected and achieved results and the various risks and opportunities that can affect its activity.

To this end, Galp promotes transparent and consistent communication, based on explanations of the criteria used in the provision of information and clarification of the reasons for any amendments to it, in order to facilitate the comparison of information provided in different reporting periods.

Strategy execution

Galp provides information on its strategy, as well as on the development of the activities inherent to its execution. Its website www.galp.com includes a description of the Company's activities and strategy, including presentations directed to the capital market.

Corporate governance

Galp provides information on the Company's corporate governance, in compliance with the regulations in force in the Portuguese market and in accordance with the best international practices. Information on its by-laws and Corporate Bodies, among others, is available on the Company's website. In the section dedicated to the General Shareholders' Meeting, you can consult all the relevant information, such as the notice, the proposals, procedures and deliberations.

Results

The information disclosed to the market includes a summary of the operating information for each quarter, called the trading update, usually published two weeks before the announcement of the quarterly results. Reports and quarterly earnings presentations and their supporting files are usually released before the market is opened, on the date that is previously announced, and the audio and transcription of the conference calls on the presentation of results are published afterwards.

Consensuses

Galp also publishes estimates by analysts of quarterly, medium and long term results covering the Company's action, with a summary of the analysts' recommendations on the share price.

Galp share

With more focus on the capital market, the website includes a section with the Galp share price history, comprehending comparisons with the evolution of PSI-20 and comparable company share prices. Detailed information about the Company's shareholder structure, including a description of qualifying holdings, as well as detailed and historical information about the payment of dividends, is also available thereon.

Financial calendar

In accordance with the best international practices, in December Galp announces the event dates of interest to shareholders that will take place in the following year.

2016 Calendar:

Event	Date
4th Quarter 2015 Trading Update	25 January
4th Quarter 2015 Results	8 February
Capital Markets Day 2016	15 March
Annual Report & Accounts 2015 (Audited)	5 April
1st Quarter 2016 Trading Update	15 April
1st Quarter 2016 Results	29 April
Annual General Shareholders Meeting	5 May
2nd Quarter 2016 Trading Update	15 July
2nd Quarter 2016 Results	29 July
3rd Quarter 2016 Trading Update	14 October
3rd Quarter 2016 Results	28 October

The expected 2017 calendar is as follows:*

Event	Date
4th Quarter 2016 Trading Update	31 January
Capital Markets Day 2017 and 4th Quarter 2016 Results	21 February
Annual Report & Accounts 2016 (Audited)	11 April
1st Quarter 2017 Trading Update	18 April
1st Quarter 2017 Results	2 May
Annual General Shareholders Meeting	12 May
2nd Quarter 2017 Trading Update	17 July
2nd Quarter 2017 Results	31 July
3rd Quarter 2017 Trading Update	16 October
3rd Quarter 2017 Results	30 October

*These dates are subject to change.

Communication to the market

All relevant information is disclosed, preferably, before the Euronext Lisbon opens, or after it closes and is made available in Portuguese and in English through the CMVM's information dissemination system.
The information is also provided to facilitate access, quickly and without specific costs, to a non-discriminatory database, sent by email to all investors and other stakeholders who have requested so in advance.
The database already has over 2,300 contacts. The relevant information is disclosed simultaneously in the "Investors" section of Galp's website: http://www.galpenergia.com/EN/investidor/Noticias/Paginas/Home.aspx

Contacts

Galp promotes a close relationship with the financial community and is actively involved in meetings with institutional investors and analysts, in order to provide regular and consistent information on the Company's strategy and implementation.

In March 2016, Galp organized an event for the capital market, for information on the strategic update and financial perspectives until 2020. The Company also held four conference calls, public to the capital market, to discuss quarterly results and update its strategic execution.

In addition, throughout the year, Galp participated in 17 conferences and 15 roadshows. In all, including ad-hoc meetings and conference calls, the IR team held about 210 meetings with institutional investors, covering a total of 230 investment funds in Europe, North America, Latin America and Asia. Approximately 53% of these meetings were attended by at least one member of the Executive Committee, underlining the management team's high commitment level to communicating with the investors regarding the Company's strategy and its implementation in the capital market.

During the year 2016, the IR team responded to over 350 information requests, and it is a principle of the IR team to ensure high availability and speed of response to all market players.

During the working hours of Euronext Lisbon, the contact with the IR team can be done through the e-mail address investor.relations@galp.com and by calling +351 217 240 866.

57. Representative for market relations

Galp's representative for market relations is Pedro Dias, Head of DERI.

58. Information on the proportion of and the response time to requests for information received during the year, or pending from previous years

To promote a close relationship with the capital markets community, the Director of DERI responds to information requests received, including by telephone and email.

Responses and clarifications are provided as quickly as possible, adjusting the response time to the nature and complexity of issues at hand, and always ensuring transparency, symmetry and consistency of available market information. The average response time during 2016 was one business day (in line with the target defined).

V - Website

59. Address(es)

Galp publishes information on its website: http://www.galp.com

60. Location of information about the firm, its public company status, headquarters and other details set out in Article 171 of the Commercial Companies

The information set out in Article 171 of the CSC can be found on the Galp website at: http://www.galpenergia.com/EN/Contactos/Paginas/ContactoGeral.aspx

61. Location of the by-laws and regulations for governing bodies or committees

Galp's by-laws are posted on Galp's website at: http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Documents/Articles_of_association_2012.pdf

The Regulations of Galp's Audit Board can be found on Galp's website at: http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Orgaos-sociais/Documents/Supervisory-board-regulations-2015.pdf

The Regulations of Galp's Board of Directors can be found on Galp's website at: http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Orgaos-sociais/Documents/Regulamento_CA_EN_Web.pdf

The Regulations of Galp's Executive Committee can be found on Galp's website at: http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Orgaos-sociais/Documents/Terms_of_reference_for_the_executive_committee_2012.pdf

62. Location of information on the identity of the members of the corporate bodies, the Market liaison officer, the Investor Support Office or equivalent service, its functions and access channels

Information on the members of the corporate bodies can be found on Galp's website at: http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Orgaos-sociais/Paginas/Orgaos-sociais-da-Galp-Energia.aspx

Information on the market liaison officer and the Investor Relations area can be found on Galp's website at: http://www.galpenergia.com/EN/Investidor/Paginas/Equipa.aspx

63. Location of accounting documents, which must be accessible for at least five years, and the six-month calendar of corporate events, released at the beginning of each semester, including, among other events, the General Shareholders Meetings, disclosure of annual and, if applicable, quarterly, accounts

The accounting documents are available on the Galp's website at: http://www.galpenergia.com/EN/Investidor/Relatorios-e-resultados/Paginas/Home.aspx and the calendar is available at: http://www.galpenergia.com/EN/Investidor/Calendario/Paginas/home.aspx

64. Location of notice convening the General Shareholders Meeting and all preparatory and subsequent information relating to it

The notice convening the General Shareholders Meeting and all preparatory and subsequent information related to it are posted on Galp's website at: http://www.galpenergia.com/EN/Investidor/AssembleiaGeral/Paginas/Home.aspx

65. Location of the historical record of resolutions made in General Shareholders Meetings of the Company, share capital represented and the results of votes, for the past three years

The historical record of recent years with resolutions made in the Company's General Shareholders Meetings, share capital represented and the results of votes, can be found on Galp's website at: http://www.galpenergia.com/EN/investidor/AssembleiaGeral/Arquivo/Paginas/Home.aspx

D – Remuneration

I - Remuneration setting powers

66. Indication regarding powers to set the remuneration of the governing bodies, of the members of the Executive Committee, or the CEO and the Company's managers

Under the provisions of Article 8 of Galp's by-laws, the Remuneration Committee is the governing body responsible for setting the remuneration amounts payable to members of Galp's governing bodies and Executive Committee and consists of three shareholders elected by the General Shareholders Meeting who are not members of the Board of Directors or the Audit Board.

Galp's management, as per the provisions of Article 248(B)(3) of the CVM, are the members of the Board of Directors and the Audit Board of the Company. Indeed, beyond the members of these bodies, no manager has regular access to inside information or participates in decisions about the company's management and business strategy.

II - Remuneration Committee

67. Membership of the Remuneration Committee, including the identification of the natural or legal persons recruited to provide it with support and statement on the independence of each member and advisor

The Company's current Remuneration Committee was elected at the General Shareholders Meeting of 16 April 2015 for the term 2015-18 and has the following members:

- Amorim Energia
- Jorge Armindo Carvalho Teixeira
- Joaquim Alberto Hierro Lopes

The members of the Remuneration Committee are independent of the executive members of the Board of Directors of the Company, in fulfilment of Article 8 of the Company's by-laws which stipulates that those positions are incompatible.

The fact that the non-executive directors Paula Amorim, Marta Amorim, Francisco Teixeira Rêgo, Rui Paulo Gonçalves and Jorge Seabra de Freitas are members of Amorim Energia's Board of Directors does not affect the independence of that body as a member of the Remuneration Committee, given that these members do not make, alone or together, the decisions of the Board of Directors of Amorim Energia.

In 2016, the Remuneration Committee held two meetings.

In 2016, no natural or legal person was recruited to support the Remuneration Committee in the performance of its duties.

68. Knowledge and experience of the members of the Remuneration Committee in matters of remuneration policy

The members of the Remuneration Committee have control over the remuneration policy based on their academic background and extensive corporate experience and are considered suitable for reflection and decision-making on all matters under the remit of the Remuneration Committee, as evidenced by their biographical information in Annex 8.9.

Specifically, the Remuneration Committee member Jorge Armindo Carvalho Teixeira has vast professional experience including work in listed companies, management positions, including as Chairman, giving him appropriate knowledge in matters of remuneration in governing bodies of this company type.

III - Remuneration structure

69. Description of the remuneration policy of the management and supervisory bodies, as provided in Article 2 of Law No. 28/2009 of 19 June

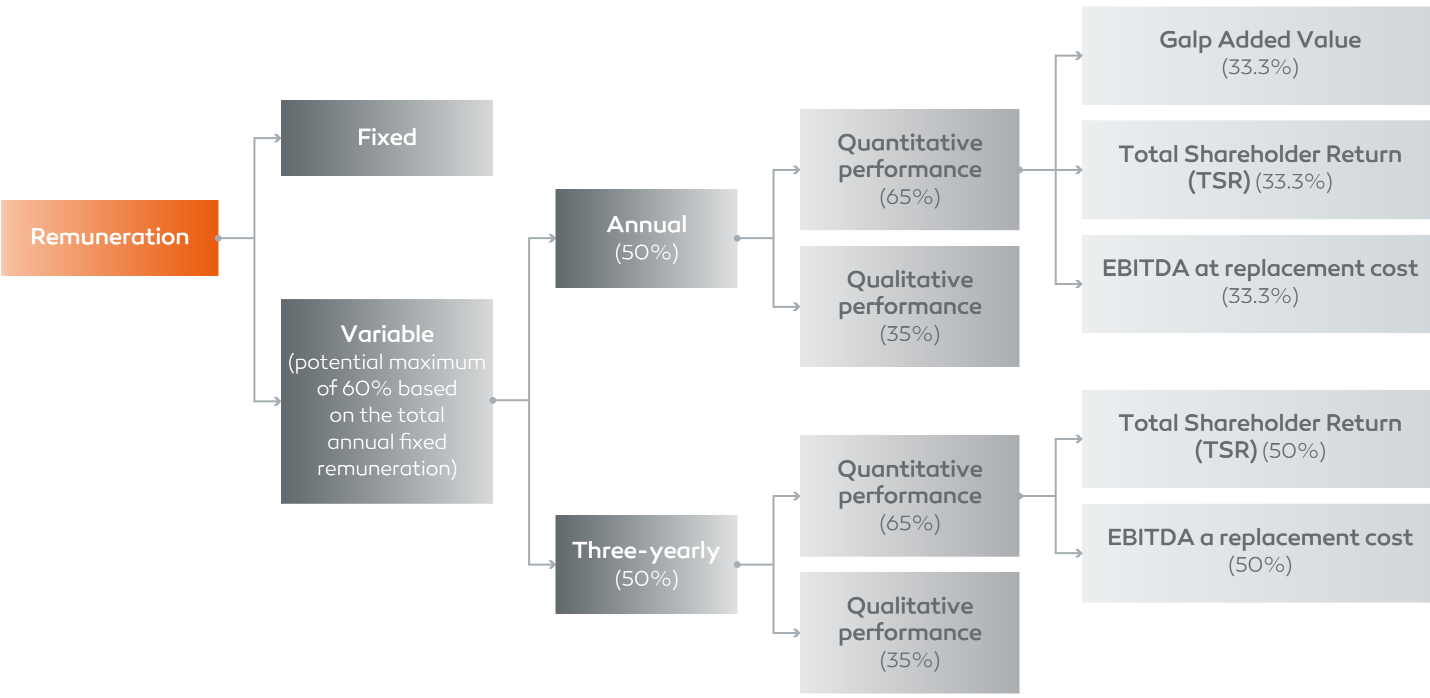
Under its mandate conferred by the General Shareholders Meeting, under Article 8 of the by-laws, the Remuneration Committee submitted to the approval of Galp's General Shareholders Meeting, held on 5 May, 2016, a statement on the remuneration policy for the directors and supervisory bodies, describing the process for setting and implementing Galp's remuneration policy for 2016, as well as its general objectives and principles, in accordance with Law 28/2009 of 19 June and in line with the CMVM Regulation No 4/2013 and the Corporate Governance Code (2013 Recommendations), in order to ensure greater clarity and effectiveness in communicating the remuneration policy, both to the market and to shareholders. This policy is available on the official Galp website at http://www.galpenergia.com/EN/Investidor/AssembleiaGeral/Arquivo/2016/Lists/DocumentosPropostas/Item_6.pdf, and a brief description thereof is given below.

Board of Directors

Non-executive members - fixed monthly sum, paid 12 times a year, in an amount set by the Remuneration Committee, taking account of standard market practice, which may be differentiated, in the case of the Chairman of the Board of Directors, in recognition of the special functions of Company representation assigned to him and in the case of non-executive members of the Board of Directors who perform special functions of supervision and monitoring of the Company, as a result of a special duty assigned by the Board of Directors or as part of the committees established by that body, currently existing, or that may be created in the future.

The remuneration of non-executive members of the Board of Directors does not include any amount determined based on the Company's performance.

Executive members



Board executive members remuneration of 2016 involves three main components:

Fixed remuneration - the fixed part of the remuneration is a monthly payment, in 14 annual instalments, whose amount is set by the Remuneration Committee taking account of the nature of the assigned roles and responsibilities and market practice in equivalent positions in large national and international companies operating in the same sectors.

Annual variable remuneration - represents 50% of total variable remuneration, with the appropriate amount set based on the following indicators:

i) Galp Added Value (GVA) (Galp's "Economic Value Added"), 33.3%;

ii) Total Shareholder Return (TSR), 33.3%, to enable comparison with the change in Galp's stock market performance (including dividend payments) compared to the following group of comparable companies: Neste Oil, Repsol, OMV, MOL and ENI, and the PSI 20 index;

iii) Galp's EBITDA, at replacement cost, 33.3%.

Three-yearly variable remuneration - represents 50% of total variable remuneration, with the appropriate amount set based on the following indicators:

i) TSR Galp vs comparable companies, 50%;

ii) Galp's EBITDA, at Replacement Cost, 50%.

The executive members of the Board of Directors are also entitled to an amount equal to 25% of their fixed remuneration, which is paid 14 times a year for the purpose of establishing a savings plan or similar financial product.

The executive members of the Board of Directors also receive the fringe benefits in force at Galp for the exercise of their role, in accordance with the Company's terms and conditions.

Executive directors who have to travel from their place of residence are entitled to receive a supplement for accommodation expenses, set by the Remuneration Committee.

The remuneration of the Galp directors includes all remunerations due for posts held on corporate bodies in other Group companies.

Audit Board

The remuneration of the members of the Audit Board consists of a fixed monthly payment, in 12 instalments, with the chairman of the Audit Board receiving a different rate from the other members of the Audit Board, given the special functions assigned to that position.

The remuneration of the Audit Board members includes no variable component.

Statutory Auditor

The Statutory Auditor is remunerated for the work of review and legal certification of the accounts of the Company in an amount that is contractually set under normal market conditions.

Board of the General Shareholders meeting

The remuneration of the members of the board of the General Shareholders Meeting is set following market practice in similar duties and is paid in a single instalment each year.

70. Information on how remuneration is structured so that it aligns the interests of the members of the Board of Directors with the long-term interests of the Company, and on how it takes account of performance assessment and discourages excessive risk-taking

To achieve better alignment of the activities of the directors with the Company's long-term objectives, a three-year policy setting multi-year goals was introduced in 2012.

Indeed, as provided by the remuneration policy described in section 69, the variable remuneration of directors holding executive office includes annual and three-yearly variable components, of the same weighting (50% each). That weighting is based on performance assessment carried out by the Remuneration Committee using specific, measurable and pre-defined criteria which, together, look at the Company's growth indicators and the wealth created for shareholders in a sustained manner in the short, medium and long term, with a three-year time lag for the year in question in the case of the multi-annual component, under the terms of the above-mentioned remuneration policy for 2016.

Accordingly, the use of qualitative criteria oriented towards a strategic medium-term perspective in the development of the company, the three-year period considered for setting the multi-annual variable remuneration amount and the existence of a ceiling on variable remuneration, are key elements in promoting management aligned with the medium and long term interests of the Company and its shareholders.

The executive members of the Board of Directors shall not enter into contracts, either with the Company or with third parties, whose effect is to mitigate the inherent risk of their variable remuneration set by the Company.

71. Reference, if applicable, to any variable remuneration component and information on any impact of performance evaluation on this component

In 2016, the remuneration of executive directors included a variable component set based on the degree of compliance with certain economic, financial and operational objectives in respect of financial year 2015, as set out in the remuneration policy for 2016.

The total variable remuneration amount for each year is set by the Remuneration Committee in accordance with the fulfilment of the previously defined specific targets, with a maximum potential of 60%, by reference to fixed annual total remuneration.

The above-mentioned performance indicators contribute 65% to the definition of the applicable annual and three yearly variable remuneration. The remaining 35% of each of these components is based on the result of the Remuneration Committee's qualitative assessment of the work of the executive directors during the financial year or during the relevant three-year period, as appropriate.

Given the need to maintain consistency between the results obtained and the total amount of variable remuneration paid, this depends on Galp's net profit and loss. Accordingly, if Galp achieves net profit under 80% of budget, there will be no entitlement to payment of variable remuneration.

For 2016, the Remuneration Committee set the annual variable remuneration at 50% of total variable remuneration, in line with generally recognized practice in the national market and representing a reasonable balance between the variable and fixed remuneration components.

For 2016, the Remuneration Committee also set the three-year variable remuneration at 50% of total variable remuneration, in line with generally recognized practice in the national market and the arrangements applicable to banking institutions defined in Annex II (1) (n) of Directive 2011/61/EU of 8 June 2011, which sets a minimum amount of 40% for deferred variable remuneration.

72. Deferred payment of variable remuneration, with specification of the deferral period

The remuneration policy for 2016 provides for the three-year deferral of 50% of the variable remuneration component, in successive and overlapping three-year periods.

The three-yearly variable remuneration is annually set by the Remuneration Committee, which establishes a provisional amount based on evaluation in each year of the three year period. However, the actual deferred amount of the three-year variable remuneration depends, first, on fulfilment of the overall objectives for the three-year period and, secondly, qualitative assessment by the Remuneration Committee, following consultation with the non-executive directors, such that the provisional amounts may be reduced or increased at the end of the three-year period in question, as a result of the assessment.

The first three-year period to be considered was 2013-15.

73. Criteria used for allocation of the variable remuneration in shares as well as retention by the executive directors of these shares in any contracts relating to these shares, namely hedging or risk transfer contracts, the respective limit and their ratio to the total annual remuneration sum

Galp currently has no system for the allocation of variable remuneration in shares.

74. Criteria used for the allocation of variable remuneration in options and indication of the deferral period and price paid to exercise such options

Galp currently has no system for the allocation of variable remuneration in options.

75. Main parameters and rationale of any annual bonus scheme and any other non-cash benefits

Galp is not establishing any annual bonus scheme and no other significant non-cash benefits are planned.

76. Main characteristics of supplementary pension or early retirement schemes for directors and date of approval by the General Shareholders Meeting in individual terms

The remuneration policy for 2016, approved by the General Shareholders Meeting and described in section 69 of this Report's chapter, provides for a retirement savings plan or similar financial product for the benefit of the members of the Executive Committee, through the application of an amount equal to a percentage of the annual fixed remuneration.

This savings plan entails no cost for Galp in the future, insofar as it represents the allocation of an amount for financial investment, while the members of the Executive Committee perform their duties and does not fall under the terms of Article 402(1) of the CSC.

IV - Remuneration disclosure

77. Indication of the annual remuneration amount received, aggregated and individually, by the members of the administrative bodies of the Company, coming from the Company, including fixed and variable remuneration and, for the latter, specification of the different components giving rise to it

The gross annual amount of remuneration received in aggregate form by the members of the Company's Board of Directors during financial year 2016, as set by the Remuneration Committee, was €6,045,407.85, of which €4,012,000.00 was fixed, €952,455.00 in variable remuneration, €761.500.00 for the retirement savings plan and €319,452.85 in other benefits.

The table below presents the itemized individual gross remuneration received by the members of the Board of Directors in 2016.

Individual remuneration of members of the Board of Directors for the year 2016 (€)

Executive Directors

Name	Position	Fixed Remuneration	Variable Remuneration [1]	PPR	Others benefits	Total Remuneration
Carlos Gomes da Silva	Vice-chairman and executive chairman	980,000.00	285,600.00	245,000.00	110,769.24	1,621,369.24
Filipe Crisóstomo Silva	Executive	420,000.00	159,600.00	105,000.00	0	684,600.00
Thore E. Kristiansen	Executive	490,000.00	110,250.00	122,500.00	116,375.89	839,125.89
Carlos Costa Pina	Executive	420,000.00	159,600.00	105,000.00	0	684,600.00
Carlos Silva Costa	Executive	420,000.00	130,305.00	0	92,307.72	642,612.72
Pedro Ricardo	Executive	368,000.00	53,550.00	92,000.00	0	513,550.00
Tiago da Câmara Pestana	Executive	368,000.00	53,550.00	92,000.00	0	513,550.00
Total		**3,466,000.00**	**952,455.00**	**761,500.00**	**319,452.85**	**5,499,407.85**

Non-executive Directors

Name	Position	Fixed Remuneration	Variable Remuneration [1]	PPR	Others benefits	Total Remuneration
Paula Amorim [2]	Non-executive chairman	33,133.00	0	0	0	33,133.00
Miguel Athayde Marques	Non-executive vice-chairman	42,000.00	0	0	0	42,000.00
Sergio Gabrielli Azevedo	Non-executive	84,000.00	0	0	0	84,000.00
Abdul Magid Osman	Non-executive	84,000.00	0	0	0	84,000.00
Marta Amorim [3]	Non-executive	8,867.00	0	0	0	8,867.00
Raquel Vunge	Non-executive	42,000.00	0	0	0	42,000.00
Francisco Rêgo	Non-executive	42,000.00	0	0	0	42,000.00
Jorge Seabra de Freitas	Non-executive	42,000.00	0	0	0	42,000.00
Rui Paulo Gonçalves	Non-executive	42,000.00	0	0	0	42,000.00
Luis Todo Bom	Non-executive	42,000.00	0	0	0	42,000.00
Diogo Tavares	Non-executive	42,000.00	0	0	0	42,000.00
Joaquim Borges Gouveia	Non-executive	42,000.00	0	0	0	42,000.00
Total		**546,000.00**				**546,000.00**
Américo Amorim [4]	Former non-executive chairman	0	0	0	0	0

[1] Corresponds to the variable annual remuneration for 2015 and variable multiannual remuneration for the three-year period 2013-2015. [2] Remuneration earned as non-executive administrator; the current chairman of the Board of Directors did not receive remuneration from the date of her appointment (October 14, 2016). [3] Remuneration earned since her appointment as a non-executive director (October 14, 2016). [4] The former chairman of the Board of Directors donated his remuneration to the Galp Energia Foundation.

The members of the Board of Directors did not receive any payments from the companies in Galp's control chain.

The variable remuneration is set under the provisions of section 72 of this report.

78. Any amounts paid by other companies in a controlling or group relationship or under common control

The remuneration of Galp's directors includes all remunerations due for posts held on corporate bodies in other Group companies.

Any amounts paid by other companies in a controlling or group relationship or under common control were not, therefore, paid.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonuses and/or profit sharing were paid

Galp is not establishing any other remuneration system for directors in the form of profit sharing and/or payment of bonuses, so no such payments were made.

80. Compensation paid or due to former executive directors because of termination of duties during the year

There was no compensation paid or owed to former executive directors because of termination of their duties during the 2016 financial year.

81. Indication of the annual remuneration amount received, in aggregate and individually, by the members of the Company's supervisory body, for the purposes of Law 28/2009 of 19 June

In accordance with the remuneration policy for 2016, approved at the General Shareholders Meeting of 05 May 2016, the remuneration of the Audit Board members is a fixed monthly sum, paid 12 times a year.

The aggregate remuneration paid to the members of the Audit Board in 2016, as per the terms set by the Remuneration Committee, was €92,400.00.

The Audit Board members do not receive variable remuneration.

The following are the individual remuneration amounts paid to the permanent members of the Audit Board in 2016.

Name	Position	Fixed remuneration (€)
Daniel Bessa	Chairman	42,000.00
Gracinda Raposo	Member	25,200.00
Pedro Antunes Almeida	Member	25,200.00
Total		**92,400.00**

V - Agreements with remuneration implications

82. Indication of remuneration in the reference year paid to the Chairman of the General Meeting

In 2016, the Chairman of the Board of the General Shareholders Meeting received remuneration in the amount of €3,000.00.

83. Contractual limitations provided for compensation for unfair dismissal of a director and ratio to variable remuneration component

In accordance with the remuneration policy for 2016, Galp has no agreements in place that provide for payment in the event of unfair dismissal of a director.

In the event of unfair dismissal of a director, the amounts due are those determined by legal provisions but there is no provision for the payment of remuneration sums in respect of the variable component if the net profit of the Galp group is under 80% of the budget.

The resolution of the Remuneration Committee that sets the remuneration of the members of the corporate bodies is the legal instrument under which the legal rules in force are applicable to the director removed due to inadequate performance, and no indemnity or compensation that goes beyond this legal regime is required.

84. Reference to description, if any, with indication of amounts involved, of agreements between the company and the Board of Directors and other managers, within the meaning of Article 248 (B) (3) of the Portuguese Securities Code, providing for compensation in the event of resignation, dismissal without valid reason, or termination of the employment relationship following a change in company control. [Article 245(A) (1) (l)]

Galp is not party to any agreements between the company and the Board of Directors and other managers, within the meaning of Article 248 (B) (3) of the CVM, providing for compensation in the event of resignation, dismissal without valid reason, or termination of the employment relationship following a change in company control.

Taking into account the evolution of the international recruitment market of senior executives with experience and commitment of medium/long-term availability and the need to assure the Company the competitive conditions of recruitment and retention, Galp's remuneration policy - in exceptional and duly justified cases, namely by the special business criticality of the duties to be performed - allows the application of specific mechanisms of compensation or incentive, for a maximum period of two successive terms.

Within the framework of this scheme and taking into account the specific relevance of its functions in a phase of unequal growth of the Company and accelerated development of the E&P activity, on 20 July, 2016, at a meeting, the Remuneration Committee approved the implementation of an incentive/compensation mechanism for the retention of the Chairman of the Executive Committee and of the Director responsible for the coordination of the E&P business area, pursuant to which the respective maintenance is promoted for two terms by awarding, in the event of early termination without just cause or lack of re-election for the second term, an additional compensation besides the one that is legally payable, corresponding, respectively, to triple and double the total annual remuneration earned by each of those directors.

Galp's management, as per the provisions of Article 248(B) (3) of the CVM, are the members of the Board of Directors and the Audit Board of the Company. Indeed, beyond the members of these bodies, no manager has regular access to inside information or participates in decisions about the company's management and business strategy.

VI - Share and/or stock options plans

85. Identification of the plan and its beneficiaries

Galp has no share plans or share purchase options.

86. Characterization of the plan (allocation conditions, share inalienability clauses, criteria relating to share price and price for exercise of options, period during which options may be exercised, characteristics of shares or options to be allocated, incentives for the purchase of shares and/or exercise of options)

Galp has no share plans or share purchase options.

87. Option rights allocated for purchase of shares (stock options) of which company employees and collaborators are beneficiaries

Galp has no share plans or share purchase options.

88. Control mechanisms provided for any employee share-ownership scheme insofar as voting rights are not directly exercised by such employees [Art. 245(A) (1) (e)]

Galp has no share plans or share purchase options.

E - Transactions with related parties

I - Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purposes of control of transactions with related parties (refer to IAS 24)

As part of the qualitative improvement of good governance practice, the Board of Directors' meeting of 20 March 2015, at the proposal of the Audit Board, approved the regulatory standard on the control of transactions between Galp and related parties, in order to safeguard the Group's interest in situations of potential conflict of interest, as well as the adoption of internal procedures for compliance with the relevant accounting standards, in particular IAS 24.

This standard establishes the internal rules and procedures for identification, internal reporting and responding in situations of transactions with related parties.

90. Indication of transactions subject to control during the year

In 2016, there were no transactions with related parties subject to the control of the Audit Board.

91. Description of the procedures and criteria applicable to the involvement of the Audit Board for the purposes of evaluation of any transactions between the Company and owners of qualifying holdings or entities in any relationship with them, in accordance with Article 20 of the Portuguese Securities Code

Galp's engagement in business with the holders of qualifying interests or entities within any relationship with them, in accordance with Article 20 of the CVM, is subject to the prior opinion of the Audit Board, pursuant to "Regulations applicable to Galp Group transactions with related parties", approved by the Audit Board, to safeguard the Group's interest in situations of potential conflict of interest notwithstanding compliance with the regulatory and statutory legal provisions in force, which can be viewed at http://www.galpenergia.com/EN/Investidor/GovernoCorporativo/Documents/Terms-of-reference-related-parties-transactions.pdf

This regulation applies to significant transactions between Galp (or any entity in which it has a shareholding, or voting rights, or in which it is able to appoint members of the Board of Directors) and related parties.

For the purposes of the regulation, "Related Party" means any of the following:

a) Galp's shareholders (or the shareholders of any company in a controlling or group relationship with it) holding qualifying interests (greater than or equal to 2% of the voting rights corresponding to the respective share capital), including the situations referred to in Art. 20 of the CVM;

b) members of the administrative and supervisory bodies of Galp (or of any company in a controlling or group relationship with it);

c) spouse or person living in de facto union with a person referred to in the previous paragraph, dependent descendants and other family members cohabiting with him/her for over a year;

d) the entities of which any person referred to in the preceding paragraphs is (i) a partner with limited liability, (ii) manager, particularly as a member of the administrative or supervisory bodies or with regular access to inside information and involvement in management decisions and entity strategy or (iii) holder, individually or jointly, of at least half of the share capital or voting rights, as well as entities that have been established for the benefit of any person referred to above.

For the purposes of the said regulation, the expression "Significant Transactions" means transactions in the following situations:

a) funding, supplies and financial investments with an aggregate annual debt amount, in individual or aggregate terms, in excess of €10 million, except for operations undertaken under pre-existing contractual conditions subject to the prior opinion of the Audit Board;

b) acquisition or disposal of company shareholdings;

c) acquisition, sale, marketing or supply of energy products and/or related products and services with an economic value in excess of €10 million;

d) any transaction not provided for in the above paragraphs with an economic value in excess of €5 million;

e) any transaction that does not fall under any of the materiality criteria defined above but is considered significant for this purpose by the Board of Directors or the Executive Committee by virtue of its nature or particular susceptibility to conflict of interest.

Business with related parties not subject to the prior opinion of the Audit Board, in accordance with the above requirements, shall subsequently be reported to this body for assessment of fulfilment of the principle under which transactions must be carried out under normal market conditions.

The Executive Committee, through the Secretary of the Company, is required to subject a proposed Significant Transaction, previously approved by Galp's Executive Committee or Board of Directors, to the prior opinion of the Audit Board, as the body that is empowered to approve the transaction in question along with the supporting information provided by Galp's organisational and management structures (or any entity in which it holds an interest or voting rights or where it can appoint members of the Board of Directors) proposing the transaction, including, in particular, its economic value, specification of the contractual formation procedures adopted and demonstration of the compliance of the transaction conditions with normal market conditions.

The Audit Board must issue an opinion within ten business days, otherwise the opinion will be deemed favourable. If, for exceptional reasons, duly justified and explained, it is not possible to request the approval of the Audit Board prior to the transaction, authorization must be requested retrospectively with monitored regularization of the justification. If the Audit Board issues an unfavourable opinion, a Significant Transaction can only be approved by the Executive Committee or Board of Directors, as applicable, if it is specifically grounded in terms of the pursuit of the corporate interest of Galp or companies in a control relationship of with them.

As part of its oversight functions and to prevent conflicts of interest, the Audit Board is responsible for:

a) asking the Executive Committee or Board of Directors, as appropriate, for information on the transaction in question, through the Company Secretary;

b) making recommendations to the Executive Committee or the Board of Directors, as appropriate, in particular on measures for the prevention and identification of conflicts of interest, as well as measures aimed at making Galp's corporate interest or the corporate interest of companies in a controlling or group relationship with Galp, compatible with the completion of the transaction in question;

c) preparing a six-monthly report on related party transactions previously and subsequently evaluated;

d) annually assessing the adequacy of the regulation applicable to Galp Group transactions with related parties and, where necessary, proposing its review to the Board of Directors.

II - Business-related elements

92. Indication of the location of the accounting documents where information is available on transactions with related parties

Information on transactions with related parties, in accordance with IAS 24 is available in Note 28 of the Annex to Galp's consolidated accounts.

PART II

Corporate Governance Assessment

1. Identification of the Corporate Governance Code adopted

Under and for the purposes of Article 2 of CMVM Regulation No. 4/2013, Galp decided voluntarily to be governed by the CMVM Corporate Governance Code, approved in 2013 (CMVM recommendations), available on the CMVM website at www.cmvm.pt.

2. Analysis of the Corporate Governance Code adopted

The Company's corporate governance has evolved towards best corporate governance practices and the CMVM Governance Code and it has adopted the vast majority of the applicable recommendations.

Indeed, out of a total of 40 recommendations, Galp has fully adopted 31, six of which are not applicable while three have not been adopted for the reasons listed in the table below. The justification of compliance with each recommendation or reference to the point of this Report where the matter is addressed at length (chapter, title, section, page) is also indicated in the following table, together with the justification of any non-compliance or partial compliance and indication of any alternative mechanism adopted by the Company for the purpose of pursuing the same objective of the recommendation.

	CMVM Recommendation	Company governance practice	Justification	Reference to this Report
I - Company vote and control				
I.1	Companies must encourage their shareholders to participate and vote in General Shareholders Meetings, namely by not setting an excessively high number of shares necessary for voting rights and by implementing the essential resources for exercising the right to vote by post and electronically.	Adopted		Chapter 6, Part I, B, title I b), point 12, page 103
I.2	Companies must not adopt mechanisms that impede shareholder decision-making, namely by setting a quorum for passing resolutions that is higher than that provided in law.	Not adopted	The quorum for passing resolutions of two thirds of the votes cast, provided by-laws, for some resolutions of the General Shareholders Meeting, in addition to the matters provided in law, seeks to ensure that the shareholders are adequately represented in the adoption of resolutions on matters that are strategic for the Company.	

	CMVM Recommendation	Company governance practice	Justification	Reference to this Report
I.3	Companies must not establish mechanisms whose effect is to create a time lag between the right to receive dividends or to subscribe new securities and the voting right of each ordinary share, unless properly justified based on the long-term interests of the shareholders.	Adopted		Chapter 6, Part I, B, title I b), point 12, page 103
I.4.	Company by-laws that provide for limitation on the number of votes that may be held or exercised by a single shareholder, individually or by agreement with other shareholders, must also provide that, at least every five years, the General Shareholders Meeting shall decide whether to change or maintain this statutory provision - without quorum requirements beyond legal provisions - and this resolution shall count all votes cast without the limitation applying.	Not applicable	Galp's by-laws provide for one share, one vote, and do not provide for any limitation on the number of votes that may be held or exercised by a single shareholder, individually or by agreement with other shareholders.	Chapter 6, Part I, B, title I b), point 12, page 103
I.5.	Galp must not adopt measures whose effect is to demand payments or the assumption of costs by the company in the event of a transfer of control or change in the composition of the Board of Directors and which might damage the free transferability of the shares and the free appraisal of the performance of the members of the Board of Directors by the shareholders.	Adopted		Chapter 6, Part I, A, title I, point 4, page 101
II - Supervision, management and oversight				
II.1.1.	Within the limits established by Law and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running of the company and the delegated duties should be identified in the Annual Report on Corporate Governance.	Adopted		Chapter 6, Part I, B, title II a), points 21 and 29, pages 111 and 119
II.1.2.	The Board of Directors shall ensure that the company acts in accordance with its goals and should not delegate its duties, namely in what concerns: i) the definition of the company's general strategy and policies; ii) the definition of the corporate structure of the group; iii) decisions to be considered strategic due to their amount, risk or special features.	Adopted		Chapter 6, Part I, B, title II a), point 29, page 119
II.1.3.	The General and Supervisory Board, in addition to the exercise of the supervisory powers entrusted to it, shall assume full responsibilities in terms of corporate governance, so that, by statutory provision or by equivalent means, the requirement shall be enshrined for this body to deliberate on the strategy and main policies of the company, by defining the corporate structure of the group and decisions to be considered strategic due to their amount or risk. This body must also evaluate compliance with the strategic plan and the implementation of the main policies of the company.	Not applicable	Galp's governance model does not include a General and Supervisory Board, wherefore the recommendation is not applicable.	

	CMVM Recommendation	Company governance practice	Justification	Reference to this Report
II.1.4.	Unless the company is of a reduced size, the Board of Directors and the General and Supervisory Board, in accordance with the model adopted, shall set up the necessary Committees to: a) ensure competent and independent assessment of the performance of the executive directors as well as their own overall performance, and the performance of all existing committees; b) reflect on the adopted governance structure, system and practices, assess their efficiency and propose measures to be implemented with a view to improvement of the competent bodies.	Adopted		Chapter 6, Part I, B, title III b), points 24 and 27, pages 117 and 118 Chapter 5, Part I, sub-chapter B, title III c), points 27 and 38, pages 118 and 124
II.1.5.	The Board of Directors or the General and Supervisory Board, in accordance with the applicable model, must set targets for risk-taking and create systems for risk control to ensure that the risks actually incurred are consistent with those goals.	Adopted		Chapter 6, Part I, C, title III c), points 50 to 52, pages 129 to 132
II.1.6.	The Board of Directors shall include a number of non-executive members to ensure it has efficient capability for supervision, oversight and assessment of the activity of the other members of the Board of Directors.	Adopted		Chapter 6, Part I, B, title II a), point 18, page 108
II.1.7.	The non-executive directors must include an adequate proportion of independent directors, given the adopted governance model, the company's size and its shareholder structure and respective free float. The independence of the members of the General and Supervisory Board and of the members of the Audit Committee is ascertained in accordance with current legislation and the other members of the Board of Directors are considered independent if they are not associated with any specific interest group in the Company and are not in any situation that might affect their impartiality of analysis or decision-making, in particular because: a) they have been employees of the company or of a company with which it has been in a controlling or group relationship in the past three years; b) in the past three years they have provided services or established a significant business relationship with the company or a company with which it is in a controlling or group relationship, either directly or as a partner, director, officer or manager of a legal entity; c) they are in receipt of remuneration paid by the company or by a company with which it is in a controlling or group relationship, in addition to remuneration earned as a director; d) is the partner, spouse or relative in the first degree and up to and including the third degree of a director or an individual with a direct or indirect qualifying holding; e) is a qualifying shareholder or representative of a qualifying shareholder.	Adopted		Chapter 6, Part I, B, title II a), point 18, page 108
II.1.8.	Directors with executive duties, when so requested by other members of governing bodies, to supply information shall do so promptly and in a form that is appropriate to the nature of the information requested.	Adopted		Chapter 6, Part I, B, title I c), point 29, page 119

	CMVM Recommendation	Company governance practice	Justification	Reference to this Report
II.1.9.	The Chief Executive Officer or the Chairman of the Executive Committee shall send the calls and minutes of the respective meetings, as applicable, to the Chairman of the Board of Directors, the Chairman of the Audit Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Committee.	Adopted		Chapter 6, Part I, B, title I c), point 29, page 119
II.1.10.	If the Chairman of the Board of Directors has executive powers, this body shall appoint one of its members as an independent director to ensure coordination of the work of the other non-executive members and the conditions for ensuring that they can make independent and informed decisions, or find another equivalent mechanism for ensuring such coordination.	Not applicable	The Chairman of the Board of Directors of Galp does not perform executive functions.	
II.2.1.	Depending on the applicable model, the Chairman of the Audit Board, the Audit Committee or the Financial Matters Committee shall be independent, in accordance with the applicable legal standard and shall have the necessary skills to carry out his/her functions.	Not adopted	The Chairman of the Audit Board was re-elected for the third time. However, we should note that the respective appointment for completion of the 2005-07 term followed changes in Galp's shareholder structure and rules agreed by the shareholders regarding the election of members of the governing bodies (Shareholders' Agreement of 2006). To this end, the 2008-10 term is considered to be the first appointment. Given the above and the recognised and prestigious reputation for entrepreneurial and scientific excellence of Galp's Chairman of the Audit Board, the Company has no doubt about his independence.	
II.2.2.	The supervisory body shall be the main point of contact for the external auditor and the first recipient of the respective reports, responsible, among other things, for proposing the respective remuneration and ensuring that the company has suitable conditions in place for the provision of the services.	Adopted		Chapter 6, Part I, B, title V, point 45, page 126
II.2.3.	Every year, the supervisory body must assess the external auditor and propose its removal or the termination of the contract for the provision of its services to the competent body, whenever there is a just cause for that.	Adopted		Chapter 6, Part I, B, title V, point 45, page 126
II.2.4.	The Audit Board shall evaluate the operation of the internal control and risk management systems and propose any necessary adjustments.	Adopted		Chapter 6, Part I, C, title III, points 50 and 51, page 129
II.2.5.	The Audit Committee, the General and Supervisory Board and the Audit Board shall decide on work plans and the resources allocated to the internal auditing services and the services that ensure compliance with the standards applicable to the company (compliance services); reports produced by these services must be sent to these bodies at least when they relate to matters of accounting, identification and resolution of conflicts of interest and detection of potential illegalities.	Adopted		Chapter 6, Part I, C, title III, points 50 and 51, page 129

	CMVM Recommendation	Company governance practice	Justification	Reference to this Report
II.3. - Remuneration setting				
II.3.1.	All members of the Remuneration Committee or equivalent body must be independent of the executive members of the Board of Directors and there must be at least one member with knowledge and experience in remuneration policy matters.	Adopted		Chapter 6, Part I, D, title II, point 67, page 147
II.3.2.	No natural or legal person currently providing or having in the last three years provided services to any body dependent on the Board of Directors, to the Company's Board itself, or who has a current relationship with the Company or with an advisor of the Company, shall be recruited to support the Remuneration Committee in the exercise of its duties. This recommendation also applies to any natural or legal person connected with such an employment or service provision contract.	Adopted		Chapter 6, Part I, D, title II, point 67, page 147
II.3.3.	The statement on the remuneration policy of the management and supervisory bodies, as provided in Article 2 of Law No. 28/2009 of 19 June, must also contain the following: a) identification and explicit statement of the criteria for determining remuneration paid to the members of the governing bodies; b) information on any maximum amount, in individual and aggregate terms, to be paid to the members of the corporate bodies and identification of the situations in which these maximum amounts may be due; c) information as to the enforceability or unenforceability of payments for dismissal or termination of directorial functions.	Adopted		Chapter 6, Part I, D, title III, point 69, page 148
II.3.4.	Proposals for approval of plans for allocation of shares and/or share purchase options or based on share price variations to the members of the corporate bodies must be submitted to the General Shareholders Meeting. The proposal shall mention all the necessary information for a correct assessment of the plan.	Not applicable	Galp has no share allocation plans or share purchase options.	
II.3.5.	Proposals for approval of the establishment of any system of retirement benefits for the members of the corporate bodies must be submitted to the General Shareholders Meeting. The proposal shall mention all the necessary information for a correct assessment of the system.	Not adopted	In accordance with the provisions of Article 8 of Galp's by-laws, the Remuneration Committee, elected by the General Shareholders Meeting, is the body with powers to approve the pension or pension compensation, paid by the Company, to which the executive directors are entitled.	
III - Remuneration				
III.1.	The remuneration of the executive members of the Board of Directors must be based on actual Company performance and must discourage excessive risk-taking.	Adopted		Chapter 6, Part I, D, title III, point 70, page 150
III.2.	Remuneration of non-executive members of the Board of Directors and remuneration of the members of the Audit Board shall not include any component whose value depends on company performance or value.	Adopted		Chapter 6, Part I, D, title III, point 69, page 148

	CMVM Recommendation	Company governance practice	Justification	Reference to this Report
III.3.	The variable component of the remuneration must be in reasonable proportion to the fixed remuneration component and maximum limits must be set for all components.	Adopted		Chapter 6, Part I, D, title III, point 71, page 150
III.4.	A significant part of the variable remuneration shall be deferred for a period not less than three years and the right to receive it shall depend on the company's ongoing positive performance during that period.	Adopted		Chapter 5, Part I, D, title III, point 72, page 151
III.5.	The members of the Board of Directors shall not enter into contracts, either with the Company, or with third parties, whose effect is to mitigate the inherent risk of their variable remuneration set by the company.	Adopted		Chapter 6, Part I, D, title III, point 70, page 150
III.6.	Until the end of their terms, the executive directors shall retain the company's shares allocated to them under variable remuneration schemes, up to twice the value of total annual remuneration, except those that need to be sold for the payment of taxes on the income from the shares.	Not applicable	The executive directors were not allocated any company shares by way of variable remuneration.	
III.7.	When the variable remuneration includes options, the start of the period for exercising them shall be deferred for a period not less than three years.	Not applicable	Variable remuneration does not include allocation of share options.	
III.8.	When the director's dismissal is not due to serious breach of duties or unsuitability for the normal exercise of the functions in question, but is still attributable to inadequate performance, the company must have recourse to suitable and necessary legal instruments to ensure that any damages or compensation, beyond what is legally due, are not enforceable.	Adopted		Chapter 6, Part I, D, title III, point 83, page 153
IV - Audit				
IV.1.	The external auditor shall, as part of his/her powers, verify the application of corporate body remuneration policies and systems, the effectiveness and operation of internal control mechanisms and shall report any short comings to the company's supervisory body.	Adopted		Chapter 6, Part I, B, title V, point 45, page 126
IV.2.	The company or any entities in a controlling relationship with it shall not recruit the external auditor, or any entities in a group relationship with the external auditor or in the same network, to provide services other than audit services. If there are reasons for procuring such services - which must be approved by the supervisory body and explained in its Annual Corporate Governance Report - they shall not account for more than 30% of the total amount of the services rendered to the company.	Adopted		Chapter 6, Part I, B, title V, points 46 and 47, pages 126 and 127

	CMVM Recommendation	Company governance practice	Justification	Reference to this Report
IV.3.	Companies shall promote the rotation of auditors after two or three terms, respectively, depending on whether terms last three or four years. Retaining them beyond this period must be based on a specific opinion of the Audit Board that expressly weighs up the conditions of independence of the auditor and the cost/benefits of replacement.	Adopted		Chapter 6, Part I, B, title V, point 44, page 126
V - Conflicts of interest and related party transactions				
V.1.	The company's business with holders of qualifying interests or entities with which they are in any relationship, pursuant to Art. 20 of the Portuguese Securities Code, shall be transacted under normal market conditions.	Adopted		Chapter 6, Part I, D, title III, point 10, page 103
V.2.	The supervisory or oversight body must establish the required procedures and criteria for setting the relevant level of business with shareholders with qualifying interests or with entities in a relationship with them as provided in Article 20(1) of the Portuguese Securities Code - supervision of business of significant relevance dependent on the prior opinion of that body.	Adopted		Chapter 6, Part I, E, title I, points 89 and 91, pages 154 and 155
VI - Information				
VI.1	Companies must provide, through their websites, in Portuguese and English, access to information providing knowledge of their development and current situation in economic, financial and governance terms.	Adopted		Chapter 6, Part I, C, title V, points 59 and 65, pages 146 and 147
VI.2	Companies shall ensure the existence of an investor support and market liaison service, to respond to requests from investors promptly. A record must be kept of requests submitted and their processing.	Adopted		Chapter 6, Part I, C, title IV, point 56, page 144

7
Proposal **for allocation of results**

Galp Energia, SGPS, S.A., under individual accounts, closed the 2016 financial year with a net income of €413,783,597.68. This result is presented in accordance with the International Financial Reporting Standards (IFRS).

Pursuant to the law, the Board of Directors proposes that the net income from the 2016 financial year, be allocated as per the following: €1,095,409.66 to retained earnings and €412,688,188.02 to be distributed as dividends.

The amount to be paid to shareholders in 2017, concerning the financial year 2016, will be of €206,344,094.01 (€0.248832/share), since €206,344,094.01 has already been paid last September, in the form of an advance on profit for the year, which corresponds to a total dividend of €0.497664 per share.

Lisbon, 7 April 2017

The Board of Directors

Chairman
Paula Fernanda Ramos Amorim

Vice-chairman
Miguel Athayde Marques

Vice-chairman
Carlos Nuno Gomes da Silva

Members
Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Marta Cláudia Ramos Amorim Barroca de Oliveira
Raquel Rute da Costa David Vunge
Carlos Manuel Costa Pina
Francisco Vahia de Castro Teixeira Rêgo
Jorge Manuel Seabra de Freitas
José Carlos da Silva Costa
Pedro Carmona de Oliveira Ricardo
João Tiago Cunha Belém da Câmara Pestana
Rui Paulo da Costa Cunha e Silva Gonçalves
Luis Manuel Pego Todo Bom
Diogo Mendonça Rodrigues Tavares
Joaquim José Borges Gouveia

8
Appendices

8.1.

Financial Statements and Notes to the Consolidated Financial Statements

Index

Consolidated Statement of Financial Position

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated statement of financial position as of 31 December 2016 and 31 December 2015

(Amounts stated in thousand Euros - €k)

Assets	Notes	December 2016	December 2015
Non-current assets:			
Tangible assets	12	5,910,111	5,215,723
Goodwill	11	86,758	137,035
Intangible assets	12	267,551	1,402,977
Investments in associates and joint ventures	4	1,431,598	1,113,576
Financial assets available for sale	4	2,735	2,487
Trade receivables	15	1,081	24,162
Other receivables	14	245,535	298,149
Deferred tax assets	9	334,984	462,134
Other financial investments	17	26,402	24,430
Total non-current assets:		**8,306,755**	**8,680,673**
Current assets:			
Inventories	16	868,924	872,518
Trade receivables	15	1,041,070	804,880
Loans to Sinopec	14	610,003	722,936
Other receivables	14	555,814	576,960
Other financial investments	17	18,953	4,458
Cash and cash equivalents	18	1,033,498	1,130,606
Subtotal current assets:		**4,128,262**	**4,112,358**
Non current assets held for sale	3.2	4,128	-
Total current assets:		**4,132,390**	**4,112,358**
Total assets:		**12,439,145**	**12,793,031**
Equity and Liabilities	**Notes**	**December 2016**	**December 2015**
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	3,095,103	2,682,394
Retained earnings		795,014	1,055,861
Consolidated net income for the year	10	179,097	122,566
Total equity attributable to shareholders:		**4,980,471**	**4,772,078**
Non-controlling interests	21	1,562,936	1,416,046
Total equity:		**6,543,407**	**6,188,124**
Liabilities:			
Non-current liabilities:			
Bank loans	22	911,873	1,151,416
Bonds	22	1,665,656	1,908,109
Other payables	24	305,076	551,287
Post-employment and other employee benefits liabilities	23	359,122	421,540
Deferred tax liabilities	9	65,813	109,384
Other financial instruments	27	1,222	2,498
Provisions	25	429,487	428,762
Total non-current liabilities:		**3,738,249**	**4,572,996**
Current liabilities:			
Bank loans and overdrafts	22	308,308	246,791
Bonds	22	16,855	245,756
Trade payables	26	850,412	656,346
Other payables	24	884,008	844,333
Other financial instruments	27	17,056	29,471
Current income tax payable	9	75,440	9,214
		2,152,079	**2,031,911**
Liabilities associated with non current assets held for sale	3.2	5,410	-
Total current liabilities:		**2,157,489**	**2,031,911**
Total liabilities:		**5,895,738**	**6,604,907**
Total equity and liabilities:		**12,439,145**	**12,793,031**

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

Consolidated income statement

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated Income Statement for the year ended 31 December, 2016 and 2015

(Amounts stated in thousand Euros - €k)

	Notes	December 2016	December 2015 restated	
Operating income:				
Sales	5	12,487,942	14,869,272	(a)
Services rendered	5	631,314	634,481	(a)
Other operating income	5	121,336	101,193	(a)
Total operating income:		**13,240,592**	**15,604,946**	**(a)**
Operating costs:				
Cost of sales	6	10,135,520	12,793,197	(a)
External supplies and services	6	1,284,500	1,227,917	(a)
Employee costs	6	333,848	343,498	(a)
Amortisation, depreciation and impairment losses on fixed assets	6	834,858	719,635	
Provisions and impairment losses on receivables	6	10,785	31,125	
Other operating costs	6	97,540	66,350	(a)
Total operating costs:		**12,697,051**	**15,181,722**	**(a)**
Operating result:		**543,541**	**423,224**	**(a)**
Financial income	8	38,643	32,387	
Financial costs	8	(72,026)	(79,700)	
Exchange (losses) gains		(8,661)	(9,792)	(a)
Income from financial investments and impairment losses on Goodwill	4 and 11	17,238	19,308	
Income from financial instruments	27	17,392	(12,776)	
Income before taxes:		**536,127**	**372,651**	**(a)**
Income tax	9	(260,385)	(151,431)	(a)
Energy sector extraordinary contribution	9	(68,047)	(67,002)	
Consolidated net income for the year		**207,695**	**154,218**	
Income attributable to:				
Non-controlling interests	**21**	**28,598**	**31,652**	
Galp Energia SGPS, S.A. Shareholders	**10**	**179,097**	**122,566**	
Consolidated net income for the year		**207,695**	**154,218**	
Earnings per share (in Euros)	**10**	**0.22**	**0.15**	

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.26.
The accompanying notes form an integral part of the consolidated income statement for the year ended 31 December 2016.

Consolidated statement of comprehensive income

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated Statement of Comprehensive Income for the year ended 31 December 2016 and 2015

(Amounts stated in thousand Euros - €k)

	Notes	December 2016 Atributtable to the Shareholders	December 2016 Non-controlling interests (Note 21)	December 2015 Atributtable to the Shareholders	December 2015 Non-controlling interests (Note 21)
Consolidated net income for the year	10	179,097	28,598	122,566	31,652
Other comprehensive income for the year which will not be recycled in the future through net income of the year:					
Actuarial Gains and losses - pension fund:					
Actuarial Gains and losses - pension fund	23	(1,718)	(12)	(22,699)	-
Tax related to actuarial gains and losses - pension fund	9	(293)	-	1,867	1
		(2,011)	**(12)**	**(20,832)**	**1**
Other comprehensive income for the year which will be recycled in the future through net income of the year:					
Currency exchange differences:					
Currency exchange differences (Group companies)	20	240,686	98,471	75,202	64,197
Currency exchange differences (Associates/joint ventures)	4 and 20	41,502	-	58,212	-
Currency exchange differences - Goodwill	11 and 20	815	-	2,157	-
Currency exchange differences - Financial allocation *(quasi capital)*	20	183,447	78,621	(232,534)	(99,657)
Deferred tax related to components of Currency exchange differences - Financial allocations *(quasi capital)*	9 and 20	(62,372)	(26,731)	79,061	33,883
		404,078	**150,361**	**(17,902)**	**(1,577)**
Hedging reserves:					
Increases/(decreases) in hedging reserves (Group companies)	27 and 20	7,353	-	(1,134)	-
Deferred tax related to hedging reserves components (Group companies)	9 and 20	(1,654)	-	265	-
Increases / (decreases) in hedging reserves (Associates/joint ventures)	27 and 20	(223)	-	(42)	-
Deferred tax related to hedging reserves components (Associates/joint ventures)	20	50	-	(11)	-
		5,526	**-**	**(922)**	**-**
Other increases/decreases					
Changes on the financial interests held in the share capital of subsidiaries (Note 21 g)		-	-	-	(17,921)
Other increases/decreases		-	10	-	(4)
		-	**10**	**-**	**(17,925)**
Other Comprehensive income for the year net of taxes		407,593	150,359	(39,656)	(19,501)
Comprehensive income for the year atributtable to shareholders		**586,690**		**82,910**	
Comprehensive income for the year atributtable to non-controlling interests	21		**178,957**		**12,151**
Total Comprehensive income for the year		**586,690**	**178,957**	**82,910**	**12,151**

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

Consolidated statement of changes in equity

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated Statement of changes in equity for the year ended 31 December 2016 and 2015

(Amounts stated in thousand Euros - €k)

Changes in the year	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 year	10	-	-	-	-	-	-	-	122,566	122,566	31,652	154,218
Other gains and losses recognised in Equity		-	-	(17,902)	-	(922)	(20,832)	-	-	(39,656)	(19,501)	(59,157)
Comprehensive income for the year		-	-	(17,902)	-	(922)	(20,832)	-	122,566	82,910	12,151	95,061
Dividends distributed/Interim dividends		-	-	-	-	-	-	(315,248)	-	(315,248)	(7,722)	(322,970)
Increase in share capital of subsidiaries		-	-	-	(121)	-	-	-	-	(121)	(8,567)	(8,688)
Increase of reserves by appropriation of profit		-	-	-	-	-	-	(173,394)	173,394	-	-	-
Balance as of 31 December 2015		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
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 year	10	-	-	-	-	-	-	-	179,097	179,097	28,598	207,695
Other gains and losses recognised in Equity		-	-	404,078	-	5,526	(2,011)	-	-	407,593	150,359	557,952
Comprehensive income for the year		-	-	404,078	-	5,526	(2,011)	-	179,097	586,690	178,957	765,647
Dividends distributed/Interim dividends	30	-	-	-	-	-	-	(378,297)	-	(378,297)	(12,547)	(390,844)
Changes in the consolidation perimeter	3 and 21	-	-	-	3,061	44	4,536	(7,641)	-	-	(19,520)	(19,520)
Increase of reserves by appropriation of profit		-	-	-	-	-	-	122,566	(122,566)	-	-	-
Balance as of 31 December 2016		829,251	82,006	403,845	2,687,354	3,904	(117,877)	912,891	179,097	4,980,471	1,562,936	6,543,407

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

Consolidated statement of cash flow

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated statement of cash flow for the year ended 31 December 2016 and 31 December 2015

(Amounts stated in thousand Euros - €k)

	Notes	December 2016	December 2015
Operating activities:			
Cash received from customers		15,156,153	17,665,676
Cash (payments) to suppliers		(9,093,921)	(11,420,662)
(Payments) relating to Tax on oil products (ISP)		(2,752,218)	(2,632,665)
(Payments) relating to VAT		(1,412,350)	(1,624,430)
(Payments) relating to Royalties, levies, PIS and Cofins and Others		(78,823)	(50,022)
Operating gross margin		**1,818,841**	**1,937,897**
Salaries, contributions to the pension fund and other benefits (payments)		(214,432)	(209,348)
Withholding income taxes (payments)		(83,165)	(85,246)
Social Security contributions		(75,074)	(76,389)
Payments relating to employees		**(372,671)**	**(370,983)**
Other receipts/(payments) relating to the operational activity		(80,078)	(46,074)
Cash flows from operations		**1,366,092**	**1,520,840**
(Payments)/receipts of corporate income taxes (Corporate income tax CIT, oil income tax IRP, special participation tax)		(172,408)	(127,016)
Cash flows from operating activities (1)		**1,193,684**	**1,393,824**
Investing activities:			
Cash receipts from disposal of tangible and intangible assets		946	68,893
Cash (payments) for the acquisition of tangible and intangible assets		(1,042,556)	(989,812)
Cash receipts relating to financial investments	3 and 4	164,210	35,370
Cash (payments) relating to financial investments		(189,604)	(308,346)
Financial investment		**(1,067,004)**	**(1,193,895)**
Cash receipts from loans granted		133,843	260,784
Cash (payments) relating to loans granted		(6,818)	(400)
Cash receipts from interests and similar income		17,581	21,855
Cash receipts relating to dividends	4 and 5	70,115	72,901
Cash flows from investing activities (2)		**(852,283)**	**(838,755)**
Financing activities:			
Cash receipts from loans obtained		2,536,836	1,282,504
Cash (payments) relating to loans obtained		(2,568,791)	(1,407,753)
Cash receipts/(payments) from interests and similar costs		(137,277)	(132,411)
Dividends paid	30	(387,409)	(318,211)
Other financing activities		395	1,904
Cash flows from financing activities (3)		**(556,246)**	**(573,967)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(214,845)	(18,898)
Effect of foreign exchange rate changes in cash and cash equivalents		130,630	41,393
Cash changes by changes in the consolidation perimeter	3	(38,441)	(1,040)
Cash and cash equivalents at the beginning of the year		1,044,851	1,023,396
Cash and cash equivalents related to non-current assets held for sale	3	1,048	-
Cash and cash equivalents at the end of the year	18	923,243	1,044,851

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

Notes to the consolidated financial statements as at 31 december 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 activity is to manage equity stakes in other companies.

The Company shareholding structure as of 31 December 2016 is stated in Note 19.

The Company is listed on the Euronext Lisbon stock exchange.

b) The Group:

As of 31 December 2016 the Galp group (the Group) consists of Galp and its subsidiaries, which includes, among others: (i) Galp Energia E&P, B.V. and its subsidiaries integrating the oil and gas exploration and production activities and biofuels, (ii) 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; (iii) Galp Gás & Power, SGPS, S.A. and its subsidiaries, which operate in the natural gas sector, electricity sector and renewable energy sector; 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 management of all activities relating to exploration, development and production of hydrocarbons, essentially in Brazil, Mozambique and Angola.

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 subsidiaries.

b3) Natural gas activity and energy production and supply

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

Galp natural gas business encompasses a set of activities, including the supply and marketing to final customers in Iberia.

The natural gas activity, including Procurement and supply of natural gas, supplies natural gas to large industrial customers, with annual consumption of more than 2 million m^3, power generation companies, natural gas distribution companies and autonomous gas units. So as to meet the demand of its customers, Galp has long-term supply contracts with Algerian and Nigerian suppliers.

The natural gas subsidiaries of the Galp group which 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 supply

- Natural Gas purchase and sale activity in connection to the management of the long-term supply 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 per year 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 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 per year. 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	2,300	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 a periodic adjustment based on variations of the chosen benchmark.

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 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 less than 20 years, long-term supply 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 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 supply contracts, of the supplier of natural gas national system;
- natural gas purchase and sale function in organized markets or through bilateral contracts (not applicable to Galp for the year under review).

Last resort retail supply

The natural gas marketing activity, exercised by the last resort retailers, includes the following functions:

- natural gas purchase and sale;
- access to the NGNTN and NGNDN;
- natural gas marketing.

The Group Power business includes the generation of energy through the portfolio of cogeneration plants in Portugal and the sale of electricity to end customers. This business is 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 through joint ventures.

Geographic markets for developed activities are as follows:

- natural gas supply;
- natural gas distribution: Portugal;
- natural gas and electricity sale: Portugal and Spain;
- electricity production: Portugal.

2. Significant accounting policies

The significant accounting policies used by the Group to prepare the consolidated financial statements are explained below. During the year ended 31 December 2016 changes in accounting policies occurred, expressed in note 2.26, in relation to those used to prepare the financial information for the preceding year. There were no prior year material errors.

2.1 Basis of presentation

The accompanying financial statements are presented in thousands of Euros, unless otherwise stated.

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 (Note 2.17), based on the accounting records of the companies included in the consolidation (Notes 3 and 4) maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the period 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 IFRS standards published by the IASB and approved and published in the Official Journal of the European Union (OJEU) during 2016, applicable to subsequent years are presented in the tables below:

Standards and Interpretations published by IASB but not endorsed by the EU:

IAS Standard	Publishing date in IASB	Estimated date of approval by EU	Year to which it applies	Comments
IFRS 14 Regulatory Tariff Deviations	30 January 2014	-	-	Not applicable
IFRS 16 Leases	13 January 2016	2nd Semester 2017	2019	Impact of the application of the standard still to be determined
Amendments to IAS 12 Income taxes	19 January 2016	2nd Quarter 2017	2017	No estimated impact
Amendments to IAS 7 Statement of cash flow	29 January 2016	2nd Quarter 2017	2017	Impact on disclosures in the notes to the financial statements
Clarification to IFRS 15 Revenue from contracts with customers	12 April 2016	2nd Quarter 2017	2018	Impact of the application of the standard still to be determined
Amendments to IFRS 2 Shared based payments	20 June 2016	2nd Semester 2017	2018	Not applicable
Amendments to IFRS 4 Insurance contracts	12 September 2016	2017	2018	No estimated impact
Annual improvements to IFRS 2014-2016	8 December 2016	2nd Semester 2017	2017/2018	No relevant accounting impacts
IFRIC 22 Foreign currency transactions and advance consideration	8 December 2016	2nd Semester 2017	2018	No estimated impact
Amendments to IAS 40 Investment property	8 December 2016	2nd Semester 2017	2018	No estimated impact

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

IAS Standard	Publishing date in OJEU	Date of accounting application	Year to which it applies	Comments
IFRS 9 Financial instruments	29 November 2016	1 January 2018	2018	Impact on hedging financial derivatives, classification of financial assets and calculation of impairment losses on accounts receivable
IFRS 15 Revenue from contracts with customers	29 October 2016	1 January 2018	2018	Impact still to be determined, in revenue recognition

Standards and Interpretations addopted, if applicable:

IAS Standard	Publishing date in OJEU	Date of accounting application	Year to which it applies	Comments
Amendment to IFRS 10, 12 and IAS 28: Investment entities - applying consolidation exemption	23 September 2016	1 January 2016	2016	Not applicable
Amendment to IAS 27 Separate financial statements	23 December 2015	1 January 2016	2016	No impact
Amendment to IAS 1 Disclosure initiative	19 December 2015	1 January 2016	2016	No relevant accounting impacts
Annual Improvements to IFRS 2012 - 2014	16 December 2015	1 January 2016	2016	No relevant accounting impacts
Amendments to IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation calculation	3 December 2015	1 January 2016	2016	Not applicable
Amendment to IFRS 11 Accounting for the acquisition of interests in joint operations	25 November 2015	1 January 2016	2016	Potential impact in new acquisitions of joint operations
Amendments to IAS 16 and IAS 41 Agriculture: bearer plants	25 November 2015	1 January 2016	2016	Not applicable
Annual Improvements to IFRS 2010 - 2012	9 January 2015	1 February 2015	2016	No relevant accounting impacts
Amendments to IAS 19 - Defined benefit plans: Employee contributions	9 January 2015	1 February 2015	2016	No relevant accounting impacts

Standards and Interpretation published by IASB but still not endorsed by the European Union:

IFRS 14 – Regulatory Tariff Deviation

The standards allow an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and respective movements, are presented separately in the statement of financial position, income statement and other comprehensive income, and specific disclosures are required.

As Galp is not a first-time adopter of the IFRS, this standard does not apply. Additionally, the European Union decided not to endorse this standard.

IFRS 16 – Leases

This standard specifies how leases should be recognised, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Galp is still determining the impact of this new standard on its activities. As a result of a preliminary analysis, Galp clarifies that this standard on leases will not have impact on Signature bonuses (Mineral rights) related to the E&P business. However, it continues to analyse all the impacts from this standard.

Amendments to IAS 12 – Income taxes

The amendments in IAS 12 refer to the recognition of deferred tax assets for unrealised losses, and clarify the following aspects:

i) unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use;

ii) the carrying amount of an asset does not limit the estimation of probable future taxable profits;

iii) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences;

iv) an entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

It is not expected that this clarification in IAS 12 will have any impact on the calculations and records for deferred taxes made by Galp.

IAS 7 – Statement of cash flows: Disclosures

Requires an entity to disclose information on the changes in liabilities related to the financing activity, namely:

i) changes in financing cash flows;

ii) changes arising from obtaining or losing control on subsidiaries or other businesses;

iii) the effect of changes in exchange rates;

iv) changes in fair value; and

v) other changes.

This amendment will have impact on the future disclosures to be presented in the notes to the financial statements.

Clarification on IFRS 15 – Revenue from contracts with customers

The clarification refers to additional procedures to perform in order to determine the performance obligations of a contract, the timing for revenue recognition for an intelectual property licence, review of indicators to classify the relationship between principal versus agent, and new regimes established to simplify the transition.

Galp is analysing the future impact of this standard particularly in the recognition of revenue in the various activities developed.

Amendments to IFRS 2 Classification and measurement of share-based payment transactions

This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification of an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

This amendment has no accounting impact in Galp' financial statements, has there are no share-based payment plans.

Amendments to IFRS 4 - Insurance Contracts

This amendment allows for two different solutions for insurance companies: temporary exemption of IFRS 9 for entities fulfilling specific requirements (applied at the consolidated level); and "overlay approach".

However, it is estimated that IFRS 4 will be replaced by the new standard for insurance contracts. Consequently, it is expected that both the temporary exemption as well as the "overlay approach" are no longer applicable when the new insurance standard is enforced.

Galp considers premature to determine eventual impacts of these amendments, as the same as still subject to future modifications.

Annual improvement IFRS 2014-2016

- IFRS 1 – First time adoption of IFRS

This improvement deletes the short term exemptions for IFRS 7, IFRS 10 and IAS 19 because they were no longer applicable, for first time adopters of IFRS.

- IFRS 12 – Disclosure of interest in other entities

This improvement intends to clarify the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5 and that the only exemption refers to the disclosure of summarized financial information for those entities

- IAS 28 – Investments in associates and joint ventures

This improvement clarifies that investments in associates or joint ventures held by a venture capital organization are allowed to be measured at fair value in accordance with IFRS 9, on a standalone basis. This improvement also clarifies that an entity that it is not an investment entity but holds investments in associates and joint ventures that are investment entities, is entitled to retain the fair value measurement of the associate's and joint venture's interest in its own subsidiaries.

Galp considers that the amendments referred above clarify the standards in force, not presenting relevant impacts on the measurement or presentation of financial statements.

IFRIC 22 Foreign currency transactions and advance consideration

This Interpretation intends to determine the date of transaction which determines the exchange rate used to translate the foreign currency transactions. The Interpretation is applied when an entity either pays or receives consideration in advance for foreign currency denominated contracts and defines that:

i) the transaction date, for determination of the Exchange rate, is the date of initial recognition of the non-financial asset or the non-financial liability resulting from the consideration in advance;

ii) if several payments or receipts in advance are noted, a date of transaction is established for each payment or receipt.

Galp considers that this Interpretation has no accounting impact in its financial statements, as Galp is already performing accounting in accordance with this Interpretation.

Amendments to IAS 40 Investment Property

This amendment clarifies when assets are transferred to, or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer.

Galp estimates that the amendment will not have an accounting impact on its financial statements.

Standards and interpretations endorsed by the European Union, to be applied in subsequent years, if applicable:

IFRS 9 – Financial Instruments

IFRS 9 replaces the guidance in IAS 39, regarding:

- the classification and measurement of financial assets and liabilities, introducing a simplification in the classification based on the business model defined by the management;
- the recognition of “own credit risk” in the fair value measurement of liabilities classified voluntarily as at fair value;
- the recognition of credit impairment (through the expected credit losses model); and
- the hedge accounting requirements and recognition.

Galp considers that the IFRS 9 will change the recognition of accounts receivable impairment, the classification and measurement of financial assets, as well as impact the hedge accounting, as the referred standard will be more aligned with the economic hedging. Galp is still determining the impacts of this standard.

IFRS 15 – Revenue from contracts with customers

This new standard applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach.

Galp is analysing the future impact of the referred standard, namely in revenue recognition of the several activities it performs.

Standards and interpretations endorsed which are effective as at 1 January 2016, if applicable:

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: applying consolidation exemption

This amendment clarifies that the exemption from the obligation to prepare consolidated financial statements by investment entities applies to an intermediate parent which is a subsidiary of an investment entity. The policy choice to apply the equity method, under IAS 28, is extended to an entity which is not an investment entity, but has an interest in an associate, or joint venture, which is an investment entity.

These amendments are not applicable to Galp.

Amendments to IAS 27 – Equity method in separate financial statements

This amendment allows entities to use equity method to measure investments in subsidiaries, joint ventures and associates in separate financial statements. This amendment applies retrospectively.

Galp maintains its accounting policy, recognising its financial investments at acquisition cost in separate financial statements, therefore the referred amendments have no impact on its financial statements.

Amendments to IAS 1 Disclosure initiative

This amendment provides guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements, the disclosure of accounting policies and Other Comprehensive Income items presentation when arising from investments measured at equity method.

Galp considers that the following amendments have no relevant impact on the financial statements.

Annual improvements IFRS 2012-2014

- IFRS 5 – 'Non-current assets held for sale and discontinued operations'

This improvement clarifies that when an asset (or disposal group) is reclassified from "held for sale" to "held for distribution", or vice versa this does not constitute a change to a plan of sale or distribution.

- IFRS 7 – 'Financial instruments: disclosures'

This improvement provides guidance on what is meant by continuing involvement in a transfer (derecognition) of financial assets, for the purpose of required disclosures.

- IAS 19 – 'Employee benefits'

This improvement clarifies that, when determining the discount rate for post-employment defined benefit obligations, this must refer to high quality bonds with the same currency in which liabilities are denominated.

- IAS 34 – 'Interim financial reporting'

This improvement clarifies the meaning of "information disclosed elsewhere in the interim financial report" and requires the cross referencing to that information.

Galp considers that the following amendments clarify the standards in force, having no relevant impacts in the disclosure and amounts presented.

Amendments to IAS 16, 'Property, plant and equipment' and IAS 38 'Intangible assets'.

This amendment clarifies that the use of revenue-based methods to calculate the depreciation / amortization of an asset is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset.

Galp considers this amendment as not applicable, as it does not depreciate/amortize its assets in accordance with the revenue obtained, but in accordance with the technical depreciation of the referred assets.

Amendments to IFRS 11 Accounting for the acquisition of interests in joint operations

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, through the application of IFRS 3's principles.

This amendment to IFRS 11 is applicable to future acquisitions of joint arrangements by Galp.

Amendments to IAS 16 Property, plant and equipment and IAS 41 Agriculture

This amendment defines the concept of a bearer plant and removes it from the scope of IAS 41 – Agriculture, to the scope of IAS 16 – Property, plant and equipment, with the consequential impact on measurement. However, the produce growing on bearer plants will remain within the scope of IAS 41 - Agriculture.

This amendment is not applicable to Galp group subsidiaries and therefore, has not relevance in the measurement or presentation of its financial statements.

Amendments to IAS 19 Defined benefit plans – Employee contributions

This amendment applies to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are not associated to the number of years of service.

Galp considers that this amendment has no relevant accounting impacts.

Annual Improvements IFRS 2010 – 2012

- IFRS 2 – 'Share based payments'

This improvement amends the definitions of vesting conditions that considers that only two type of conditions exist, the performance conditions and the service conditions. The new definition of performance condition foresees that only conditions attached to the entity are considered.

- IFRS 3 – 'Business combinations'

This improvement clarifies that an obligation to pay contingent consideration is classified in accordance with IAS 32, as liability or equity, if it meets the financial instrument definition. The contingent consideration which classifies as a liability shall be measured at fair value through profit and loss.

- IFRS 8 – 'Operating segments'

This improvement amends IFRS 8 to require disclosure of the judgments made by management in aggregating operating segments and the reconciliation of segment assets with the entity's total assets in financial statements, when the information is reported.

- IFRS 13 – 'Fair value'

This improvement clarifies that the ability to measure short-term receivables and payables at the invoiced amounts where the impact of not discounting is immaterial, was not removed by IFRS 13.

- IAS 16 – 'Property, plant and equipment' and IAS 38 'Intangible assets'

This improvement clarifies how the gross carrying amount and the accumulated depreciation/ amortization are treated, when an entity uses the revaluation model for subsequent measurement of PP&E and intangible assets, foreseeing two models. This clarification is significant when useful lives or depreciation/ amortization methods are reviewed in the revaluation period.

- IAS 24 – 'Related parties'

This improvement amends IAS 24 to include as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Galp considers that these amendments to the standards have no relevant impact on its accounting policies.

Estimates that affect the amounts of assets, liabilities, income and costs were used in preparing the accompanying consolidated financial statements. The estimates and assumptions used by the Board of Directors were based on the best information available regarding events and transactions in process at the time of approval of the financial statements.

In the preparation and presentation of consolidated financial statements Galp group complies with the IAS / IFRS and their interpretations SIC / IFRIC adopted by the European Union and effective as at 31 December 2016.

2.2 Consolidation methods

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group holds control, namely if it has cumulatively:

- power over the investee;
- exposure or rights in relation to variable results through its relationship with the investee; and
- ability to use its power over the investee to impact the amount of the results to the investors, were included in these consolidated financial statements in accordance with the full consolidation method. The Companies consolidated in accordance with the full consolidation method are disclosed in Note 3.

Equity and net result for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and in the consolidated income statement, respectively, in the caption "Non-controlling interests". The gains and losses attributable to non-controlling interests are allocated to them, even if they exceed, in case of losses, the amount invested by the non-controlling interests.

The assets and liabilities of each Group company are recorded at fair value as of the date of acquisition, as established in IFRS 3, and can be reviewed over a period of 12 months after that date. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as Goodwill (Note 2.2.d)). If the difference between the cost and the fair value of the net assets and liabilities acquired is negative, it is recorded as income of the year.

When, at the date of the control acquisition, the Group already holds a previously acquired interest, its fair value is used to determine Goodwill or negative Goodwill.

Transaction costs directly attributable to business combinations are immediately recognised in profit and loss.

Non-controlling interests include the third parties' portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

When control is acquired for a percentage below 100%, under the purchase method, non-controlling interests may be measured at fair value or at the ratio between acquired assets fair value and acquired liabilities fair value, being the option defined for each transaction.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition or the date of the exercise of control up to the date of disposal.

Subsequent disposal or acquisition transactions of financial investments on non-controlling interests, which do not involve changes in control, do not result in recognition of gains, losses or Goodwill, being any resulting difference between the transaction amount and the carrying amount of the transacted investment recognised in Equity.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to be in accordance with the Group's accounting policies. Transactions (including unrealised gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process, except the losses which are indicators of impairment losses in the assets transferred.

Where the Group has, in substance, control over other structured entities, even if it does not have a direct participation in their capital, these are consolidated in accordance with the full consolidation method. When such entities exist, they are detailed in Note 3.

b) Investments in joint arrangements (joint ventures and joint operations)

Galp holds interests in Joint Arrangements in which joint control consists on the contractually agreed sharing of control over an agreement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The classification of a joint arrangement as a joint operation or a joint venture depends on the rights and obligations of the parties in the agreement.

A joint operation is a joint arrangement whereby the parties that hold the joint control agreement have rights to the assets and obligations for the liabilities relating to this Agreement. These parts are called joint operators.

A joint venture is a joint agreement whereby the parties who have the agreement of joint control have rights to the net assets of the agreement. These parts are called joint venturers.

The classification of investments in joint ventures or joint operations is determined based on the agreements that regulate the joint control. Therefore, when Galp classifies a share or consortium as a joint agreement it takes into consideration various legal aspects, contractual terms and requirements of the accounting standards for their appropriate accounting classification.

Investments in joint arrangements are included in the accompanying consolidated financial statements in accordance with the equity method as from the date joint control is acquired. The joint ventures recognised by the equity method are listed in Note 4. The excess of cost in relation to the fair value of the identifiable assets and liabilities of each joint venture at the date of acquisition is recognised as Goodwill and presented as part of the financial investment in the caption "Investments in associates and joint ventures". If the difference between acquisition cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement caption "Share of results of investments in associates and joint ventures", after confirmation of the fair value.

The recoverable amount of investments in joint ventures is assessed for impairment when there are triggers that suggest the investments may be impaired, being the impairment losses recorded in the income statement. If the impairment losses recorded in previous years are no longer applicable, these are reversed.

When the Group's share of cumulative losses in a joint venture exceeds its book value, the investment is written-off, except when the Group has assumed commitments in favour of the joint venture, in which case the Group recognises a loss and a liability for the amount for which the Group has taken responsibility.

Unrealised gains and losses on transactions with joint ventures are eliminated in proportion to the Group's interest in the joint venture, recorded against the investment in the same entity. Unrealised losses are also eliminated but only up to the point that the losses do not indicate that the transferred asset is impaired.

Joint operations in oil exploration consortiums are recognised for accounting purposes in accordance with the established contracts. Therefore, these joint operations are recognised in the accounting based on the share held (working interest) in the consortium.

The E&P activity of the Group is carried out mainly through consortiums with other entities reflected in the consolidated statement of financial position and consolidated income statement in accordance with the percentage held by the Group in these consortiums.

In detail, Galp recognises the following items in its consolidated financial statements, whenever it qualifies as a joint operator in a joint operation:

- group assets contributed to the operation;
- own liabilities associated with the joint operation;
- share of assets acquired and liabilities incurred in carrying out the joint operation;
- share of revenues generated by the sale of the operation's output;
- any income from the sale of its share of the output, together with its share of the costs incurred in the operation; and
- own expenses and losses incurred with the operation.

c) Investments in associates and affiliates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds between 20% to 50%) are recorded in accordance with the equity method.

Investments in affiliates (companies in which the Group does not have significant influence or control, normally where it holds less than 20%), are recorded at fair value or alternatively, at cost, when the affiliates are not listed and their value cannot be measured reliably.

The Investments in affiliates are classified as Assets held for sale in accordance with the classification of IAS 39 and are classified as non-current assets.

In accordance with the equity method, investments are recorded at the acquisition cost and subsequently adjusted by the Group's share of the post-acquisition changes in net equity (including net result) of the associates, recorded against income statement caption "Share of results of investments in associates", as well as by dividends received.

The excess of acquisition cost in relation to the fair value of the identifiable assets and liabilities of the associate at the date of acquisition is recognised as goodwill and included in the value of the investment. If the difference between acquisition cost and fair value of the assets and liabilities acquired is negative, it is recognised in the income statement caption "Share of results of investments in associates", after confirmation of the fair value.

An assessment of investments in associates is performed when there are indications that the investment may be impaired, and impairment losses that are noted are then recorded. When impairment losses recognised in prior years no longer exist, they are reversed.

When the Group's share of cumulative losses of an associate exceeds the book value of the investment, the investment is written-off, except where the Group has assumed commitments in favour of the associate, in which case the Group recognises a loss and a liability for the amount for which the Group has taken responsibility.

Unrealised gains and losses on transactions with associates are eliminated in proportion to the Group's interest in the associate and recorded against the investment in the associate. Unrealised losses are also eliminated, but only up to the point that the loss does not provide evidence that the transferred asset is impaired.

Investments in associates and assets held for sale are detailed in Note 4.2 and 4.3, respectively.

d) Goodwill

The positive differences between the acquisition cost of subsidiaries and the fair value of the identifiable assets and liabilities of these companies at the date of acquisition (or during a period of 12 months after that date), are recognised as goodwill (when it results from goodwill in Group companies) (Note 11) or as investments in associates (when it results from associates). The negative differences are recognised immediately in the income statement.

The positive differences between the acquisition cost of investments in foreign entities and the fair value of the identifiable assets and liabilities at the date of acquisition (or during a period of 12 months after that date), are recognised in their functional currencies and translated to the Group's functional currency (Euros) at the rate of exchange at the end of the reporting period. Exchange rate differences resulting from the translation are recorded in equity in the caption "Translation reserve".

Goodwill on acquisitions prior to the date of transition to IFRS (1 January 2004) has been maintained at the amounts recorded in accordance with generally accepted accounting principles in Portugal (deemed cost) as at that date and was subject to impairment tests at the reporting date. Goodwill stopped being amortised as at that date, but is subject to impairment tests, at least annually, to determine if there are impairment losses.

Any impairment losses are recorded immediately in the statement of financial position as a deduction to the amount of the assets and are recorded against the income statement caption Results from investments in associates and impairment losses on Goodwill, included in financial results.

If initial recognition of a business combination can only be determined provisionally at the end of the period in which the concentration occurred (due to the fact that the fair value attributed to the identifiable assets, liabilities and contingent liabilities of the acquired entity can only be determined provisionally) Galp group recognises the business combination using the information available. The amounts determined provisionally are adjusted when the fair value of the assets and liabilities are accurately determined, up to a period of 12 months after the acquisition date. During that period, Goodwill or any other recognised gain will be adjusted by an amount equal to the adjustment to the fair value at the date of acquisition of assets, liabilities and contingent liabilities identifiable being recognized or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the combination. This includes any depreciation, amortisation or other additional gain or loss recognised as result of completing the initial recognition.

When performing impairment testing on Goodwill, the Goodwill amount is added to the respective cash generating unit. The recoverable value of Goodwill is estimated on the basis of value in use and is determined by the present value of the estimated future cash flows of the cash generating unit. The discount rate used reflects Galp group WACC before tax (Weighted Average Cost of Capital) for the reporting segment and country to which the cash generating unit belongs to.

e) Translation of foreign entities financial statements

Entities (subsidiaries, associates, joint arrangements and branches of the incorporating company) operating abroad that have organisational and financial autonomy, with functional currency different from the Group reporting currency are considered foreign entities.

Foreign entities' assets and liabilities are translated to Euros at the exchange rates in force at the end of the reporting period and income and costs and cash flows in these financial statements are translated to Euros at the average exchange rates for the year. The translation differences arising after 1 January 2004 (date of transition to IFRS) are recognised in the equity caption "Translation reserve". Exchange rate differences arising up to 1 January 2004 (date of transition to IFRS) were written-off against "Retained earnings" (Note 20).

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of these entities and translated to Euros according to the exchange rate in effect at the date of the financial statements.

When a foreign entity is disposed, the accumulated translation difference is transferred from the equity caption "Translation reserve" to the income statement caption "Other gains (losses)".

Shareholder loans in a different functional currency from the parent company that do not have defined repayment terms are considered as net investments in the foreign entities. The translation differences arising in translating the balances of shareholder loans to the company's reporting functional currency that are not cancelled out in the consolidation process are reclassified to the shareholders' equity caption "Translation reserve" in the consolidated financial statements.

The financial statements of foreign entities included in the accompanying consolidated financial statements were translated to Euros at the following exchange rates

	Year end		Average for the year	
Currency	**2016**	**2015**	**2016**	**2015**
Gambian Dalasi	44.10	42.19	45.77	44.57
Moroccan Dirhams	10.61	10.75	11.52	11.57
United States Dollars	1.05	1.09	1.11	1.11
Cape Verde Escudos	110.27	110.27	110.27	110.27
CFA Francs	655.96	655.96	655.96	655.96
Swazi Lilangeni	14.42	16.78	16.07	14.23
Mozambican Meticais	74.94	50.50	69.10	43.14
Angolan Kwanzas	184.48	147.11	182.04	132.89
Brazilian Reais	3.43	4.31	3.86	3.70

2.3 Tangible assets

General

Tangible assets acquired up to 1 January 2004 (date of transition to IFRS) are measured according with IFRS 1 option, at deemed cost, which corresponds to cost, revalued, when applicable, in accordance with the legislation in force up to that date, less accumulated depreciation and cumulative impairment losses.

Tangible assets acquired after that date are recorded at cost less accumulated depreciation and cumulative impairment losses. Acquisition cost includes the invoice price, transport and assembly costs and financial costs incurred during the construction phase.

Tangible assets in progress refer to tangible assets in construction and are recorded at cost less cumulative impairment losses. Tangible assets are depreciated as from date the assets are substantially completed or the assets are ready for use.

Deemed cost (for acquisitions up to 1 January 2004) or acquisition cost depreciation is calculated on a straight-line basis (on a monthly basis), as from the year the assets are available for use, as intended by management, at the rates considered most appropriate to depreciate the assets during their estimated economic useful life, limited, when applicable, to the concession period.

The average annual depreciation rates used are as follows:

	Rates 2016	**Rates 2015**
Land and natural resources	-	0.10%
Buildings and other constructions	4.48%	4.41%
Machinery and equipment	10.25%	9.04%
Transport equipment	17.41%	16.97%
Tools and utensils	19.38%	17.63%
Administrative equipment	18.99%	19.39%
Reusable containers	13.43%	13.12%
Other tangible assets	8.61%	8.40%

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

Recurring repair and maintenance costs are expensed in the year they are incurred. Major overhauls involving the replacement of parts of equipment or of other tangible assets are recorded as tangible assets if the replaced parts are identified and written off, and depreciated over the remaining period of economic useful life of the respective tangible assets.

Oil exploration and production activity

The E&P activity is divided in three phases: exploration, development and production.

What distinguishes the three phases is essentially the stage of the works performed and the discovery or not of commercially viable reserves. Thus, in the exploration phase the company performs expenditures on research (i.e. seismic, drilling, geological and geophysical studies). At this stage IFRS 6 is applied, and Galp has adopted the accounting criteria accepted by the standard, thus maintaining its previous accounting policy, which in this case consists of the capitalisation of these operating expenses. At this stage, there are contingent and prospective resources, and the company performs periodic impairment analysis, recognising dry wells (i.e. no proven reserves or without subsequent use) as a cost of the year.

The company may incur some expenses prior to the acquisition of mineral rights, which are recognised as costs of the year.

In the development phase there are already commercially viable reserves, not yet developed. Thus, Galp starts carrying out investments for the extraction of these reserves, related to platforms, pipelines and expenses with internal and contracted technical labour. Galp capitalises technical labour internal expenses with engineers and geologists hired by Galp for the development of resources and reserves for the extraction of those minerals.

Finally in the production phase there are proven developed reserves, and as a result such mineral resources commence being extracted and sold.

At any of these stages, including production, the company performs periodic impairment tests in order to rule out any evidence of non-recoverability of the investment.

Tangible assets related to oil exploration and production are recorded at acquisition cost and mainly relate to costs incurred in the exploration and the development of the exploration area, including overheads incurred up to the beginning of production and are recorded in tangible assets in progress. When the oil field begins production, these costs are transferred from tangible assets in progress to tangible fixed assets and depreciated at the Unit of Production method (UOP) according to the expenses' nature.

Joint operations in oil exploration consortiums are recognised in accordance with the established agreements. Therefore, these jointly operations are recorded by the proportion of the interest held (working interest) in the oil consortium.

Development expenses are depreciated in accordance with a coefficient calculated based on the proportion of the volume produced in each period in relation to the proven developed reserves at the end of the period plus production for the period.

Exploration expenses are depreciated based on a coefficient calculated by the proportion of the volume of production in each period in relation to the total proven developed reserves at the end of the period plus production for the period.

The proven developed reserves, used by the Group to determine the depreciation rate in accordance with the UOP method, were determined by a specialised and independent entity.

Exploration expenses relating to fields which are still in the exploration and development phase are classified as tangible assets in progress in the caption "Tangible assets".

2.4 Intangible assets

General

Intangible assets are measured at cost less accumulated amortization and impairment losses. Intangible assets are only recorded if it is probable that they will result in future economic benefits to the Group, they are controlled by the Group and can be reliably measured.

Development expenses are only recognised as intangible assets if the Group has the technical and financial ability to develop the asset, decides to complete the development and starts commercializing or using it, and it is probable that the asset created will generate future economic benefits. If the development costs do not fulfil these requirements, they are recorded in profit and loss for the year when occurred.

Research expenses not related to oil exploration and production activities are recognised as an expense of the period.

Intangible assets include costs incurred on information systems development, exclusivity bonuses paid to retailers of Galp products and rights on land use costs, which are amortised over the period of the respective contracts (which ranges from ten to twenty years).

Intangible assets with finite useful life are amortised on a straight-line basis.

The amortisation rates are set in accordance with the period of the existing contracts or expected use of the intangible assets.

Oil exploration and production activities

Intangible assets recognised in oil exploration and production are recorded at acquisition cost and are mainly related with acquiring oil exploration and production licences (signature bonus), and are amortised on a straight-line basis, as from the date production starts, over the remaining period of the licence.

Natural gas operations

As result of IFRIC 12, Galp, recognises natural gas assets included in the concession arrangements whose remuneration is defined by ERSE in accordance with the intangible assets model. Consequently, the tangible assets of regulated activities are recognised as intangible assets, in the caption “Service Concession Arrangements”, and amortised in accordance with their economic useful life, namely in accordance with the economic benefits model used by for effects of establishing the regulated tariffs and consequently the Group regulated revenue.

The natural gas infrastructures, namely the gas distribution networks, are amortised over the concession period (45 years) or of the exploration licence (20 years).

The Group capitalises costs relating to the conversion of natural gas consumptions, which involves costs incurred adapting the installations. The Group considers that it can control the future economic benefits resulting from this conversion through the continued sale of gas to its clients (Dec-law 140/2006 of 26th of July). These costs are amortised on a straight-line basis up to the end of the natural gas distribution company’s concession period.

2.5 Non-current assets held for sale

Non-current assets (and the set of assets and liabilities to be disposed with those assets) are classified as held for sale if it is expected that their book value will be recovered through a sale transaction rather than through continuing use. This condition is considered to exist when the sale is highly probable and the asset (and the set of assets and liabilities to be disposed with those assets) is available for immediate sale under current conditions. Additionally, there should be in place actions that demonstrate that the sale will occur within 12 months after the date of the reclassification.

Non-current assets (and the set of assets and liabilities to be disposed with those assets) held for sale are measured at the lower of book value and fair value less costs to sell.

The assets and liabilities of a disposal group are measured in accordance with the principles of IFRS 5, unless they are excluded from the scope of measurement of the standard, in which case the accounting provisions of the standards that apply to these assets and liabilities should be applied.

Regarding the classification of financial investments as held for sale:

i) In respect of subsidiaries, these subsidiaries continue to be consolidated until the date of their disposal, but all their assets and liabilities must be classified as held for sale and accounted for at the lower of book value and fair value less costs to sell, ceasing to recognise depreciation/amortization;

ii) In respect of associates and joint ventures measured by the equity method, these are measured at the lower of book value and fair value less costs to sell, ceasing the application of equity accounting.

Due to changes in the circumstances of the group, non-current assets, and/or disposal groups may cease to be classified as held for sale. When this occurs, these assets and/or disposal groups will be reclassified according to the underlying nature of the assets.

When reclassified to held for use, the assets and / or groups for disposal shall be remeasured by the lower between:

i) the book value before being classified as held for sale, adjusted for any depreciation / amortization expenses, if these assets were not classified as held for sale; and

ii) the recoverable amounts of the items at the date they are reclassified according to their underlying nature.

These adjustments are recognized in the income statement.

2.6 Impairment of non-current assets, except Goodwill

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

The recoverable amount is the greater of the fair value and the value in use. Fair value is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The discount rate used reflects the WACC used by Galp for the reporting segment and country of the asset. The cash generating unit subject to impairment analysis depends on the reporting segment: in the R&M segment the cash generating unit is the service station network in each country; in the exploration segment the cash generating unit is the property (commonly referred as Block) or the country, depending on the stage of the investment; and in the gas & power segment the cash generating unit is the set of assets generating the economic benefits.

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

Refining & Marketing assets

Tangible and intangible assets related with R&M are assessed by the Group for impairment at the end of each reporting period, considering internal and external sources of information, namely the Portuguese and Spanish service station networks. In its annual impairment tests in respect of the oil distribution segment, the Group considers the cash generating unit (CGU) to be the service station network of each country, and has applied this criterion consistently given the importance of the interdependence of income resulting from the existence of loyalty and fleet owner's cards that the company provides to its customers. This is based on the fact that management information is analysed in this way, and operational decisions and investments are made on that basis.

The impairment tests carried out by the Group are based on the estimated recoverable amount of each service station compared to its net book value at the end of each reporting period. The recoverable amount (value in use) determined by the Group corresponds to the present value of the expected future cash flows determined based on annual budgets and business plans for each service station, using the WACC discount rate of that business segment, according to its specific risk.

Impairment tests are also performed on other assets of the R&M segment, including refineries and tangible assets associated with logistics and storage activities.

The period of the projections of the cash flows varies as a function of the cash generating unit's average useful life.

Gas & Power assets

Whenever there are impairment indicators in the G&P assets, the Company performs impairment tests. The CGU of the gas segment is defined as the gas networks and respective concessions. For the Power segment, the defined CGUs are the specific cogeneration plants.

The impairment tests carried out by the Group are based on the estimated recoverable amount of each CGU compared to its net book value at the end of each reporting period. The recoverable amount (value in use) determined by the Group corresponds to the present value of the expected future cash flows determined based on annual budgets and business plans for each CGU at its present condition, using the WACC discount rate of that business segment, according to its specific risk.

The period of the projections of the cash flows varies as a function of the cash generating unit's average useful life.

In the case of activities in which the assets are regulated the impairment analysis is based on the Regulated Asset Base (RAB). This analysis is based on the value of the remunerated assets for regulated rate purposes.

Exploration & Production assets

The impairment losses on E&P assets are determined when:

- economically feasible reserves are not found;
- the licensing period ends and the exploration licence is not expected to be renewed;
- when an acquired area is returned or abandoned;
- when the expected economic future benefits are less than the investment made.

Tangible and intangible assets related with E&P are assessed periodically (annually and quarterly when indicators are noted) by the Group for impairment. The selected cash generating unit is the country or block depending on the stage of maturity of the investments.

The assessment for block/country impairment is made in accordance with the Expected Monetary Value (EMV model), comparing the carrying amount of the investments with the present value of the expected future cash flows using the WACC discount rate, calculated considering the estimates of:

i) probable reserves;

ii) investment and future operating costs needed to recover the probable reserves;

iii) contingent resources, adjusted by a factor of probability of success;

iv) investment and future operating costs required to recover the contingent resources;

v) reference price of a barrel of Brent;

vi) exchange rate Euro/U.S. dollar;

vii) block/country taxation mechanisms;

viii) Estimated production level and concession period; and

ix) Abandonment costs and environmental restoration.

The EMV model considers in its calculation the P.O.S. (Probability of Geological Success or Probability of Success), which is a conditional statistical probability (Bayesian probability). This probability used in the Geology science considers a probability matrix based on seismic information and other geological & geophysical information. This information is measured taking into account the quantity, quality and certainty (data control) thereof.

The cash flow projection period is equal to the recovery of reserves and resources period, limited to the period of the concession contracts, when applicable.

The information contained in paragraphs:

(i) is determined by independent experts for the quantification of the estimated oil reserves;

(ii), (iii), (iv), (vii), (viii) and (ix) is internally determined by Galp, or, whenever available, through information provided by the operator of each Block, namely the information included in the approved development plans, adjusted to the expectation of the Company and legal information available; and

(v) and (vi) is that contained in the five year budget of Galp group and constant after that period.

The assessment of impairment by country is similar to that described by block, however the estimated cash flows only take into account the information contained in paragraphs (iii) to (ix) above, since probable reserves are not yet determined.

Galp prepares impairment testing in any stage of Exploration and Production, meaning, in the Exploration, Development and Production stages.

In the Exploration phase, the CGU (Cash Generating Unit) depends on investment characteristics in each country where the investment is made. At an early investment stage in a country the CGU is the country, given that the investment comprises investment in signature bonuses and any generic research performed in the area/total areas. When the total areas are divided by the official authorities of the country in blocks, Galp sets as CGU the block, down-levelling the assessment in impairment tests. At this stage as there are no reserves, Galp uses in the impairment tests the prospective and contingent resources with very low P.O.S. Thus, if reserves discovery occurs, the investment passes to the next stage, development, having previously been subject to impairment tests.

In the development and production stages, Galp considers as CGU the block. Also, in these stages the model considers P.O.S., higher than the one considered in the first stage, since there are already commercially viable reserves. Impairment tests are performed based on 2P reserves (proven and probable reserves), since these are used by Galp and its partners in the consortium in the decisions to carry out or not the investments.

2.7 Leases

Lease contracts are classified as:

- Finance leases if all the risks and benefits of ownership are substantially transferred, and
- Operating leases when this does not occur.

Finance and operating leases are classified based on the substance rather than the form of the legal contract.

Leases in which the Group is the Lessee

Tangible assets acquired under finance lease contracts and the corresponding liabilities are recorded in accordance with the financial method. In accordance with this method the cost of the assets (the lower of the fair value or the discounted amount of the lease instalments) is recorded in tangible assets, the corresponding liability is recorded and interest included in the lease instalments and depreciation of the fixed assets, calculated as explained in Note 2.3, are recorded as a financial cost and amortisation and depreciation cost in the income statement of the year to which they relate, respectively. In the case of operating leases, the lease instalments are recorded as costs for the year, on a straight-line basis over the period of the contract, in the income statement caption “External supplies and services”.

The Group does not hold materially relevant operating or finance leases, other than the ones disclosed in Note 24.

Floating production storage and offloading (FPSO) rents that are being used in the E&P business are derived from contracts established within existing consortium and are charged to the Group in the proportion of the share held in each of the consortium.

2.8 Inventories

Inventories (merchandise, raw and subsidiary material, finished and semi-finished products, and work in progress) are stated at the lower acquisition cost (in the case of merchandise and raw and subsidiary material) or production cost (in the case of finished and semi-finished products and work in progress) or net realizable value.

Net realizable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realizable value, the difference is recorded in the operating cost caption “Cost of sales”.

As such, the cost of inventories used/sold is determined as follows:

a) Raw and subsidiary materials

Crude oil – The cost includes the invoice price, transport and insurance costs, being the cost of sales determined on a weighted average basis, applicable to a single family of products, which includes all crude oil types.

Other raw materials (excluding general materials) – The cost includes the invoice price, transport and insurance costs. The cost of sales is determined on a weighted average basis, by family of products, determined considering the characteristics of the different materials.

General materials – The cost includes the invoice price, transport and insurance costs. The cost of sales is determined on a weighted average basis.

b) Products and work in progress

Production cost includes the cost of materials, external supplies and services and overheads.

c) Finished and semi-finished products

Crude oil – Crude oil produced in the E&P activity held in inventory as at 31 December of each year, corresponds to the Company’s share of the total inventory of each development area. Such inventories are measured at their production cost, which includes direct production costs, the depreciation for the year and abandonment provision costs. The cost of sales is determined on a weighted average basis. However, extracted crude oil, namely in Brazil, is valued at net realizable value in the statement of financial position, as there is a contract with the operator for the sale of crude oil and also as this is a common practice for oil producers to value their crude stock at the net realizable value, in accordance with IAS 2.3 par. a) and IAS 2.4.

Oil products - Finished and semi-finished products are measured at production cost, which includes the cost of raw and other materials consumption, direct labour costs and production overheads. If acquired from third parties they are measured at cost, which includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis applied to families of products considering the characteristics of the products.

The Petrogal Group includes in the caption finished and semi-finished products the Tax on Oil Products (Imposto sobre Produtos Petrolíferos – ISP) relating to finished goods dispatched for consumption which are subject to that tax, and is stated at cost (since it is similar to a customs duty). The cost of sales is determined on a weighted average basis. This tax is reflected in Cost of Sales when the sale of finished goods occurs and it is also reflected in the selling price of the products in equal value. Galp details the amount recognized as cost of sale in Note 6.

Other finished and semi-finished products – Production costs include raw materials and variable and fixed production costs. The cost of sales is determined on a weighted average basis.

d) Goods

Cost includes the invoice price, transport and insurance costs. The cost of sales is determined on a weighted average basis.

The cost of imported natural gas also includes the costs relating to transport and rights of passage through Moroccan territory incurred up to the Portuguese border.

As mentioned above, the Group also includes, in the inventories caption, Tax on Oil Products relating to goods already dispatched which are subject to that tax.

Raw materials supplies and goods in transit are not available for consumption or sale and are segregated from other inventories and valued at specific cost.

e) Under/Over Lifting

It is industry practice to do under or overliftings of its share in crude. This under/overlifting intends to optimize the transport costs between the partners. In underlifting, the partner has made a sale on behalf of the company. Thus, an account receivable is recorded (Note 14) and a sale is recognized. This account receivable is tested for impairment. So, in a situation where the crude market price as of the end of the reporting period is lower than the price considered in the valuation of the account receivable (accrual) an impairment is recognised in the income statement (gross margin). In overlifting, the Company recognises a sale and then defers it through Other accounts payable. Underlifting is in fact, on a substance over form basis, a sale made by the partner of stock which by right belongs to Galp (entitlement), and therefore falls under the scope of IAS 18.14. Overlifting is a sale made by Galp of stock that by right belongs (entitlement) to the partner. Therefore, the revenue recognition principle is not satisfied and for this reason the sale is deferred through other accounts payable (Note 24). Payments and receipts of over and underlifting are compensated in a subsequent date in barrels of crude, as defined in the Production Sharing Agreement (PSA). The Company considers that in terms of substance over form the production shared under the Production Sharing Agreement is not subject to price risk since the operation is for use of the contractors and the settlement of the under and overlifting is made through physical delivery (barrels of crude). Therefore, the accounts receivable and accounts payable are not under the scope of IAS 39, that is, the measurement at fair value, in accordance with the exemption referred in paragraph 5 (own use exemption).

f) Advance payments from third parties for the constitution of the strategic reserve

Galp constitutes, under the law in force, the strategic reserves of certain entities for which it is required to do so and that are Galp' customers. Strategic reserves, as the remaining stock in the statement of financial position, are valued at the lower of book value (Weighted Average Basis) and the market price. The advance payments are valued at market value, depending on the contractual terms of each customer/operator and are updated on monthly basis. Market prices are those of refined products which constitute the strategic reserves. Galp charges a storage fee in respect of the strategic stock stored for third parties.

2.9 Government grants and other grants

Government grants are recorded at fair value when there is certainty that they will be received and that Group companies will comply with the conditions required for them to be granted.

Government grants for operating costs are recorded in the consolidated income statement in proportion of the costs incurred.

Non-repayable government grants for tangible and intangible assets (conversions) are recorded as deferred income in the caption "Other payables" and recognised in the consolidated income statement as other operating income, in proportion to the depreciation and amortisation of the granted assets.

2.10 Provisions

General

Provisions are recorded when, and only when, the Group has a present obligation (legal, contractual or constructive) resulting from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted on each consolidated statement of financial position date so as to reflect the best estimate at that date.

Galp measures the uncertain tax positions, including provisions for taxes, by the tax estimate amount and not by probabilities.

E&P activities (Block abandonment)

Provisions for abandonment costs are intended to cover all the costs incurred by the Company at the end of the useful production life of oil fields.

Provisions are based on the operator's estimate of total abandonment costs. The company recognises the abandonment provisions proportionally, as it builds each production well in order to meet its decommissioning obligations. Therefore, it apportions the expenditure with the dismantling of the wells and environmental recovery by the number of wells that it estimates to build, recognizing over time the obligation in proportion to the wells already constructed. The estimated expenditure's net present value is calculated at a risk-free interest rate and a corresponding amount is capitalised in tangible assets. The provision for abandonment is subsequently increased by the risk-free interest rate and increased or decreased by changes in the operator's estimates. Changes to estimates also affect the valuation of the asset.

Estimated expenditure to be incurred and capitalised in tangible assets is depreciated using the UOP method, in which that expenditure is multiplied by a coefficient that is the proportion of the volume produced in each depreciation period in relation to the proven developed reserves at the end of the period plus production for the period.

2.11 Retirement benefits

Some Group companies have assumed the commitment to pay their employees' pension supplements for retirement due to age, disability and pensions to surviving relatives, as well as early retirement and pre-retirement pensions. With the exception of early retirement and pre-retirement pensions, these payments are calculated on an incremental basis in accordance with the years of service of the employee. Early retirement and pre-retirement pensions mainly correspond to the employee's wage. When applicable, these commitments also include the payment of Social Security of pre-retired personnel, voluntary social insurance of early retirees and retirement bonuses payable upon normal retirement.

The Group has created autonomous pension funds managed by external entities (Fundo de Pensões Petrogal, Fundo de Pensões Sacor Marítima and Fundo de Pensão Galp Energia España) to cover their liabilities relating to pension supplements for retirement due to age, incapacity and survivor pensions to current employees and retired personnel and, in the case of Petrogal, also to pre-retired and early retired personnel. However, Petrogal Pension Fund does not cover the liability for early retirement and pre-retirement pensions, Social Security of pre-retired personnel and the payment of voluntary social insurance and retirement bonuses. These liabilities are covered by specific provisions included on the statement of financial position caption Post-employment and other employee benefits liabilities (Note 23).

At the end of each reporting period the companies obtain actuarial valuations by a specialised entity in accordance with the Projected Unit Credit Method and compare the amount of their liabilities with past services with the market value of the funds and with the balance of the liabilities recognised, in order to determine any additional liabilities that need to be recorded.

Actuarial gains and losses determined in each year and for each of the benefits granted, resulting from adjustments to the demographic assumptions, experience adjustments, are recorded in the statement of comprehensive income impacting the financial position.

The discount rate is determined by the actuary through developed models that take into account the maturity of the liabilities and characteristics of the population for each plan. The discount rate consists of half-yearly rates (i.e. zero coupon) developed from high-quality corporate bond pricing and yield information in accordance with IAS 19.

Net interest related with retirement benefits is reflected on the income statement caption Net interest on retirement benefits and other benefits.

The benefit plans identified by the Petrogal Sub-Group for the calculation of these liabilities are:

- pension supplements for retirement, disability and surviving orphans;
- pre-retirement;
- early retirement;
- retirement bonus;
- voluntary social insurance;
- defined contribution minimum benefit plan.

The benefit plans identified by the GDP Sub-Group for the calculation of these liabilities are:

- pension supplements for retirement, disability and surviving orphan;
- early retirement;
- pre-retirement;
- defined contribution minimum benefit plan.

On 31 December 2002 the Portuguese Insurance Institute authorised the creation of the Galp defined contribution Pension Fund. In 2003 Galp Energia, SGPS, S.A. created a defined contribution Pension Fund for its employees and allowed employees of other Group companies to join this fund. Petróleos de Portugal – Petrogal, S.A., GDP – Gás de Portugal, SGPS, S.A., Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A. and Galp eNova S.A. (on 17 December 2003 Galp eNova S.A. was merged into Galp Energia, S.A.) as associates of the Fund, allowed their employees to elect between this new defined contribution pension plan and the previous defined benefits plan. When the new plan is chosen, Group companies contribute with an annually defined amount to the fund, corresponding to a percentage of the salary of each employee, which is recorded as a cost for that year.

2.12 Other retirement benefits – Healthcare, Life insurance and Defined contribution minimum benefit plan

The Group's costs with respect to healthcare, life insurance and defined contribution minimum benefit plan are recognised over the period the employees entitled to these benefits are in service of the respective companies, the liability being reflected in the statement of financial position caption Post-employment and other employee benefits liabilities (Note 23). Payments to the beneficiaries are deducted from the liability.

At the end of each reporting period the companies obtain actuarial valuations calculated by a specialised entity in accordance with the Projected Unit Credit Method and compare the amount of their liabilities with the market value of the funds and with the balance of the liabilities, in order to determine the additional liabilities to be recorded.

Actuarial gains and losses determined in each year are recorded as explained in Note 2.11 above.

2.13 Foreign currency balances and transactions

Transactions are recorded in the separate financial statements of subsidiaries in their functional currencies, at the exchange rates in force on the dates of the transactions.

All foreign currency monetary assets and liabilities in the separate financial statements of subsidiaries are translated to the functional currency of each subsidiary using the exchange rates in force at the end of each reporting period. Foreign currency non-monetary assets and liabilities recorded at fair value are translated to the functional currency of each subsidiary at the exchange rate in force on the date fair value is determined.

Gains and losses resulting from differences in exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the consolidated income statement captions in which the respective transactions are recognized, except for those relating to non-monetary items, that are recorded directly in equity.

Translation differences arising from intra-group loans and that are part of the net investment in foreign operations are recorded in the consolidated financial statements directly in equity.

When the Group intends to reduce its exposure to exchange rate risk, it contracts derivative instruments (Note 2.17.f)).

2.14 Income and accrual basis

Sales income is recognised in the income statement when the risks and benefits of ownership of the assets are transferred to the buyer and the amount of the income can be reasonably measured. Sales are recorded at the fair value of the amount received or receivable, net of taxes except for tax on oil products in the distribution of oil products segment, discounts and other costs incurred to realise them.

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

The "Other current assets" and "Other current liabilities" captions include the income and costs from the current period for which revenues or expenses will only occur in future periods, as well as revenues or expenses that have already occurred, relating to future periods and that will be recorded to profit and loss in upcoming periods.

The interest received is recorded in accordance with the accruals principle, taking into account the debt amount and the effective interest rate during the period until maturity.

Revenue from dividends is recognized when it established the right of the company to recognize the appropriate amount.

Natural gas activity

The sales price of natural gas to electricity production companies is based on specific commercial agreements.

The regulated tariffs used for invoicing natural gas in the national natural gas system are established by ERSE, so that they allow the recovery of the estimated regulated revenue for each Gas Year calculated for each regulated activity. Regulated revenue includes, in addition to operating costs for each activity, the following remuneration: (i) for the supply activity, remuneration for the purchase and sale of natural gas, which corresponds to the effective cost of natural gas and remuneration of the operating supply costs plus a supply margin; and (ii) for the activities of receipt, transport and storage of natural gas, remuneration on the fixed assets net of depreciation and grants relating to these activities. The regulated revenue of the pass-through activities/functions assumes the recovery of the costs incurred. Consequently, each activity is compensated for the costs incurred plus an additional remuneration, when applicable.

Following the above, and as the Group holds credit risk related to the tariff invoiced to final customers, the regulated Group companies, as trading companies to end customers, include in their income, the tariffs that include the remuneration/recovery of all the previous activities.

Given the regulatory framework and legislation in place, the differences between regulated revenues meet some conditions (measurement reliability; financial asset remuneration; entitlement to their recovery and transmissibility, among other) that support their recognition as income and asset in the year they are calculated, namely that they can be reliably measured and the certainty that economic benefits will flow to the Company. The regulated revenue calculation formula for the Gas Year n, in the first and second regulated periods as published in the Tariff Regulation, include the differences in regulated revenue in the Gas Year n-2. This rationale is also applied to the negative differences in regulated revenue, which are recorded as liabilities and costs.

In previous years, differences to the regulated revenue recorded by the Group were incorporated in the respective tariff calculations in accordance with the established mechanisms.

In the distribution and retail last resort supply activities, the Group books in accruals and deferred income the difference between the effective invoicing through sales of the natural gas regulated tariff and the regulated revenue defined for each Gas Year by ERSE, allocated to each semester in accordance with the agreed seasonality coefficient of included for the compensation mechanism by the natural gas companies – Regulated revenue (Notes 14 and 24).

In the wholesale last resort supply activity, the Group books in accruals and deferred income the difference between the effective invoicing through the sales of natural gas regulated tariff and the effective cost of natural gas acquired – Energy Tariff Deviation (Note 14).

Since the natural gas regulated system is intended to result in a uniform tariff (applicable to all the country's regions) and considering the various levels of efficiency of the companies in the regulated market, ERSE published the compensation mechanism to be practiced between the companies in the sector, so as to allow approximation of income recovered by application of the regulated tariffs to regulated revenue of these companies. Therefore ERSE, in its documents "Tariffs and prices of natural gas" for each Gas Year, identifies the amount of compensation to be transferred (charged) between companies of the national gas system. In order to ensure a practical, objective and transparent procedure for the referred settlement, the companies have agreed seasonal coefficients to be applied in the issuance of the invoice for the uniform tariff. The seasonality differences between distribution and supply activities reflect the difference in payment terms.

The meter reading, invoicing and respective collection related to the gas distribution and supply activities are performed directly by the companies or, in respect of the meter reading and collection activities, by subcontracted external partners.

Un-invoiced gas sales are recorded monthly in the caption "Other receivables" based on the estimated amount to be invoiced according to historical information or meter reading depending on the client type, and corrected in the income statement in the period in which they are invoiced (Note 14).

Regarding construction contracts included under IFRIC12, the construction of concession assets is outsourced to specialised entities which themselves assume the risk of construction activity, and income and costs associated with building of these assets (Notes 5 and 6) are then recognised.

2.15 Financial costs on loans obtained

Financial costs on loans obtained are recorded as financial costs on an accruals basis.

Financial costs on loans to finance investments in tangible assets are capitalised in fixed assets in progress in proportion to the total costs incurred on the investments, net of government grants received (Note 2.9), up to the time they start operating (Notes 2.3 and 2.4), the remaining financial costs being recorded in the income statement caption “Financial costs” (Note 8). Any interest income on amounts obtained from loans that are obtained directly to finance tangible assets in construction is deducted from the capitalised financial costs.

Financial costs included in tangible assets are depreciated over the period of useful life of the assets.

2.16 Income taxes

General

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in force in the area each Galp company head office is located.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities recorded for accounting purposes and their amounts for tax purposes.

Deferred tax assets and liabilities are calculated and reviewed annually using the tax rates expected to be in force when the temporary differences revert.

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each statement of financial position date in order to recognise deferred tax assets that were not recorded in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery (Note 9).

Deferred taxes are recorded in the income statement for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

Exploration and Production activity

Oil Income Tax – Angola

The Oil Income Tax (IRP) is regulated under the Law 13/04, of 24 December (Lei sobre a Tributação das Atividades Petrolíferas – Tax Law for Oil Activities), in Angola.
As referred in paragraph 18 of the referred Law, this is a tax calculated on the “taxable income calculated in accordance with this law”. The rate applicable to the Production Sharing Agreement contracts is of 50% on the “profit oil” of the Company. The “profit oil” of the Company is calculated by the difference between the crude oil sold, accrued of the oil activities additional income (including gains on disposal of participation interests), deducted of the cost recovery oil (meaning “cost-oil”), which includes the costs considered recoverable. The amount of the “profit oil” does not include, on the other hand, the part of the “profit oil” that should be shared with the National Concessionaire (Sonangol), in accordance with the Production Sharing Agreement. The calculation of the tax is in all terms similar to an income tax. Thus, the oil companies subject to this tax are not subject to other income taxes in Angola.

Whenever the Group performs a sale, it pays the IRP to the Angolan Government, accounting the amount actually paid in the income statement caption “Income tax”. However, not all of the tax paid represents tax expense for the year as the Group borrows barrels from its partners in the consortium in order to perform sales in accordance with the agreement signed between all partners in block 14, leading to a situation of “Overlifting” (Note 9).

As such, a deferred tax asset is recorded based on the borrowed barrels, so that there is a direct relationship between the activity’s margin and its tax expense. As such, tax expense only relates to sold barrels which are property of the Group. The deferred tax asset is reversed in direct proportion of recognition of the margin through the group production.

When the Group grants loans (“Underlifting”), IRP is calculated on the granted barrels, which are recorded in income tax payable for the year.

Special Participation Tax - Brazil

Under the terms of the Decree no. 2.705, of 3 August 1998, the ANP (Agência Nacional Do Petróleo, Gás Natural e Biocombustíveis – ANP in Brazil), Special Participation Tax (SPT) is a financial compensation, due on a quarterly basis, by the concessionaires of oil and natural gas exploration and production. The SPT is calculated on a determined income (resulting from multiplying volumes produced by reference prices used in the sale of oil/gas), to which a set of operational costs related to the production of hydrocarbons are deducted.

Galp considers that these taxes are under the scope of IAS 12.

2.17 Financial instruments

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

The financial assets and liabilities are not offset, unless there is legal or contractual conditions that allow it.

a) Investments

Investments are classified as follows:

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

Held-to-maturity investments are classified as non-current investments, unless they mature in less than 12 months from the consolidated statement of financial position date. These investments have a defined maturity date, and the Group intends and has the ability to retain them up to their maturity. As at 31 December 2016 the Group does not own held-to-maturity investments.

Investments at fair value through profit or loss are classified as current investments.

Available-for-sale investments are classified as non-current assets, for the investments in affiliates.

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

Investments are initially recorded at cost, which is the fair value of the price paid, including transaction costs, except for investments measured at fair value through profit and loss.

After initial recognition, investments at fair value through profit or loss and available-for-sale investments are revalued to fair value by reference to their market value at the financial statements date, with no deduction for transaction costs which could be incurred upon sale. For equity instruments not listed on a regulated market, where it is not possible to reliably estimate their fair value, these are maintained at cost less any non-reversible impairment losses.

Gains and losses resulting from changes in the fair value of available-for-sale investments are recognised in the equity caption “Fair value reserve” until the investment is sold, redeemed or in some way disposed of, or until the fair value of the investment falls below cost over a long period, at which time the accumulated gain or loss is recorded in the income statement.

Interest income, calculated using the effective interest rate method, as well as exchange gains and losses related to debt instruments classified as available-for-sale financial assets, are recognized in the income statement for the period.

Dividends obtained from equity instruments, classified as available-for-sale financial assets, and impairment losses for all these financial assets are also accounted for in the income statement for the period.

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

b) Receivables

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

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

Equity or liability classification

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

c) Loans

Loans are recorded at their nominal received amount, net of issuance expenses pertaining to those loans. Subsequently, the loans are measured at amortised cost.

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

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

d) Trade and other payables

Accounts payable are initially recorded at fair value and subsequently measured at amortised cost, by the effective interest rate method. Usually, the amortised cost of these liabilities does not differ from their nominal value.

e) Derivative instruments

Hedge accounting

The Group uses derivative instruments in managing its financial risks as a way to hedge such risks. Derivative instruments to hedge financial risks are not used for trading purposes.

Derivative instruments used by the Group to hedge cash flows mainly relate to commodities price hedging (electricity). The indices are as identical as possible to actual purchases. Derivative instruments used by the Group to hedge fair value mainly relate to commodities price hedging (natural gas). The indices are identical to the contracts signed with customers.

The following criteria are used by the Group to classify derivative instruments as cash flow and fair value hedging instruments:

- the hedge is expected to be highly effective in offsetting the changes in the cash flow of the hedged risk (cash flow hedge) or changes in the fair value (fair value hedge);
- the hedging effectiveness can be reliably measured;
- there is adequate documentation of the hedge at the beginning of the operation; and
- the hedged transaction is highly probable.

Financial derivatives are initially recorded at fair value calculated by independent external entities using generally accepted valuation methods (such as "Discounted Cash-flows", Black-Scholes model, Binomial and Trinomial models and Monte-Carlo simulations, among others, depending on the type and nature of the financial derivative).

Changes in the fair value of these instruments are presented in the equity caption "Hedging reserves", being transferred to the income statement when the hedged instrument affects profit and loss.

In fair value hedge, the derivatives are recorded at their fair value through profit and loss. In situations where the hedged instrument is not measured at fair value (i.e. commodity trading contracts), the effective portion of the hedge is adjusted to the book value of the hedged instrument through the income statement.

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

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

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

Trading instruments

To manage the risk related to the variance in the Group's refining margin, the Group uses derivative financial instruments, essentially crude oil and finished product swaps. Although these instruments are contracted to hedge financial risk in accordance with the Group's risk management policies, they do not comply with the requirements of IAS 39 for hedge accounting, and so changes in their fair value are recorded in the income statement for the period in which they occur. These investments are measured at fair value.

f) Cash and cash equivalentes

The amounts included in the caption "Cash and cash equivalents" includes cash, bank deposits, term deposits and other treasury applications that mature in less than three months, and that can be realised immediately with insignificant risk of change in their value.

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

2.18 Fair value hierarchy

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.

2.19 CO_2 Emission licences

CO_2 emitted by the Group's industrial plants and the CO_2 emission licences attributed to it under the National CO_2 Licence Allotment Plan do not give rise to any financial statement recognition provided that: (i) it is not estimated that there will probably be a need for costs to be incurred by the Group to acquire emission licences in the market, which would be recognised by the booking of an accrual or (ii) it is not estimated that such licences are sold. In the event that these excessive licences are sold, income would be recognised.

2.20 Classification in the consolidated statement of financial position

Assets realizable and liabilities payable in more than one year from the consolidated financial statements date are classified as non-current assets and non-current liabilities, respectively.

2.21 Subsequent events

Events that occur after the financial statements date that provide additional information on conditions that existed at the end of the reporting period are recorded in the consolidated financial statements. Events that occur after the financial statements date that provide information on conditions that exist after the financial statements date, if material, are disclosed in the notes to the consolidated financial statements (Note 36).

2.22 Segment reporting

A business segment is a group of assets and operations of the Group that are subject to risks and returns different from other business segments, being reported on a consistent way with the management internal reporting.

The accounting policies for segment reporting are consistently used in the Group. All inter-segmental revenues are at market prices and are eliminated in the consolidation process.

Financial information related to income for identified segments is provided in Note 7, where they are identified and characterised.

2.23 Estimates and judgments

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

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

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of financial statements are: (i) proven crude oil reserves relating to the oil exploration activity; (ii) tangible and intangible assets, financial investments and goodwill impairment; (iii) provision for contingencies and environmental liabilities; (iv) demographic and financial assumptions used to calculate retirement benefits; (v) accounts receivable impairment; (vi) tangible and intangible assets useful lives and residual values; (vii) deferred tax assets, (viii) abandonment provisions and (ix) estimates over uncertain tax positions.

Crude oil reserves

The estimate of crude oil reserves is an integral part of the decision-making process relating to exploration and development of crude oil activities assets, in addition to supporting the development or implementation of secondary recovery techniques. The volume of proven crude oil reserves is used to calculate depreciation of the oil exploration and production assets in accordance with the UOP method, and the volume of proven reserves and contingent and prospective resources are used, depending on the prospection stage they are at, to value impairment of investment in assets relating to that activity. Estimated proven crude oil reserves are also used to recognise annual abandonment costs.

Estimated proven reserves are subject to future revision, based on new information available, such as information relating to the development activities, drilling or production, exchange rates, prices, contract termination dates and development plans. The volume of crude oil produced and cost of the assets are known, while the proven reserves are very likely to be recovered and are based on estimates subject to adjustment. The impact on depreciation and provision for abandonment costs, of changes in the estimated proven reserves is treated on a prospective basis, the remaining net book value of the assets being depreciated and the provision for abandonment costs being adjusted, respectively, based on the expected future production.

The quantity and type of oil reserves used for accounting purposes are described in Note 31.

Goodwill impairment

The Group performs annual impairment tests on goodwill, as explained in Note 2.2.d). The recoverable amounts of the cash generating units were determined based on their value in use. In calculating value in use, the Group estimated the expected future cash flows from the cash generating units, as well as an appropriate discount rate to calculate the present value of the cash flows. The amount of goodwill is referred in Note 11.

Impairment of tangible and intangible assets and financial investments

Identifying impairment indicators, estimating future cash flows and determining asset fair value imply a high judgment level from the Board of Directors in respect to the identification and evaluation of the different impairment indicators, expected cash flows, applicable discount rates, useful lives and residual amounts.

Provisions for contingencies

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

Environmental liabilities

Galp makes judgments and estimates to calculate provisions for environmental matters such as CO_2. Every year Galp is entitled to free licences (EUA – Emission Unit Allowances) from the Portuguese Environment Agency in order to address greenhouse gas emissions. In case the free licences are insufficient to address greenhouse gas emissions, Galp can acquire the EUAs or other equivalent/complementary allowances green certificates (ERU – Emission Reduction Units) in the market, giving rise to cost which is recorded in caption “Other operational costs”. However, if greenhouse gas emissions are above licences and green certificates in portfolio at the end of the year, costs are accrued based on the best estimate of the expense to be incurred at the market spot rate of the licences and/or certificates. The current portfolio of allowances is referred in Note 35.

Galp also makes judgments and estimates to calculate its known obligations relating essentially to the known requirements of soil decontamination, based on current information relating to expected intervention costs and plans. Such costs can vary due to changes in the legislation and regulations, change in conditions of a specific location, as well as in decontamination technologies. Consequently, any change in the circumstances relating to such provisions, as well as in the legislation and regulations can significantly affect the provisions for such matters. The provision for environmental matters is reviewed annually.

The provision for environmental liabilities is referred in Note 25 and Note 35.

Demographic and financial assumptions used in the retirement benefits liabilities

See Note 23.

Accounts receivable impairment

The credit risk of the accounts receivable balances is evaluated at each reporting date, taking into consideration historical client information and its risk profile. Accounts receivable are adjusted by the evaluation made by management of the estimated collection risks existing at the date of the statement of financial position, which may differ from the actual risk for impairment to be incurred.

Tangible and intangible assets

Determining the assets useful lives, as well as the method of depreciation/amortisation to apply, is essential to determine the depreciation/amortisation amount to recognise in each period's consolidated statement of comprehensive income. These two parameters are defined accordingly to the best judgment made by the Board of Directors for the assets and businesses in question, and also considering the practices adopted by companies in the sector internationally.

Deferred tax assets

Deferred tax assets are recognised only when there is strong assurance that future taxable profits will be available for use of the temporary differences or when there are deferred tax liabilities for which a reversal is expected within the same period that the deferred tax assets are reversed. Evaluation of deferred tax assets is made by management at the end of each period, taking into account expectations for the Group's future performance.

Abandonment provisions

See Note 2.10

Estimates over uncertain tax positions

The measurement of uncertain tax positions with respect to tax estimates is carried out at its most probable value and not at a value weighted by associated probabilities.

Regarding uncertain tax positions that are provisioned See Note 2.10.

2.24 Equity management policy

As at 31 December 2016, Galp had equity amounting to €6.5 bn and as part of its equity management policy has had a self-imposed indebtedness ceiling of 2x Net Debt/EBITDA, even though the contracts signed with the financial institutions allow the setting of a ratio between 3.5 and 3.75. Net debt at the end of 2016 amounted to €1,870.6 m, setting this target ratio at 1.35.

The organization of the Group is supported by three Sub-holdings, one for the E&P business, one for the R&M business and another for th G&P.

Galp Energia E&P B.V. covers all the E&P business, in US dollars, and finances its subsidiaries primarily with Equity and internal loans. Capital employed in the business lies essentially in Galp E&P B.V. and in Galp Sinopec Brazil Services B.V. and amounts approximately to €4.9 bn.

The R&M business, developed by Petrogal, S.A. and its subsidiaries, has a capital employed of €2.8 bn. Petrogal has been financed with shareholder loans and supplementary capital contributions, amounting to €2.2 bn, in conformity with a reasonable ratio of Net Debt/EBITDA.

The G&P business is mainly supported by Galp Gás Natural, S.A., with a capital employed of €0.6 bn.

2.25 Risk management and hedging

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

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

The description of these hedge is explained in further detail in the accounting policies described in this section.

2.26 Changes in accounting policies

The Company decided to change its accounting policy regarding the presentation of exchange rate differences in the income statement arising from Other receivables balances in foreign currency (trade receivables and other receivables) and Other accounts payable balances in foreign currency (trade payables and other payables). Such exchange rate differences were presented in Financial Income, along with other exchange rate differences generated during the financial year.
Thus, from 2016 exchange rate differences generated in Other accounts receivable foreign currency balances and Other payable foreign currency balances 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 believes that this change in accounting policy follows the recommendations of IAS 8§14 par. 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 corresponding figures.

In addition, the Group reclassified i) €73,747 k that were recorded under the caption “External Supplies and services – Transport of goods” to the caption “Cost of sales” and ii) €16,106 k that were recorded under the caption “External Supplies and services – Other costs related to cross campaigns” to the caption “Sales”. The Company believes that this reclassification better reflects the nature of the operation.

The financial statements were restated as at 31 December 2015, being the impacts in the income statement described in the table below:

Income statement:

unit: €k

			Restatement		
	Notes	December 2015	Reclassifications	Exchange differences	December 2015 restated
Operating income:					
Sales	5	14,883,581	(16,106)	1,797	14,869,272
Services rendered	5	632,920	-	1,561	634,481
Changes in value of investment properties		-	-	-	-
Other operating income	5	100,181	-	1,012	101,193
Total operating income:		**15,616,682**	**(16,106)**	**4,370**	**15,604,946**
Operating costs:					
Cost of sales	6	12,693,354	73,747	26,096	12,793,197
External supplies and services	6	1,316,406	(89,853)	1,364	1,227,917
Employee costs	6	343,304	-	194	343,498
Amortisation, depreciation and impairment losses on fixed assets	6	719,635	-	-	719,635
Provisions and impairment losses on receivables	6	31,125	-	-	31,125
Other operating costs	6	63,491	-	2,859	66,350
Total operating costs:		**15,167,315**	**(16,106)**	**30,513**	**15,181,722**
Operating result:		**449,367**	**-**	**(26,143)**	**423,224**
Financial income	8	32,387	-	-	32,387
Financial costs	8	(79,700)	-	-	(79,700)
Exchange (losses) gains		(35,196)	-	25,404	(9,792)
Income from financial investments and impairment losses on Goodwill	4 and 11	19,308	-	-	19,308
Income from financial instruments	27	(12,776)	-	-	(12,776)
Results from investment properties		-	-	-	-
Income before taxes:		**373,390**	**-**	**(739)**	**372,651**
Income tax	9	(152,170)	-	739	(151,431)
Energy sector extraordinary contribution	9	(67,002)	-	-	(67,002)
Consolidated net income for the year		**154,218**	**-**	**-**	**154,218**
Income attributable to:					
Non-controlling interests	**21**	**31,652**	**-**	**-**	**31,652**
Galp Energia, SGPS, S.A. Shareholders	**10**	**122,566**	**-**	**-**	**122,566**
Consolidated net income for the year		**154,218**	-	-	**154,218**
Earnings per share (in Euros)	10	**0.15**	-	-	**0.15**

3. Consolidated companies

3.1 Consolidation perimeter

The companies included in the consolidation, their head offices, percentage of interest held and their main activities are as follows:

Companies		Head office		Percentage of interest held		Main activity
	Notes	City	Country	2016	2015	
Group companies						
Parent Company						
Galp Energia, SGPS, S.A.	e3)	Lisbon	Portugal	-	-	Management of equity participations in other companies in the energy sector, as an indirect form of realising business activities.
Subsidiaries:						
Galp Energia, S.A.		Lisbon	Portugal	100%	100%	Business management and consultancy services.
Galp Energia E&P Subgroup:						
Galp Energia E&P, B.V.	e2)	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Subsidiaries:						
Galp Sinopec Brazil Services, B.V. and subsidiary:		Rotterdam	The Netherlands	70%	70%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Sinopec Brazil Services (Cyprus), Limited		Nicosia	Cyprus	100%	100%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp E&P Brazil, B.V. and subsidiary:		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading in oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Brasil, S.A.		Recife	Brazil	100%	100%	Research, exploration, development and production of crude oil, natural gas and biofuels, import, export, refining, marketing, distribution, transportation and storage of oil and oil products; marketing of natural gas and biofuels, as well as any other activities related to the main activities, and may also participate in consortium of companies that may be necessary for the development of its objectives.
Petrogal Brasil, B.V. and subsidiary(ies):		Rotterdam	The Netherlands	100%	100%	Management of investments in other companies and financing of businesses and other companies dedicated to exploratIon and production of oil and natural gas, as well as trading of oil, natural gas and oil products.
Petrogal Brasil, S.A. and subsidiary:		Recife	Brazil	70%	70%	Research and exploration of oil and natural gas, oil transport, distribution and supply.
Fundo Vera Cruz		Recife	Brazil	100%	100%	Exclusive open investment fund.
Galp Exploração Serviços do Brasil, Lda.		Recife	Brazil	100%	100%	Business management and consultancy services.

Companies	Notes	Head office City	Head office Country	Percentage of interest held 2016	Percentage of interest held 2015	Main activity
Galp East Africa, B.V. and subsidiary(ies):		Rotterdam	The Netherlands	100%	100%	Management of investments in other companies and financing of businesses and other companies dedicated to exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products.
Galp Energia Rovuma B.V.		Amsterdam	The Netherlands	100%	100%	Exploration and production of crude oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and companies.
Galp Energia Rovuma, B.V. (Mozambique branch)		Maputo	Mozambique	-	-	Exploration and production of oil and natural gas.
Galp Exploração e Produção Petrolífera, SGPS, S.A. and subsidiary:	e2) e4)	Lisbon	Portugal	100%	100%	Management of equity participations in other companies as an indirect exercise of economic activity.
Galp Energia São Tomé e Principe Unipessoal, Limitada	e4)	Sao Tome	Sao Tome and Principe	100%	100%	Development of all activities related to the research and exploration of natural resources
Galp Energia Overseas, B.V. and subsidiaries::	e2)	Amsterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 14, B.V.	e2)	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 14, B.V. - Branch in Angola	e2)	Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 32, B.V.	e2)	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 32, B.V. - Branch in Angola	e2)	Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 33, B.V.	e2)	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 33, B.V. - Branch in Angola	e2)	Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas LNG, B.V.	e2)	Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas LNG, B.V. - Branch in Angola	e2)	Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and oil products, management of shares of other societies and financing businesses and companies.

Companies		Head office		Percentage of interest held		Main activity
	Notes	City	Country	2016	2015	
Galp Bioenergy, B.V.		Amsterdam	The Netherlands	100%	100%	Pursuit of activities related with biofuels projects, including but not limited to research, production, processing, logistics, marketing of grain, vegetable oil, biofuel products and their derivatives; management of shareholdings in other companies and business and company financing.
Galp Energia Tarfaya, B.V.	c)	Rotterdam	The Netherlands	-	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Tarfaya, B.V. (Branch in Morocco)	c)	Rabat	Morocco	-	-	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; and development of commercial activities related to exploration and production of oil and natural gas.
Windhoek PEL 23, B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Windhoek PEL 23, B.V. (Branch in Namibia)		Windhoek	Namibia	-	-	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Windhoek PEL 24, B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Windhoek PEL 24, B.V. (Branch in Namibia)		Windhoek	Namibia	-	-	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Windhoek PEL 28, B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Windhoek PEL 28, B.V. (Branch in Namibia)		Windhoek	Namibia	-	-	Exploration and production of oil and natural gas, as well as trading of oil, natural gas and oil products; management of investments in other companies and financing of businesses and other companies.
Galp Trading, S.A.		Geneve	Switzerland	100%	100%	Development of trading activity of crude oil, oil products, petrochemicals and natural gas; ship chartering activities for maritime transport of the products that the company trades.
Tagus Re, S.A.		Luxembourg	Luxembourg	100%	100%	Reinsurance of all products, excluding direct insurance.
Galp Alentejo E&P, S.A.		Lisbon	Portugal	100%	100%	Research and oil exploration, distribution, transport, storage and commercialisation of liquid and gaseous fuels, base oils and lubricants and other oil products .
ISPG - Centro Tecnológico, S.A.		Rio de Janeiro	Brazil	100%	100%	Management of equity participations.
ISPG - Centro Tecnológico, S.A.		Rio de Janeiro	Brazil	100%	100%	Management of equity participations.

Companies		Head office		Percentage of interest held		Main activity
	Notes	City	Country	2016	2015	
Petrogal Subgroup:						
Petróleos de Portugal - Petrogal, S.A.	e1) e3) e4)	Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. (Branch in Venezuela)		Chacao Municipality	Venezuela	0%	0%	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. (Branch in Spain) and subsidiaries:		Madrid	Spain	0%	0%	Management of participations in other refined products distributor companies in the Iberia.
Galp Energia España, S.A. and subdidiaries:		Madrid	Spain	100%	100%	Storage, transport, import, export and sale of all oil products, chemical products, gas and its derivatives.
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		Madrid	Spain	100%	100%	Management and operation of service stations.
Multiservicios Galp Barcelona	(*)	Barcelona	Spain	50%	50%	Managing the supply of aviation business in the Barcelona Airport.
Galp Açores - Distribuição e Comercialização de Combustíveis e Lubrificantes, S.A. and subdidiary:		Ponta Delgada	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other oil derivatives.
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		Ponta Delgada	Portugal	67.65%	67.65%	Construction and operation of filling stations and related storage facilities of LPG and other fuel in the Autonomous Region of the Azores.
Galp Madeira - Distribuição e Comercialização de Combustíveis e Lubrificantes, S.A. and subsidiaries:		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other oil derivatives.
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.		Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities.
Gasinsular - Combustíveis do Atlântico, S.A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other oil derivatives and the direct and indirect operation in fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Sacor Marítima, S.A.		Lisbon	Portugal	100%	100%	Maritime transport in own and chartered vessels.

Companies	Notes	Head office City	Head office Country	Percentage of interest held 2016	Percentage of interest held 2015	Main activity
C.L.T. - Companhia Logística de Terminais Marítimos, S.A.		Matosinhos	Portugal	100%	100%	Technical management of ships, crews and supply.
Galp Energia Portugal Holdings, B.V.		Amsterdam	The Netherlands	100%	100%	Management of participations in other companies of the energy sector as an indirect form of economic activity.
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		Lisbon	Portugal	75%	75%	Retail sale of food products, domestic utensils, presents and other articles, including newspapers, magazines, records, videos, toys, drinks, tobacco, cosmetics and hygiene, travel and vehicle accessory items.
Tanquisado - Terminais Marítimos, S.A.		Setubal	Portugal	100%	100%	Development and operation of Maritime Terminals.
Galp Exploração e Produção (Timor Leste), S.A.		Lisbon	Portugal	100%	100%	Oil industry, including prospecting, research and exploration of hydrocarbons in East Timor.
Galpgeste - Gestão de Áreas de Serviço, S.A.		Lisbon	Portugal	100%	100%	Direct and indirect operation of service stations, fuel stations and related or complementary activities, such as service stations, workshops, the sale of lubricants motor vehicle parts and accessories, restaurants and hotels.
Sigás - Armazenagem de Gás, A.C.E.	(*)	Sines	Portugal	60%	60%	Design and construction of underground LPG storage and of the additional surface facilities needed to move products. Management and exploration of the cave including surface facilities, tanks and LPG spheres .
Pergás - Armazenagem de Gás, A.C.E.	(*) and a)	Matosinhos	Portugal	51%	-	Executing the operation and maintenance of the Perafita Park, ensuring the development of the import, reception, storage, filling and expedition activities of GPL by the respective members.
Enerfuel, S.A.	e3)	Lisbon	Portugal	100%	100%	Studies, projects, installation, production and marketing of biofuels, treatment, valuation and and waste recovery, purchase and sale of equipment.
Portcogeração, S.A.		Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy from co-generating systems and renewal energy.
Galp Marketing Internacional, S.A. and subsidiaries:	e1)	Lisbon	Portugal	100%	100%	Research and oil exploration, distribution, transport, storage and commercialization of liquid and gaseous fuels, lubricants and base oils and other oil products and the operation of service stations and vehicle assistance service stations, as well as any industrial activities, business, marketing, research or provision of services related to this subject.
Petrogal Guiné-Bissau, Lda. and subsidiaries:		Bissau	Guinea-Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other oil derivatives and the operation of fuel stations and vehicle assistance stations.
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		Bissau	Guinea-Bissau	80%	80%	Commerce of maritime banks.
Petrogás - Importação, Armazenagem e Distribuição de Gás, Lda.		Bissau	Guinea-Bissau	65%	65%	Import, storage and distribution of LPG.

Companies	Notes	Head office City	Head office Country	Percentage of interest held 2016	Percentage of interest held 2015	Main activity
Empresa Nacional de Combustíveis - Enacol, S.A.R.L and subsídiaries:	(**) e1)	Mindelo	Cape Verde	48%	48%	Import, processing, distribution, transportation, storage, trading and re-export of hydrocarbons and their derivatives, including bitumen, base oils and lubricants, the operation of storage facilities, as well as their primary transport infrastructure within and between islands, reception, handling, loading and shipment of liquid and gaseous fuels, the operation of filling stations and service areas, vehicle assistance, production, distribution and other forms of non-fossil energy, including solar, wind, water and the other renewable sources, the use of their facilities as well as other industrial, commercial, research or provide services associated with this principal object.
Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A.	(**) e1)	Mindelo	Cape Verde	100%	100%	Maritime transport and related activities.
EnacolGest, Lda.	(**) e1)	Mindelo	Cape Verde	100%	100%	Import and trading, supply management, exploring areas of service stations and fuel supply, design and project management of maintenance and construction of facilities and service stations.
Galp Gambia, Limited	f)	Banjul	Gambia	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Petrogal Moçambique, Lda.		Maputo	Mozambique	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Galp Moçambique, Lda.		Maputo	Mozambique	100%	100%	Storage, commercialisation and distribution, import, export and transport of oil and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Moçambique, Lda. (Branch in Malawi)		Blantyre	Malawi	-	-	Storage, commercialisation and distribution, import, export and transport of oil and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Swaziland (PTY) Limited		Matsapha	Swaziland	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Petrogal Angola, Lda.		Luanda	Angola	100%	100%	Production, distribution and commercialisation of liquid and gas fuel, base oil and lubricants and operation of service stations.
GDP Subgroup:						
Galp Gás e Power, SGPS, S.A.		Lisbon	Portugal	100%	100%	Management of equity investments.
Subsidiaries:						
GDP Gás de Portugal, S.A.		Lisbon	Portugal	100%	100%	Business management services.
Lisboagás Comercialização, S.A.		Lisbon	Portugal	100%	100%	Natural gas last resort retail supply.
Lusitaniagás Comercialização, S.A.		Aveiro	Portugal	100%	100%	Natural gas last resort retail supply.
Setgás Comercialização, S.A.		Setubal	Portugal	100%	67%	Natural gas last resort retail supply.
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A.		Lisbon	Portugal	65%	65%	Production through cogeneration and sale of electric and thermic energy.
Galp Power, S.A.		Lisbon	Portugal	100%	100%	Purchase and sale of electricity, as well as the rendering services and realisation of activities directly or indirectly related with energy.

Companies	Head office			Percentage of interest held		Main activity
	Notes	City	Country	2016	2015	
Agroger - Sociedade de Cogeração do Oeste, S.A.		Lisbon	Portugal	100%	100%	Production,through cogeneration, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Galp Gás Natural, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Import of natural gas, storage, distribution through high pressure networks, construction and maintenance of networks.
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S.A.		Lisbon	Portugal	100%	100%	Storage of natural gas on a public service sub-concession basis, including the construction, maintenance, repair and operation of all the related infrastructure and equipment.
Transgás, S.A.		Lisbon	Portugal	100%	100%	Natural gas last resort wholesale supply.
Galp Gás Natural Distribuição, SGPS, S.A. and subsidiaries:	d)	Lisbon	Portugal	-	100%	Management of equity investments.
Beiragás - Companhia de Gás das Beiras, S.A.	b) d)	Viseu	Portugal	-	59.51%	Operation, construction and maintenance of regional natural gas distribution networks.
Dianagás - Sociedade Distribuidora de Gás Natural de Évora, S.A.	d)	Lisbon	Portugal	-	100%	Operation, construction and maintenance of regional natural gas distribution networks.
Duriensegás - Sociedade Distribuidora de Gás Natural do Douro, S.A.	d)	Vila Real	Portugal	-	100%	Operation, construction and maintenance of regional natural gas distribution networks.
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	d)	Lisbon	Portugal	-	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás - Companhia de Gás do Centro, S.A.	d)	Aveiro	Portugal	-	96.84%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Medigás - Sociedade Distribuidora de Gás Natural do Algarve, S.A.	d)	Lisbon	Portugal	-	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Paxgás - Sociedade Distribuidora de Gás Natural de Beja, S.A.	d)	Lisbon	Portugal	-	100%	Operation, construction and maintenance of regional natural and other gas distribution networks.
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	d)	Setubal	Portugal	-	99.93%	Natural gas distribution in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the National Network for Natural Gas Distribution, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject, including exploitation of spare capacity of telecommunications network installed.

(*) As of 1 January 2014, due to mandatory application of IFRS 11 - Joint Arrangements , the group identified Sigás – Armazenagem de Gás, A.C.E., Pergás – Armanzenamento de Gás, A.C.E., and Multiservicios Galp Barcelona, UTE as entities in which the shareholders have operational and financial control over the assets and liabilities of the company. Therefore, the assets, liabilities, gains and losses were incorporated in the consolidated financial statements for the percentage held in those entities, 60%, 51% and 50%, respectively (Note 4.6.2).

(**) Although Galp group holds through its subsidiary Petróleos de Portugal - Petrogal, S.A. only 48.29% of the equity of Empresa Nacional de Combustíveis - Enacol S.A.R.L, the Group controls its financial and operational policies, and is expected to continue to do so by means of a representative majority of votes at the Board of Directors meetings. Thus, Galp has, in accordance with IFRS 10 (a) power over the investee, (b) exposure or rights to variable results via its relationship with the investee and (c) ability to use its power over the investee to affect the value of the results for investors, and due to these facts, the subsidiary is consolidated using the full consolidation method.

The place of activity (e.g. country) of subsidiaries with non-controlling interests is the same as shown in the table above.

Empresa Nacional de Combustíveis - Enacol S.A.R.L. holds interests in the following subsidiaries:
i) Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. (100%); ii) EnacolGest, Ld.ª (100%); and iii) Sodigás-Sociedade Industrial de Gases, S.A.R.L. (44%) (Note 4.2).

Interests held in Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. and in EnacolGest, Lda are consolidated using the full consolidation method and Sodigás - Sociedade Industrial de Gases, S.A.R.L. is included in the caption "Investments in associates" (Note 4.2).

During the year ended 31 December 2016, the following changes occurred in the consolidation perimeter:

a) Companies established:

On April 23, 2015, a Joint arrangement was established, called "PERGÁS – Armazenamento de Gás, ACE", held 51% by subsidiary Petróleos de Portugal - Petrogal, S.A., 30.75% by Rubis Energia Portugal, S.A. and 18.25% by Repsol Gás Portugal, S.A., not carrying out any operation in that year. In the year ended 31 December, 2016, its activity was initiated, being its Assets, Liabilities, Gains and Losses included in the consolidated financial statements by the interest held (Note 4.6.2).

b) Companies acquired:

On 3 August 2016, through its subsidiary Galp Gás Natural Distribuição, S.A., the Group acquired 0.01473% of the share capital of the subsidiary Beiragás – Companhia de Gás das Beiras, S.A. by the amount of €5 k. With this acquisition, the Group now holds 59.51941% of the share capital of this subsidiary.

The subsidiary Beiragás – Companhia de Gás das Beiras, S.A. was already controlled by the Group and consolidated by the full method (held by 59.50468%). The difference between the amount paid and the equity book value at the acquisition date was recognised in the consolidated income statement under the caption Income from financial investments in the amount of €1 k (Note 4.4)

c) Companies dissolved and settled:

On December 21, 2016 the subsidiary Galp Energia Tarfaya B.V. and its branch in Morocco, 100% owned by Galp Energia E&P, B.V., was dissolved. As a result of this operation, the Group recognised in the consolidated income statement the amount of €13,712 k (Note 4.4) related to losses related to the exchange differences of the financial statements of the subsidiary Galp Energia Tarfaya B.V., denominated in foreign currency (USD) which were recorded in equity under the currency translation reserves.

d) Disposal:

On 27 July 2016, Galp Energia, SGPS, S.A., through its subsidiary Galp Gas & Power, SGPS, S.A. (GGP), reached an agreement with a consortium led by Marubeni Corporation, to establish a joint venture covering Galp's natural gas regulated infrastructure business.

This partnership is consistent with Galp's portfolio management strategy and reflects the specific nature of the regulated infrastructure business and the historically low interest rate environment, allowing Galp to crystallise value and to enhance its growth strategic options.

The agreement establishes the acquisition by the consortium of a 22.5% stake in the share capital of Galp Gás Natural Distribuição, S.A. (GGND), for a consideration of €138 m, and the sharing of certain governance rights within the joint venture.

Prior to transaction completion, Galp Gás Natural Distribuição, S.A. raised stand-alone funding to reimburse existing shareholder loans of €568 m.

For that purpose GGND established on 25 August 2016, an EMTN Programme ("EUR 1,000,000,000 Euro Medium Term Note Programme") and obtained an investment grade rating from Standard & Poor's.

Under the EMTN Programme, on 19 September 2016, Galp Gás Natural Distribuição, S.A. issued notes in the amount of €600,000 k, maturing on 19 September 2023 with a coupon of 1.375%, listed on the London Stock Exchange.

On October 27, after regulatory approval, Galp Energia, SGPS, S.A., through its subsidiary Galp Gas & Power, SGPS, S.A., completed the sale of 22.5% of GGND to Meet Europe, owned by Marubeni Corporation (50%) and Toho Gas Co., Ltd. (50%). The final price was €140,950 k, based on the agreed initial price plus adjustments, as established in the Sale and Purchase Agreement.

Considering that GGND carried out, in September, a repayment to Galp Energia, SGPS, S.A. of the shareholder loan in the amount of €568 m, the total proceeds to Galp resulting from this transaction was €709 m.

Following completion, Galp ceased to fully consolidate GGND into its Group accounts, and the entities comprising this subgroup were classified as joint ventures.

The financial investments of the Galp Gás Natural Distribuição Subgroup were recognized at fair value at the date the group ceased to have control of the GGND subgroup.

As a result of this operation, the Group recognized in results under the caption Results from financial investments a gain in the amount of €131,561 k (Note 4.4) and transferred to the retained earnings the amount of €7,641 k:

% held at the disposal date	100.00%	-22.50%	77.50%
Disposal amount		138,100	
Adjustment to the initial disposal amount		2,850	
Amount received		140,950	
Provisions for Other risks - Shares Purchase Price Ajustment (Note 25)		(7,476)	
Disposal amount deducted from the Provision for other risks and charges		**133,474**	
Assets - Liabilities	264,587		
Non controlling interests (Note 21)	(19,520)		
Book value of the financial investment at the disposal date	**245,067**	**(55,140)**	**189,927**
Allocation of Fair Value to the 77.5% of the interest held after disposal			53,227
Fair value of the financial investment at the date of the loss of control [*] (Note 4.1)			**243,154**
Gain from disposal [A]		**78,334**	
Gain from the allocation of fair value to the 77.5% [B]			**53,227**
Results from financial investments ([A] + [B]) (Note 4.4)		**131,561**	
Actuarial gains and losses - pension funds	**(20,157)**	5,609	
Tax related to actuarial gains and losses - pension fund	**4,774**	(1,073)	
Hedging reserves (Associates/Joint ventures)	**(259)**	59	
Deferred tax related to hedging reserves components	**65**	(15)	
Other Reserves (Note 20)	**2,598**	2,598	
Special Reserves (Note 20)	**463**	463	
Retained earnings		**(7,641)**	

*For calculation of fair value was considered the Regulatory Asset Base (RAB) for the GGND Group as at 31 October 2016.

e) Corporate restructuring:

e1) The subsidiary Petróleos de Portugal - Petrogal, S.A., holds financial participations in companies based on the African continent operating in the oil distribution segment. These interests are gradually being transferred under the control of the subsidiary Galp Marketing Internacional, S.A.
On 29 April 2016 Petróleos de Portugal – Petrogal, S.A. sold to Galp Marketing Internacional, S.A. the participation held in the subsidiary Empresa Nacional de Combustíveis - Enacol, S.A.R. (48.2871%), which respectively holds participation interests in the subsidiaries i) Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. (100%) and ii) EnacolGest, Lda (100%).

e1) On 10 August 2016, through equity contribution made by Galp Energia E&P, B.V., the subsidiary Galp Energia Overseas B.V. became held 62.16216% (previously 53.33333%) by the subsidiary Galp Energia E&P B.V. and 37.83784% (previously 46.66667%) by Galp Exploração e Produção Petrolífera, S.A.

e2) On 30 August 2016 Petróleos de Portugal – Petrogal, S.A. disposed 5% of the financial interest held in the subsidiary Enerfuel, S.A. to Galp Energia SGPS, S.A. With this operation the subsidiary Enerfuel, S.A. is now held 10.5556% by Galp Energia SGPS, S.A. and 89.44444% by Petróleos de Portugal – Petrogal, S.A.

e3) On 4 March 2016 Petróleos de Portugal – Petrogal, S.A. ceded to Galp Exploração e Produção Petrolífera, SGPS, S.A. all the shares (100%) held in the subsidiary Galp Energia São Tomé e Príncipe Unipessoal, Limitada.

Given that the transactions referred above are between group companies, there was no impact on the consolidated financial statements of the group.

f) Non-current assets held for sale

On 17 October, 2016, Galp Energia, SGPS, S.A. and Petróleos de Portugal - Petrogal, S.A. reached an agreement to sell to Premiere Investment Group, SAL, 0.02% and 99.98%, respectively, of the share capital of the subsidiary Galp Gambia, Limited.

In the year ended 31 December, 2016, as a result of this agreement, the assets and liabilities of the subsidiary Galp Gambia, Limited were presented in the consolidated financial statements of Galp Energia, SGPS as non-current assets held for sale and liabilities associated with non-current assets held for sale.

The amount of €5,327 k received is recognised under Other accounts payable - Advances on account of the disposal of financial investments (Note 24).

On 17 January, 2017, the sale was completed. The final price was €4,873 k, based on the agreed initial price plus adjustments, as established in the Sales and Purchase Agreement.

Reconciliation of Receivables from Financial Investments presented in the consolidated statement of cash flows – Investing Activities

The amount of €164,210 k under Receipts from Financial Investments in the consolidated statement of cash flows – Investing Activities is detailed as follows:

unid: €k

Investing activities receipts from financial investments related to:	Notes	2016
Participation interest from Galp Gás e Power, SGPS, S.A.		
Disposal of 22.5% of GGND to Meet Europe, detained by Marubeni Corporation (50%) and by Toho Gas Co., Ltd. (50%).	3.1 d)	140,950
Participation interest from Petróleos de Portugal - Petrogal, S.A.:		
Decrease in share capital from the associate C.L.C. - Companhia Logística de Combustíveis, S.A.	4.1	13,000
Participation interest from Petróleos de Portugal - Petrogal, S.A and Galp Energia, SGPS, S.A.		
Advance payment related to the agreement signed with Premiere Investment Group, SAL, for the disposal of 100% of the share capital of Galp Gambia, Limited.	3.1 f)	5,327
Participation interest from Galp Gás Natural, S.A.		
Decrease in share capital from the associate Gasoduto Extremadura, S.A.	4.2	2,691
Decrease in share capital from the associate Gasoduto Al-Andaluz, S.A.	4.2	2,242
		164,210

3.2 Changes in the consolidation perimeter

Changes in the consolidation perimeter for the period ended 31 December 2016 had the following impact in the consolidated statement of financial position of the Galp group:

unit: €k

Statement of financial position	Total related to disposed and held for sale subsidiaries	Disposal (Note 3.1 d) (*)														Non-current assets held for sale
		Subsidiaries													Associate	
		Total related to disposed and held for sale subsidiaries	IntraGroup Eliminations Galp Energia, SGPS, S.A.	Galp Gás Natural Distribuição, S.A. and Subsidiaries	Galp Gás Natural Distribuição, S.A.	IntraSubGroup Eliminations Galp Gás Natural Distribuição, S.A.	Beiragás - Companhia de Gás das Beiras, S.A.	Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	Lusitaniagás - Companhia de Gás do Centro, S.A.	Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	Galp Gambia, Limited
Assets																
Tangible assets	2,688	547	-	547	-	-	-	-	-	-	-	-	-	547	-	2,141
Goodwill	2,275	2,275	-	2,275	2,275	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,110,495	1,110,306	(3,320)	1,113,626	-	-	70,427	11,866	36,066	520,335	278,669	5,518	17,918	172,827	-	189
Investments in associates and joint ventures	14,996	14,996	-	14,996	270,576	(270,576)	-	-	-	-	-	-	-	-	14,996	-
Financial assets available for sale	3	3	-	3	-	-	-	-	-	-	-	-	-	3	-	-
Trade receivables	45,886	45,886	-	45,886	545,118	(540,109)	2,333	106	1,074	19,179	13,279	16	235	4,655	-	-
Deferred tax assets	17,561	17,561	829	16,732	1	-	509	243	978	13,862	568	12	320	239	-	-
Total non-current assets:	1,193,904	1,191,574	(2,491)	1,194,065	817,970	(810,685)	73,269	12,215	38,118	553,376	292,516	5,546	18,473	178,271	14,996	2,330
Inventories	1,676	1,367	-	1,367	-	-	180	44	145	520	270	20	73	115	-	309
Trade receivables	10,594	10,263	-	10,263	1,225	(1,496)	637	393	903	5,165	1,678	117	323	1,318	-	331
Other receivables	69,808	69,240	-	69,240	16,768	(34,102)	2,409	2,723	3,164	45,737	16,628	877	1,536	13,500	-	568
Cash and cash equivalents	39,275	38,684	-	38,684	28,251	-	6,431	156	320	914	1,697	124	224	567	-	591
Subtotal current assets:	121,353	119,554	-	119,554	46,274	(41,114)	11,200	3,316	4,535	52,336	22,175	1,138	2,178	17,516	-	1,799
Subtotal current assets:	(4,128)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,128)
Total current assets:	117,225	119,554	-	119,554	46,274	(41,114)	11,200	3,316	4,535	52,336	22,175	1,138	2,178	17,516	-	(2,329)
Total assets:	1,311,129	1,311,128	(2,491)	1,313,619	864,244	(851,799)	84,469	15,531	42,653	605,712	314,691	6,684	20,651	195,787	14,996	1
Liabilities:																
Bank loans	33,922	33,922	-	33,922	-	-	10,856	-	-	18,462	4,604	-	-	-	-	-
Bonds	595,378	595,378	-	595,378	595,378	-	-	-	-	-	-	-	-	-	-	-
Other payables	236,909	236,909	-	236,909	61	(540,109)	18,474	12,037	31,115	359,631	209,518	4,677	17,283	124,222	-	-
Post-employment and other employee benefits liabilities	54,602	54,602	-	54,602	3	-	297	19	24	53,424	259	7	14	555	-	-
Deferred tax liabilities	11,065	11,065	-	11,065	-	-	206	113	296	3,029	3,593	16	71	3,741	-	-
Provisions	31,734	31,734	-	31,734	-	-	1,949	293	886	16,395	7,466	155	437	4,153	-	-
Total non-current liabilities:	963,610	963,610	-	963,610	595,442	(540,109)	31,782	12,462	32,321	450,941	225,440	4,855	17,805	132,671	-	-
Bank loans and overdrafts	15,080	13,441	-	13,441	5	-	2,700	-	-	6,154	2,371	-	-	2,211	-	1,639
Trade payables	19,454	16,146	-	16,146	1,505	(2,526)	936	158	368	5,198	5,150	176	242	4,939	-	3,308
Other payables	40,486	40,089	-	40,089	19,363	(33,073)	3,877	1,264	2,781	20,568	15,065	383	967	8,894	-	397
Current income tax payable	13,322	13,255	-	13,255	450	(5,516)	1,675	209	454	9,346	4,615	69	218	1,735	-	67
Subtotal current liabilities:	88,342	82,931	-	82,931	21,323	(41,115)	9,188	1,631	3,603	41,266	27,201	628	1,427	17,779	-	5,411
Liabilities associated with non-current assets held for sale	(5,410)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,410)
Total Liabilities:	1,046,542	1,046,541	-	1,046,541	616,765	(581,224)	40,970	14,093	35,924	492,207	252,641	5,483	19,232	150,450	-	1
Assets minus Liabilities	264,587	264,587	(2,491)	267,078	247,479	(270,575)	43,499	1,438	6,729	113,505	62,050	1,201	1,419	45,337	14,996	
Non controlling interests	(19,520)	(19,520)	78	(19,598)	-	(19,598)	-	-	-	-	-	-	-	-	-	
Book value of financial investment	245,067	245,067	(2,413)	247,480	247,479	(290,173)	43,499	1,438	6,729	113,505	62,050	1,201	1,419	45,337	14,996	
% held at disposal date					100.00%		59.519%	100.00%	100.00%	100.00%	96.84%	100.00%	100.00%	99.93%	41.33%	100.00%
% disposed					-22.50%											
% held after loss of control (Note 4)					77.50%		46.13%	77.50%	77.50%	77.50%	75.05%	77.50%	77.50%	77.45%	32.03%	

(*) Statement of financial position as at 31 October 2016

4. Financial investments

4.1 Investments in joint ventures

The financial investments in joint ventures, the head offices, the percentage or interest held and the activities detained as at 31 December 2016 and 2015 are as follows:

unit: €k

Companies		Head office		Percentage interest held		Book value		Main activity
		City	Country	2016	2015	2016	2015	
Tupi, B.V.	(e) (j)	Rotterdam	The Netherlands	10.00%	10.00%	1,026,728	890,515	Management, construction, purchase, sale and rental of materials and equipment for exploration, development and production of hydrocarbons, including platforms, ships, FPSOs (floating production, storage, and off-loading), ships to transport crude, supply vessels and other types of vessels.
Belem Bioenergia Brasil, S.A.	(d)	Belém	Brazil	50.00%	50.00%	38,000	57,599	Production, logistics and marketing of vegetable oil, as well as any other products, byproducts and related activities, research and development in agro-industrial processes, raw materials, supplies, products, by-products and applications, production, logistics, processing and marketing of raw materials and supplies, including but not limited to bunch of fresh fruit, seeds and seedlings, generation and sale of electricity associated with its operations.
C.L.C. - Companhia Logística de Combustíveis, S.A.	(b) (i)	Aveiras de Cima	Portugal	65.00%	65.00%	7,045	20,157	Installation and operation of liquid and gas storage facilities, as well as the related transport structures, other industrial, commercial and investigation activities and of services related to those activities.
Galp Disa Aviacion, S.A.	(f)	Santa Cruz de Tenerife	Spain	50.00%	50.00%	6,766	7,184	Service rendered of aviation oil service supply, either directly or through participation in companies with the same business.
Parque Eólico da Penha da Gardunha, Lda.	(a)	Oeiras	Portugal	50.00%	50.00%	1,572	1,600	Production of electrical and wind energy.
Moçamgalp Agroenergias de Moçambique, S.A.	(g) (h)	Maputo	Mozambique	50.00%	50.00%	712	456	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity.
Asa - Abastecimento e Serviços de Aviação, Lda.	(b)	Lisbon	Portugal	50.00%	50.00%	36	28	Service rendered of aviation oil service supply
Caiageste - Gestão de Áreas de Serviço, Lda.	(c)	Elvas	Portugal	50.00%	50.00%	(34)	(27)	Management, and operation of service areas in the Caia area, including any activities and services related with such establishments and installations, namely: the supply of fuel and lubricants, the commercialisation of products and articles to convenience stores and supermarkets, the management and operation of restaurants and hotel or similar units, service stations and gift and utility selling points.
Galpek, Lda.	(m)	Lisbon	Portugal	50.00%	-	491	-	Production, transportation and marketing of chemical products and other similar or derivative products, including paraxilene, benzene, refined, other aromatics and remaining subproducts; conducting studies and projects and design, construction operating and exploring production and storage facilities of the products referred in the previous paragraph; and any other industrial, comercial, and research activities, and rendering services related to the activities previously referred.
Ventinveste, S.A. and subsidiaries	(a) (j)	Lisbon	Portugal	35.00%	35.00%	(1,498)	(1,604)	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farms.
Parque Eólico da Serra do Oeste, S.A.	(j) (l)	Lisbon	Portugal	-	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico de Torrinheiras, S.A.	(j) (l)	Lisbon	Portugal	-	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico do Cabeço Norte, S.A.	(j) (l)	Lisbon	Portugal	-	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico de Vale Grande, S.A.	(j)	Lisbon	Portugal	35.00%	35.00%	-	-	Construction and operation of wind farms.

unit: €k

Companies		Head office		Percentage interest held		Book value		Main activity
		City	Country	2016	2015	2016	2015	
Parque Eólico do Pinhal Oeste, S.A.	(j) (l)	Lisbon	Portugal	-	35.00%	-	-	Construction and operation of wind farms.
Parque Eólico do Planalto, S.A.	(j) (l)	Lisbon	Portugal	-	35.00%	-	-	Construction and operation of wind farms.
Âncora Wind - Energia Eólica,S.A e subsidiárias	(k)	Lisbon	Portugal	17.00%	17.00%	-	-	The production, distribution and sale of electricity using wind power , through the construction and operation of wind farms and electricity transmission lines , as well as carrying out any other activity related to the use of renewable wind energy
Parque Eólico do Douro Sul, S.A.	(k)	Lisbon	Portugal	17.00%	17.00%	-	-	Construction and operation of wind farms.
Parque Eólico de Vale do Chão, S.A.	(k)	Lisbon	Portugal	17.00%	17.00%	-	-	Construction and operation of wind farms.
Galp Gás Natural Distribuição, S.A. and subsidiaries	(n)	Lisbon	Portugal	77.50%	-	241,633	-	Management of equity investments.
Beiragás - Companhia de Gás das Beiras, S.A.	(n)	Viseu	Portugal	46.19%	-	-	-	Operation, construction and maintenance of regional natural gas distribution networks.
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	(n)	Lisbon	Portugal	77.50%	-	-	-	Operation, construction and maintenance of regional natural gas distribution networks.
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	(n)	Vila Real	Portugal	77.50%	-	-	-	Operation, construction and maintenance of regional natural gas distribution networks.
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	(n)	Lisbon	Portugal	77.50%	-	-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
Lusitaniagás - Companhia de Gás do Centro, S.A.	(n)	Aveiro	Portugal	75.05%	-	-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	(n)	Lisbon	Portugal	77.50%	-	-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	(n)	Lisbon	Portugal	77.50%	-	-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(n)	Setúbal	Portugal	77.45%	-	-	-	Natural gas distribution in medium and low pressure, exercised in the public interest under the rules applicable in the geographical area of the concession, covering in particular the construction and operation of infrastructure to integrate the National Network for Natural Gas Distribution, the promotion of construction, facilities conversion or adequacy for natural gas use, but also other activities related to the main subject, including exploitation of spare capacityof telecommunications network installed.
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	(n)	Santarém	Portugal	32.03%	-	-	-	Production and distribution of natural gas and other fuel gases
Book value of financial investments						1,321,451	975,908	
Provisions for investments in joint ventures (Note 25)	(o)					(1,532)	(1,631)	
Book value of financial investments in joint ventures						**1,322,983**	**977,539**	

(a) Participation held by GDP – Gás de Portugal, SGPS, S.A.

(b) Participation held by Petróleos de Portugal - Petrogal, S.A.

(c) Participation held by Galpgeste - Gestão de Áreas de Serviço, S.A.

(d) Participation held by Galp Bioenergy B.V.

(e) Participation held by Galp Sinopec Brazil Services B.V.

(f) Participation held by Galp Energia España, S.A.

(g) Participation held by Galp Exploração e Produção Petrolífera, S.G.P.S., S.A.

(h) Control over Moçamgalp Agroenergias de Moçambique, S.A., is shared between: Galp Exploração e Produção Petrolífera, S.G.P.S., S.A., Ecomoz – Energias Alternativas Renováveis, Lda. and Petromoc S.A.RL, that held respectively 50%, 49% and 1% of its share capital.

(i) Although the Group holds more than a 50% interest, the entity is classified as a joint venture since there are Shareholder agreements that provide shared control of financial and operational management of the company.

(j) Although the Group holds less than 50% interest, the entity is classified as a joint venture since there are Shareholder agreements that provide shared control of financial and operational management of the company.

(k) Through the joint venture company Ventiveste, S.A, and under the existing wind farm project, Galp group established a set of agreements with suppliers and financial entities for the construction of four wind farms. The project, named "Âncora", is developed under a partnership between Ventiveste and Ferrostaal GmbH and is financed through project finance.

Control of the entity Âncora Wind-Energia Eólica,S.A. is shared between Ventiveste, S.A. and Ferrostaal GmbH, which held 50% each of the share capital of the entity.

(l) Subsidiary of the joint venture Ventiveste, S.A., sold to EDP Renewables, SGPS, S.A., on 28 June 2016.

(m) On 3 October 2016, Galpek, Lda was established with control shared between Petróleos de Portugal - Petrogal, S.A. and Dak Americas Exterior SL, each with 50%.

(n) On 27 October, 2016, 22.5% of the share capital of Galp Gás Natural Distribuição, S.A. was sold to Meet Europe Natural Gas, Lda, being the Company as well as its subsidiaries considered as a joint venture.

Additionally in the year ended 31 December, 2016, Galp Gás Natural Distribuição, S.A. acquired, 0.08842% of the share capital of the subsidiary Beiragás - Companhia de Gás das Beiras, S.A. for the amount of €31 k, holding from that date 59.5931% of the subsidiary's share capital.

(o) As of 31 December 2016 and 2015, the provision for investments in joint ventures reflects the Group's commitment with its joint ventures which had a negative equity.

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Financial Statements and Notes to the Consolidated Financial Statements as of 31 December 2016

A summary of the financial statements of the joint ventures for 31 December 2016 and 2015 is as follows:

2016 unit: €k

Companies	Joint ventures financial information as at 31 December 2016 (*)												
	Non current assets	Current assets-Cash and cash equivalents	Current assets-Other	Total Assets	Non current financial liabilities	Non current liabilities - Other	Current financial liabilities	Current liabilities - Other	Total liabilities	Equity	Operating income	Operating costs Amortization, Depreciation and Impairment losses on assets	Operating costs - Other
Tupi, B.V.	10,580,021	202,704	261,535	**11,044,260**	-	-	-	(776,980)	**(776,980)**	**10,267,280**	1,567,044	-	(2,120,191)
Belem Bioenergia Brasil, S.A.	101,377	627	5,538	**107,542**	(28,735)	(2,536)	-	(271)	**(31,542)**	**76,000**	6,407	(2,105)	(20,270)
C.L.C. - Companhia Logística de Combustíveis, S.A.	21,856	2,354	105,405	**129,615**	-	(1,692)	(20,880)	(96,204)	**(118,776)**	**10,839**	25,541	(7,715)	(11,026)
Galp Disa Aviacion, S.A.	13,452	76	6	**13,534**	-	-	-	(2)	**(2)**	**13,532**	-	(6)	1
Parque Eólico da Penha da Gardunha, Lda.	939	27	71	**1,037**	(1,722)	-	-	(54)	**(1,776)**	**(739)**	-	-	(30)
Moçamgalp Agroenergias de Moçambique, S.A.	-	5	60	**65**	-	-	-	1,359	**1,359**	**1,424**	485	-	(185)
Asa - Abastecimento e Serviços de Aviação, Lda.	2	90	419	**511**	-	-	-	(439)	**(439)**	**72**	2,328	-	(2,291)
Caiageste - Gestão de Áreas de Serviço, Lda.	-	61	63	**124**	-	-	-	(192)	**(192)**	**(68)**	974	-	(1,042)
Galpek, Lda.	-	981	-	**981**	-	-	-	1	**1**	**982**	-	-	(18)
Ventinveste, S.A.	36,759	4,523	52	**41,334**	(44,239)	(1,589)	-	(26,678)	**(72,506)**	**(31,172)**	286	-	(880)
Parque Eólico da Serra do Oeste, S.A.**	-	-	-	**-**	-	-	-	-	**-**	**-**	-	(4)	(7)
Parque Eólico de Torrinheiras, S.A.**	-	-	-	**-**	-	-	-	-	**-**	**-**	-	(2)	-
Parque Eólico do Cabeço Norte, S.A.**	-	-	-	**-**	-	-	-	-	**-**	**-**	-	-	(1)
Parque Eólico de Vale Grande, S.A.	14,845	1,596	19	**16,460**	(16,410)	(616)	(883)	(141)	**(18,050)**	**(1,590)**	2,432	(978)	(504)
Parque Eólico do Pinhal Oeste, S.A.**	-	-	-	**-**	-	-	-	-	**-**	**-**	-	(1)	(9)
Parque Eólico do Planalto, S.A.**	-	-	-	**-**	-	-	-	-	**-**	**-**	-	-	(4)
Âncora Wind - Energia Eólica,S.A	2	24	21	**47**	-	-	-	(10)	**(10)**	**37**	193	-	(248)
Parque Eólico do Douro Sul, S.A.	182,134	13,706	1,565	**197,405**	(132,249)	(3,748)	(8,394)	(4,985)	**(149,376)**	**48,029**	7,697	(4,266)	(2,135)
Parque Eólico de Vale do Chão, S.A.	25,432	6,841	6	**32,279**	(20,278)	(587)	(1,287)	(1,227)	**(23,379)**	**8,900**	4,923	(1,195)	(614)
Galp Gás Natural Distribuição, S.A.	548,050	35,865	10,793	**594,708**	(595,490)	(4)	-	(19,686)	**(615,180)**	**(20,472)**	4,612	-	(4,073)
Beiragás - Companhia de Gás das Beiras, S.A.***	72,999	6,789	2,085	**81,873**	(9,553)	(20,953)	(2,770)	(5,052)	**(38,328)**	**43,545**	2,926	(424)	(2,237)
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.***	12,272	2,320	789	**15,381**	(10,213)	(2,283)	-	(1,606)	**(14,102)**	**1,279**	869	(178)	(773)
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.***	37,023	2,525	2,215	**41,763**	(22,505)	(8,718)	-	(3,861)	**(35,084)**	**6,679**	1,841	(384)	(1,239)
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.***	543,952	18,137	37,241	**599,330**	(267,550)	(184,733)	(6,186)	(33,179)	**(491,648)**	**107,682**	16,842	(3,187)	(12,308)
Lusitaniagás - Companhia de Gás do Centro, S.A.***	287,338	17,772	774	**305,884**	(153,231)	(69,399)	(2,302)	(19,640)	**(244,572)**	**61,312**	11,107	(1,615)	(7,516)
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.***	18,502	1,024	1,013	**20,539**	(14,331)	(3,477)	-	(1,377)	**(19,185)**	**1,354**	936	(177)	(686)
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.***	5,560	430	671	**6,661**	(4,658)	(201)	-	(639)	**(5,498)**	**1,163**	276	(48)	(237)
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.***	173,680	6,171	2,859	**182,710**	(87,609)	(41,287)	(2,043)	(6,674)	**(137,613)**	**45,097**	5,503	(907)	(3,788)
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.***	82,870	4,160	4,566	**91,596**	(20,276)	(23,418)	-	(11,616)	**(55,310)**	**36,286**	4,670	-	232

Companies	Operating result	Financial income - Interests	Financial costs - Interests	Financial income - Other	Financial costs - Other	Results from financial investments	Financial result	Income tax	Energy sector extraordinary contribution	Net income for the year	Comprehensive Income for the year (a)	Interest held and Book value: % Interest held	Book value	Gains / Losses	Comprehensive income
Tupi, B.V.	**(553,147)**	9,115	(18,794)	-	-	-	**(9,679)**	(84,981)	-	**(647,807)**	**(308,497)**	10.00%	1,026,728	(64,781)	(30,850)
Belem Bioenergia Brasil, S.A.	**(15,968)**	197	(234)	38	(74)	(85,329)	**(85,402)**	-	-	**(101,370)**	**(82,658)**	50.00%	38,000	(50,685)	(41,329)
C.L.C. - Companhia Logística de Combustíveis, S.A.	**6,800**	60	(78)	4	(26)	-	**(40)**	(1,697)	(224)	**4,839**	**4,839**	65.00%	7,045	3,145	3,145
Galp Disa Aviacion, S.A.	**(5)**	-	-	-	-	2,770	**2,770**	1	-	**2,766**	**2,766**	50.00%	6,766	1,383	1,383
Parque Eólico da Penha da Gardunha, Lda.	**(30)**	-	-	-	(26)	-	**(26)**	-	-	**(56)**	**(56)**	50.00%	1,572	(28)	(28)
Moçamgalp Agroenergias de Moçambique, S.A.	**300**	-	-	-	-	-	**-**	-	-	**300**	**512**	50.00%	712	150	256
Asa - Abastecimento e Serviços de Aviação, Lda.	**37**	-	-	-	(2)	-	**(2)**	(7)	-	**28**	**28**	50.00%	36	14	14
Caiageste - Gestão de Áreas de Serviço, Lda.	**(68)**	-	(1)	-	-	-	**(1)**	(1)	-	**(70)**	**(70)**	50.00%	(34)	(35)	(35)
Galpek, Lda.	**(18)**	-	-	-	-	-	**-**	-	-	**(18)**	**(18)**	50.00%	491	(9)	(9)
Ventinveste, S.A.	**(594)**	230	(959)	-	(52)	2,326	**1,545**	1	-	**952**	**952**	35.00%	(1,498)	321	106
Parque Eólico da Serra do Oeste, S.A.**	**(11)**	-	-	-	-	-	**-**	2	-	**(9)**	**(9)**	35.00%	-	-	-
Parque Eólico de Torrinheiras, S.A.**	**(2)**	-	-	-	-	-	**-**	-	-	**(2)**	**(2)**	35.00%	-	-	-
Parque Eólico do Cabeço Norte, S.A.**	**(1)**	-	(5)	-	-	-	**(5)**	1	-	**(5)**	**(5)**	35.00%	-	-	-
Parque Eólico de Vale Grande, S.A.	**950**	1	(911)	-	(73)	-	**(983)**	7	-	**(26)**	**160**	35.00%	-	-	-
Parque Eólico do Pinhal Oeste, S.A.**	**(10)**	-	(24)	-	-	-	**(24)**	7	-	**(27)**	**(27)**	35.00%	-	-	-
Parque Eólico do Planalto, S.A.**	**(4)**	-	-	-	-	-	**-**	1	-	**(3)**	**(3)**	35.00%	-	-	-
Âncora Wind - Energia Eólica,S.A	**(55)**	1	-	-	-	-	**1**	-	-	**(54)**	**(54)**	17.00%	-	-	-
Parque Eólico do Douro Sul, S.A.	**1,296**	-	(2,829)	-	(516)	-	**(3,345)**	430	-	**(1,619)**	**(3,044)**	17.00%	-	-	-
Parque Eólico de Vale do Chão, S.A.	**3,114**	2	(864)	-	(84)	-	**(946)**	(514)	-	**1,654**	**1,479**	17.00%	-	-	-
Galp Gás Natural Distribuição, S.A.	**539**	4,523	(1,375)	-	(134)	(71)	**2,943**	(932)	-	**2,550**	**2,536**	77.50%	241,633	1,908	(1,521)
Beiragás - Companhia de Gás das Beiras, S.A.***	**265**	33	(10)	-	(16)	-	**7**	(83)	(19)	**170**	**164**	46.19%	-	-	-
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.***	**(82)**	8	(84)	-	(1)	-	**(77)**	33	(3)	**(129)**	**(130)**	77.50%	-	-	-
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.***	**218**	6	(184)	-	(1)	-	**(179)**	(21)	(10)	**8**	**6**	77.50%	-	-	-
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.***	**1,347**	367	(2,062)	-	(29)	-	**(1,724)**	2	(154)	**(529)**	**(4,977)**	77.50%	-	-	-
Lusitaniagás - Companhia de Gás do Centro, S.A.***	**1,976**	45	(1,231)	-	(19)	-	**(1,205)**	(236)	(82)	**453**	**452**	75.05%	-	-	-
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.***	**73**	2	(117)	-	(1)	-	**(116)**	9	(5)	**(39)**	**(40)**	77.50%	-	-	-
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.***	**(9)**	1	(38)	-	-	-	**(37)**	10	(2)	**(38)**	**(39)**	77.50%	-	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.***	**808**	71	(746)	-	(14)	-	**(689)**	(57)	(46)	**16**	**52**	77.45%	-	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.***	**4,902**	-	-	31	(3,378)	-	**(3,347)**	(662)	(693)	**200**	**200**	32.03%	-	-	-
													1,321,451	(108,617)	(68,868)

(*) Preliminary financial statements at closing date, considered by the Group for equity method application purposes. (**) In Ventinveste, S.A. subsidiaries, were considered, in the income statement, the amounts from January to May 2016. (***) In Galp Gás Natural Distribuição, S.A. subsidiaries, were considered, in the income statement, the amounts from October to December 2016. (a) Includes the amounts related to the financial statements Translation reserve

2015

unit: €k

Joint ventures financial information as at 31 December 2015 (*)

Companies	Non current assets	Current assets-Cash and cash equivalents	Current assets-Other	Total Assets	Non current financial liabilities	Non current liabilities - Other	Current financial liabilities	Current liabilities - Other	Total liabilities	Equity	Operating income	Operating costs -Amortization, Depreciation and Impairment losses on assets	Operating costs - Other
Tupi, B.V.	8,547,851	322,924	434,516	**9,305,291**	-	-	-	(400,141)	**(400,141)**	**8,905,150**	748,862	-	(593,494)
Belem Bioenergia Brasil, S.A.	137,482	1,844	6,860	**146,186**	(21,899)	(183)	(2,322)	(6,584)	**(30,988)**	**115,198**	3,092	(1,401)	(15,493)
C.L.C. - Companhia Logística de Combustíveis, S.A.	28,194	6,171	102,011	**136,376**	-	(2,042)	-	(103,323)	**(105,365)**	**31,011**	25,346	(7,773)	(10,732)
Galp Disa Aviacion, S.A.	13,547	820	3	**14,370**	-	-	(2)	-	**(2)**	**14,368**	-	(6)	1
Parque Eólico da Penha da Gardunha, Lda.	939	29	71	**1,039**	(1,722)	-	-	(28)	**(1,750)**	**(711)**	-	-	52
Moçamgalp Agroenergias de Moçambique, S.A.	15	115	95	**225**	-	(548)	-	1,235	**687**	**912**	-	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	-	235	196	**431**	-	-	-	(375)	**(375)**	**56**	2,112	-	(2,097)
Ventinveste, S.A.	38,858	3,120	(379)	**41,599**	(42,943)	(3,738)	-	(15,983)	**(62,664)**	**(21,065)**	463	-	250
Ventinveste Eólica, SGPS, S.A.	-	-	-	**-**	-	-	-	-	**-**	**-**	-	-	-
Parque Eólico da Serra do Oeste, S.A.	2,405	3	24	**2,432**	(2,044)	-	-	(536)	**(2,580)**	**(148)**	-	(9)	(17)
Parque Eólico de Torrinheiras, S.A.	863	32	21	**916**	(272)	(3)	-	(618)	**(893)**	**23**	-	(4)	(1)
Parque Eólico do Cabeço Norte, S.A.	567	40	31	**638**	(416)	-	-	(511)	**(927)**	**(289)**	-	-	(1)
Parque Eólico de Vale Grande, S.A.	15,865	1,024	409	**17,298**	(15,490)	(852)	(1,594)	(1,112)	**(19,048)**	**(1,750)**	2,339	(978)	(647)
Parque Eólico do Pinhal Oeste, S.A.	1,161	-	458	**1,619**	(2,906)	-	-	(149)	**(3,055)**	**(1,436)**	-	(2)	(30)
Parque Eólico do Planalto, S.A.	1,307	-	11	**1,318**	(1,179)	-	-	(253)	**(1,432)**	**(114)**	-	-	(10)
Âncora Wind-Energia Eólica,S.A	53	103	1	**157**	-	-	-	(16)	**(16)**	**141**	-	-	(61)
Parque Eólico do Douro Sul, S.A.	81,979	9,359	1,000	**92,338**	(50,695)	(1,944)	(4)	(5,673)	**(58,316)**	**34,022**	-	(21)	(378)
Parque Eólico de Vale do Chão, S.A.	25,201	2,298	40	**27,539**	(19,569)	(365)	-	(184)	**(20,118)**	**7,421**	3	(5)	(130)
Caiageste - Gestão de Áreas de Serviço, Lda.	-	16	79	**95**	-	-	-	(149)	**(149)**	**(54)**	1,217	-	(1,271)

Companies	Operating result	Financial income - Interests	Financial costs - Interests	Financial income - Other	Financial costs - Other	Results from financial investments	Financial result	Income tax	Energy sector extraordinary contribution	Net income for the year	Comprehensive Income for the year (a)	% Interest held (Interest held and Book value)	Book value	Gains / Losses	Comprehensive income
Tupi, B.V.	**155,368**	1,342	(3,852)	-	-	-	**(2,510)**	(26,740)	-	**126,118**	**836,958**	10.00%	890,515	16,246	87,330
Belem Bioenergia Brasil, S.A.	**(13,802)**	6,770	(4,083)	2,140	(7,581)	-	**(2,754)**	-	-	**(16,556)**	**(39,024)**	50.00%	57,599	(8,669)	(19,903)
C.L.C. - Companhia Logística de Combustíveis, S.A.	**6,841**	213	(24)	3	(18)	79	**253**	(1,799)	(284)	**5,011**	**5,011**	65.00%	20,157	3,258	3,258
Galp Disa Aviacion, S.A.	**(5)**	-	-	-	-	2,466	**2,466**	5	-	**2,466**	**2,466**	50.00%	7,184	1,367	1,367
Parque Eólico da Penha da Gardunha, Lda.	**52**	-	(52)	-	-	-	**(52)**	-	-	**-**	**-**	50.00%	1,600	(28)	(28)
Moçamgalp Agroenergias de Moçambique, S.A.	**-**	-	-	-	-	-	**-**	-	-	**-**	**240**	50.00%	456	21	141
Asa - Abastecimento e Serviços de Aviação, Lda.	**15**	-	(1)	1	-	-	**-**	(3)	-	**12**	**12**	50.00%	28	5	5
Ventinveste, S.A.	**713**	(32)	(625)	32	(60)	13	**(672)**	(9)	-	**32**	**55**	35.00%	(1,604)	(160)	(152)
Ventinveste Eólica, SGPS, S.A.	**-**	-	-	-	-	-	**-**	-	-	**-**	**-**	0.00%	-	-	-
Parque Eólico da Serra do Oeste, S.A.	**(26)**	-	-	-	-	-	**-**	5	-	**(21)**	**(21)**	35.00%	-	-	-
Parque Eólico de Torrinheiras, S.A.	**(5)**	-	-	-	-	-	**-**	1	-	**(4)**	**(4)**	35.00%	-	-	-
Parque Eólico do Cabeço Norte, S.A.	**(1)**	-	(13)	-	-	-	**(13)**	3	-	**(11)**	**(11)**	35.00%	-	-	-
Parque Eólico de Vale Grande, S.A.	**714**	-	(878)	-	(74)	-	**(952)**	109	-	**(129)**	**(129)**	35.00%	-	-	-
Parque Eólico do Pinhal Oeste, S.A.	**(32)**	-	(59)	-	-	-	**(59)**	19	-	**(72)**	**(72)**	35.00%	-	-	-
Parque Eólico do Planalto, S.A.	**(10)**	-	-	-	-	-	**-**	(7)	-	**(17)**	**(17)**	35.00%	-	-	-
Âncora Wind-Energia Eólica,S.A	**(61)**	-	-	-	-	(2)	**(2)**	-	-	**(63)**	**(63)**	17.00%	-	-	-
Parque Eólico do Douro Sul, S.A.	**(399)**	-	1,478	-	(1,479)	-	**(1)**	83	-	**(317)**	**(317)**	17.00%	-	-	-
Parque Eólico de Vale do Chão, S.A.	**(132)**	-	274	-	(274)	-	**-**	28	-	**(104)**	**(104)**	17.00%	-	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	**(54)**	-	(1)	-	-	-	**(1)**	(1)	-	**(56)**	**(56)**	50.00%	(27)	(28)	(28)
													975,908	**12,012**	**71,990**

* Preliminary financial statements at closing date, considered by the Group for equity method application purposes.
(a) Includes the amounts related to the financial statements Translation reserve.

The changes in the caption "Investments in joint ventures" for the year ended 31 December 2016 and 2015 which are reflected by the equity method were as follows:

2016 unit: €k

Companies		Initial balance	Increase in investment	Gains / Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Actuarial Gains and Losses	Dividends (Note 4.5)	Changes in consolidation perimeter (Note 3.2)	Ending balance
Investments										
Tupi, B.V.	(a)	890,515	167,063	(64,781)	33,931	-	-	-	-	1,026,728
Belem Bioenergia Brasil, S.A.	(b)	57,599	21,730	(50,685)	9,356	-	-	-	-	38,000
C.L.C. - Companhia Logística de Combustíveis, S.A.	(c)	20,157	(13,000)	3,145	-	-	-	(3,257)	-	7,045
Galp Disa Aviacion, S.A.		7,184	-	1,383	-	-	-	(1,801)	-	6,766
Parque Eólico da Penha da Gardunha, Lda.		1,600	-	(28)	-	-	-	-	-	1,572
Moçamgalp Agroenergias de Moçambique, S.A.		456	-	150	106	-	-	-	-	712
Asa - Abastecimento e Serviços de Aviação, Lda.		28	-	14	-	-	-	(6)	-	36
Galp Gás Natural Distribuição, S.A.		-	-	1,908	-	-	(3,429)	-	243,154	241,633
Galpek, Lda	(e)	-	500	(9)	-	-	-	-	-	491
		977,539	**176,293**	**(108,903)**	**43,393**	**-**	**(3,429)**	**(5,064)**	**243,154**	**1,322,983**
Provisions for investments in joint ventures (Note 25)										
Ventinveste, S.A.		(1,604)	-	321	-	(215)	-	-	-	(1,498)
Caiageste - Gestão de Áreas de Serviço, Lda.	(d)	(27)	28	(35)	-	-	-	-	-	(34)
		(1,631)	**28**	**286**	**-**	**(215)**	**-**	**-**	**-**	**(1,532)**
		975,908	**176,321**	**(108,617)**	**43,393**	**(215)**	**(3,429)**	**(5,064)**	**243,154**	**1,321,451**

2015 unit: €k

Companies		Initial balance	Increase in investment	Gains / Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Actuarial Gains and Losses	Dividends (Note 4.5)	Changes in consolidation perimeter (Note 3.2)	Ending balance
Investments										
Tupi, B.V.	(f)	591,859	211,326	16,246	71,084	-	-	-	-	890,515
Belem Bioenergia Brasil, S.A.	(g)	45,838	31,664	(8,669)	(11,234)	-	-	-	-	57,599
C.L.C. - Companhia Logística de Combustíveis, S.A.		23,412	-	3,258	-	-	-	(6,513)	-	20,157
Galp Disa Aviacion, S.A.		8,891	-	1,367	-	-	-	(3,074)	-	7,184
Parque Eólico da Penha da Gardunha, Lda.		1,628	-	(28)	-	-	-	-	-	1,600
Moçamgalp Agroenergias de Moçambique, S.A.		315	-	21	120	-	-	-	-	456
Asa - Abastecimento e Serviços de Aviação, Lda.		23	-	5	-	-	-	-	-	28
		671,966	**242,990**	**12,200**	**59,970**	**-**	**-**	**(9,587)**	**-**	**977,539**
Provisions for investments in joint ventures (Note 25)										
Ventinveste, S.A.		(1,452)	-	(160)	-	8	-	-	-	(1,604)
Caiageste - Gestão de Áreas de Serviço, Lda.	(h)	(15)	16	(28)	-	-	-	-	-	(27)
		(1,467)	**16**	**(188)**	**-**	**8**	**-**	**-**	**-**	**(1,631)**
		670,499	**243,006**	**12,012**	**59,970**	**8**	**-**	**(9,587)**	**-**	**975,908**

31 December 2016:

(a) €167,063 k corresponds to the capital increase made by Galp Sinopec Brazil Services, B.V.. The control of the entity Tupi, B.V. is shared between Galp Sinopec Brazil Services, B.V., Petrobras Netherlands, B.V. and BG Overseas Holding Ltd, holding respectively, 10%, 65% and 25% of its share capital.

(b) €21,730 k corresponds to the capital increase in Belém Bioenergia Brasil, S.A. The control of the entity Belém Bioenergia do Brasil, S.A. is shared between Galp Bioenergy B.V. and Petrobras Biocombustíveis S.A., each holding 50% of its share capital.

(c) €13,000 k corresponds to the decrease in the share capital of C.L.C. - Companhia Logística de Combustíveis, S.A.

(d) €28 k corresponds to the supplementary capital contributions made by Galpgeste - Gestão de Áreas de Serviço, S.A. The control of the entity Caiageste - Gestão de Áreas de Serviço, Lda. is shared between Galpgeste - Gestão de Áreas de Serviço, S.A. and Gespost - Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda., each holding 50% of its share capital.

(e) €500 k corresponds to the capital incorporation in Galpek, Lda. The control of the entity Galpek, Lda. is shared between Petróleos de Portugal - Petrogal, S.A. and Dak Americas Exterior SL, each holding 50% of its share capital.

31 December 2015:

(f) €211,326 k corresponds to the capital increase made by Galp Sinopec Brazil Services, B.V.. The control of the entity Tupi, B.V. is shared between Galp Sinopec Brazil Services, B.V., Petrobras Netherlands, B.V. and BG Overseas Holding Ltd, holding respectively, 10%, 65% and 25% of its share capital.

(g) €31,664 k corresponds to the capital increase in Belém Bioenergia Brasil, S.A. The control of the entity Belém Bioenergia do Brasil, S.A. is shared between Galp Bioenergy B.V. and Petrobras Biocombustíveis S.A., each holding 50% of its share capital.

(h) €16 k corresponds to the supplementary capital contributions made by Galpgeste - Gestão de Áreas de Serviço, S.A. The control of the entity Caiageste - Gestão de Áreas de Serviço, Lda. is shared between Galpgeste - Gestão de Áreas de Serviço, S.A. and Gespost - Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda., each holding 50% of its share capital.

4.2 Investments in associates

Investments in associates, their head offices and the percentage or interest held as of 31 December 2016 and 2015 are as follows:

unit: €k

Companies		Head office		Percentage interest held		Book value		Main activity
		City	Country	2016	2015	2016	2015	
EMPL - Europe-Maghreb Pipeline, Ltd	(a)	Madrid	Spain	22.80%	22.80%	62,922	61,579	Construction and operation of the natural gas pipeline between Morocco and Spain.
Gasoduto Al - Andaluz, S.A.	(a)	Madrid	Spain	33.04%	33.04%	15,120	20,706	Construction and operation of Tarifa–Córdoba gas pipeline.
Gasoduto Extremadura, S.A.	(a)	Madrid	Spain	49.00%	49.00%	11,483	17,456	Construction and operation of Córdoba-Campo Maior gas pipeline.
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	(b)	Santarem	Portugal	-	41.33%	-	14,169	Production and distribution of Natural Gas and other piped combustible gases.
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	(e)	Luanda	Angola	49.00%	49.00%	12,991	10,807	Distribution and Commercialisation of liquid fuel, lubricants and other oil derivatives, operation of service stations and automobile assistance and related services.
Metragaz, S.A.	(a)	Tanger	Morocco	22.64%	22.64%	1,425	1,347	Construction, maintenance and operation of the Europe-Maghreb gas pipeline.
Terparque - Armazenagem de Combustíveis, Lda.	(d)	Angra do Heroísmo	Portugal	23.50%	23.50%	493	546	Construction and/or operation of storage facilities for combustibles.
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	(c)	Bissau	Guinea-Bissau	45.00%	45.00%	1,243	943	Management and operation of the liquid fuel storage facilities and of the Bandim Petroleum Terminal.
IPG Galp Beira Terminal Lda.	(f)	Maputo	Mozambique	45.00%	45.00%	459	4,094	Develop and operate a storage terminal for oil products, including with no limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
Sodigás-Sociedade Industrial de Gases, S.A.R.L.	(g)	Mindelo	Cape Verde	44.00%	30.00%	524	516	Production and sale of oxygen, acetylene, nitrogen and other industrial gases.
Galp IPG Matola Terminal, Lda.	(f)	Maputo	Mozambique	45.00%	45.00%	1,955	3,874	Develop and operate a storage terminal for oil products, including with no limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
Aero Serviços, S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários	(c)	Bissau	Guinea-Bissau	50.00%	50.00%	(57)	(67)	Services rendered related to storage and supply of oil products to aircrafts and other related and complementary activities.
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	(h)	Lisbon	Portugal	35.00%	35.00%	(2,416)	(2,416)	Co-generation and sale of electric and thermic power.
Book value of financial investments						106,142	133,554	
Provisions for investments in associates (Note 25)	(i)					(2,473)	(2,483)	
Book value of financial investments in associates						**108,615**	**136,037**	

(a) Participation held by Galp Gás Natural, S.A.

(b) The associate has been considered as a joint venture after the disposal of 22.5% of the share capital of Galp Gás Natural Distribuição, SGPS, S.A.

(c) Participation held by Petrogal Guiné-Bissau, Lda.

(d) Participation held by Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.

(e) Participation held by Petrogal Angola, Lda.

(f) Participation held by Petrogal Moçambique, Lda.

(g) Participation held by Empresa Nacional de Combustíveis - Enacol, S.A.R.L.

(h) Participation held by GDP – Gás de Portugal, SGPS, S.A.

(i) As at 31 December 2016, provision for investments in associates reflects the Group's commitment with its associates that had a negative equity.

Following the summary of the financial statements of the associates as at 31 December 2016 and 2015:

2016 unit: €k

	Associates financial information as at 31 December 2016 (*)																						Interest held and Book value			
Companies	Non current assets	Current assets - Cash and cash equivalents	Current assets - Other	Total Assets	Non current financial liabilities	Non current liabilities - Other	Current financial liabilities	Current liabilities - Other	Total liabilities	Equity	Operating income	Operating costs - Amortization, Depreciation and Impairment losses on assets	Operating costs - Other	Operating result	Financial income - Interests	Financial costs - Interests	Financial income - Other	Financial costs - Other	Financial result	Income tax	Net income for the year	Comprehensive Income for the year (a)	% Interest held	Book value	* Gains / Losses	Comprehensive income
EMPL - Europe-Maghreb Pipeline, Ltd.	-	8,126	283,755	**291,881**	-	(15,906)	-	-	**(15,906)**	**213,957**	310,284	(36,830)	(23,670)	**249,784**	-	-	716	(1,832)	**(1,116)**	(72,265)	**176,403**	**189,754**	22.80%	62,922	40,220	43,264
Gasoduto Al-Andaluz, S.A.	29,035	25,764	3,739	**58,538**	-	-	-	(12,775)	**(12,775)**	**45,762**	43,012	(7,380)	(9,408)	**26,224**	-	-	4	-	**4**	(6,557)	**19,671**	**19,671**	33.04%	15,120	6,499	6,499
Gasoduto Extremadura, S.A.	12,344	15,684	2,178	**30,206**	-	-	-	(6,772)	**(6,772)**	**23,433**	27,824	(3,303)	(6,111)	**18,410**	-	-	3	-	**3**	(4,603)	**13,810**	**13,810**	49.00%	11,483	6,767	6,767
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	82,870	4,160	4,566	**91,596**	(20,276)	(23,418)	-	(11,616)	**(55,310)**	**36,287**	4,670	-	232	**4,902**	-	-	31	(1,680)	**(1,649)**	(662)	**1,898**	**2,000**	0.00%	-	785	827
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	21,778	28,050	5,280	**55,108**	(678)	(6,821)	-	(21,099)	**(28,598)**	**26,510**	193,864	(1,701)	(178,505)	**15,894**	-	-	874	(868)	**6**	(5,444)	**10,456**	**4,458**	49.00%	12,991	5,123	2,184
Metragaz, S.A.	1,612	1,879	9,025	**12,516**	-	(159)	-	(6,062)	**(6,221)**	**6,296**	18,209	(451)	(16,177)	**1,581**	17	-	146	(131)	**32**	-	**1,613**	**1,794**	22.64%	1,425	365	406
Terparque - Armazenagem de Combustíveis, Lda.	6,968	2,642	2,445	**12,055**	(8,067)	-	-	(1,892)	**(9,959)**	**2,097**	2,709	(1,436)	(1,191)	**235**	2	(34)	-	-	**(32)**	74	**277**	**277**	23.50%	493	65	65
C.L.C. Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	2,206	1,264	275	**3,745**	-	-	-	(982)	**(982)**	**2,763**	1,622	(376)	(283)	**963**	-	-	-	(73)	**(73)**	(223)	**667**	**667**	45.00%	1,243	300	300
IPG Galp Beira Terminal, Lda.	11,887	2,347	1,946	**16,180**	-	-	(6,518)	(8,642)	**(15,160)**	**1,021**	-	(1)	(207)	**(208)**	-	-	1,186	(7,058)	**(5,872)**	-	**(6,080)**	**(8,077)**	45.00%	459	(2,736)	(3,635)
Sodigás - Sociedade Industrial de Gases, S.A.R.L.	325	409	532	**1,266**	-	-	-	(76)	**(76)**	**1,190**	325	(55)	(277)	**(7)**	-	-	17	-	**17**	(12)	**(2)**	**(2)**	44.00%	524	(1)	(1)
Galp IPG Matola Terminal, Lda.	7,099	37	7,252	**14,388**	-	-	(7,817)	(2,226)	**(10,043)**	**4,344**	-	(1)	(53)	**(54)**	-	-	712	(2,506)	**(1,794)**	110	**(1,738)**	**(4,265)**	45.00%	1,955	(782)	(1,919)
Aero Serviços, S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários	8	12	873	**893**	-	-	-	(1,007)	**(1,007)**	**(118)**	136	(3)	(104)	**29**	-	-	-	(6)	**(6)**	(3)	**20**	**20**	50.00%	(57)	10	10
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	298	523	464	**1,285**	-	(2,115)	(661)	(5,411)	**(8,187)**	**(6,902)**	62	-	66	**128**	2	(129)	-	-	**(127)**	-	**1**	**1**	35.00%	(2,416)	-	-
																								106,142	**56,615**	**54,767**

* Preliminary financial statements at closing date, considered by the Group for equity method application purposes.
(a) Includes the amounts related to the financial statements Translation reserve.

The changes in the caption "Investments in associates" for the year ended 31 December 2016 and 2015 were as follows:

2015 unit: €k

Companies	Associates financial information as at 31 December 2015 (*)																							Interest held and Book value		
	Non current assets	Current assets - Cash and cash equivalents	Current assets - Other	Total Assets	Non current financial liabilities	Non current liabilities - Other	Current financial liabilities	Current liabilities - Other	Total Liabilities	Equity	Operating income	Operating costs - Amortization, Depreciation and Impairment losses on assets	Operating costs - Other	Operating result	Financial income - Interests	Financial costs - Interests	Financial income - Other	Financial costs - Other	Financial result	Income tax	Net income for the year	Comprehensive Income for the year (a)	% Interest held	Book value	Gains / Losses	Comprehensive income
EMPL - Europe-Maghreb Pipeline, Ltd.	-	6,786	277,775	**284,561**	-	(14,477)	-	-	(14,477)	270,084	297,463	(35,801)	(20,991)	**240,671**	-	-	261	(238)	**23**	(9)	**240,685**	**244,724**	22.80%	61,579	54,876	55,797
Gasoduto Al - Andaluz, S.A.	36,743	28,176	3,765	**68,684**	-	-	-	(6,015)	(6,015)	62,669	42,599	(7,380)	(9,041)	**26,178**	-	-	12	-	**12**	(7,333)	**18,857**	**18,857**	33.04%	20,706	6,208	6,208
Gasoduto Extremadura, S.A.	15,804	20,489	2,323	**38,616**	-	-	-	(2,991)	(2,991)	35,625	26,833	(3,303)	(6,014)	**17,516**	-	-	10	-	**10**	(4,907)	**12,619**	**12,619**	49.00%	17,456	6,143	6,143
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	83,506	5,611	4,814	**93,931**	(20,226)	(24,378)	(4,650)	(10,395)	(59,649)	34,282	2,802	-	-	**2,802**	-	-	-	-	**-**	-	**2,802**	**2,929**	41.33%	14,169	1,175	1,228
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	33,103	14,319	5,566	**52,988**	(1,583)	(10,268)	-	(19,082)	(30,933)	22,055	185,368	(3,067)	(178,892)	**4,840**	131	(449)	1,086	(573)	**195**	(1,876)	**3,159**	**(1,694)**	49.00%	10,807	2,310	(68)
Metragaz. S.A.	1,934	1,855	7,988	**11,777**	-	(61)	-	(5,767)	(5,828)	5,949	15,238	(381)	(13,498)	**1,359**	18	-	134	(151)	**1**	-	**1,360**	**1,532**	22.64%	1,347	307	346
Terparque - Armazenagem de Combustíveis, Lda.	8,535	2,919	1,928	**13,382**	(8,067)	-	(985)	(2,005)	(11,057)	2,325	2,725	(1,779)	(1,124)	**(32)**	16	(48)	-	-	**(32)**	4	**(241)**	**(241)**	23.50%	546	(61)	(61)
C.L.C. Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	2,524	419	361	**3,304**	-	-	(809)	(399)	(1,208)	2,096	1,109	(369)	(280)	**493**	-	(86)	-	(15)	**(101)**	(98)	**294**	**294**	45.00%	943	132	132
IPG Galp Beira Terminal, Lda.	11,530	2,246	1,681	**15,457**	-	-	-	(6,359)	(6,359)	7,449	-	(2)	4	**2**	-	-	812	(813)	**(1)**	-	**1**	**(450)**	45.00%	4,094	-	(203)
Sodigás- Sociedade Industrial de Gases, S.A.R.L	376	481	578	**1,435**	-	-	-	(441)	(441)	994	558	(44)	(507)	**7**	14	-	5	(1)	**18**	(41)	**(16)**	**(16)**	30.00%	516	242	242
Galp IPG Matola Terminal, Lda.	6,735	1,064	1,065	**8,864**	-	-	-	(255)	(255)	8,609	-	(2)	4	**2**	-	-	459	(460)	**(1)**	-		**(304)**	45.00%	3,874	-	(137)
Aero Serviços. S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários	6	13	904	**923**	-	(2)	-	(1,055)	(1,057)	(134)	150	(10)	(84)	**62**	-	-	-	(1)	**(1)**	(15)	**46**	**46**	50.00%	(67)	23	23
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	298	523	464	**1,285**	-	(2,115)	(661)	(5,411)	(8,187)	(6,902)	62	-	9	**71**	2	(129)	-	-	**(127)**	-	**(56)**	**(56)**	35.00%	(2,416)	(19)	(19)
																								133,554	71,336	69,631

* Preliminary financial statements at closing date, considered by the Group for equity method application purposes.

2016 unit: €k

Companies		Initial balance	Increase in investment	Gains/Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Actuarial gains and losses	Dividends (Note 4.5)	Transfers/ Adjustments	Changes in the consolidation perimeter (Note 3.2)	Ending balance
Investments											
EMPL - Europe-Maghreb Pipeline, Ltd.		61,579	-	40,220	3,044	-	-	(41,921)	-	-	62,922
Gasoduto Al - Andaluz, S.A.	(a)	20,706	(2,242)	6,499	-	-	-	(9,843)	-	-	15,120
Gasoduto Extremadura, S.A.	(a)	17,456	(2,691)	6,767	-	-	-	(10,049)	-	-	11,483
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	(b)	14,169	-	785	-	42	-	-	-	(14,996)	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.		10,807	-	5,123	(2,939)	-		-	-	-	12,991
Metragaz, S.A.		1,347	-	365	41	-	-	(328)	-	-	1,425
Terparque - Armazenagem de Combustíveis, Lda.		546	-	65	-	-	-	(118)	-	-	493
C.L.C. Guiné-Bissau - Companhia Logística de Combustíveis da Guiné-Bissau, Lda.		943	-	300	-	-	-	-	-	-	1,243
IPG Galp Beira Terminal, Lda.		4,094	-	(2,736)	(899)	-	-	-	-	-	459
Sodigás - Sociedade Industrial de Gases, S.A.R.L		516	4	(1)	-	-	-	(65)	70	-	524
Galp IPG Matola Terminal, Lda.		3,874	-	(782)	(1,137)	-	-	-	-	-	1,955
		136,037	**(4,929)**	**56,605**	**(1,890)**	**42**	**-**	**(62,324)**	**70**	**(14,996)**	**108,615**
Provision for investment in associates (Note 25)											
Energin - Sociedade de Produção de Electricidade e Calor, S.A.		(2,416)	-	-	-	-	-	-	-	-	(2,416)
Aero Serviços, S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários		(67)	-	10	-	-	-	-	-	-	(57)
		(2,483)	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,473)**
		133,554	**(4,929)**	**56,615**	**(1,890)**	**42**	**-**	**(62,324)**	**70**	**(14,996)**	**106,142**

2015 unit: €k

Companies		Initial balance	Initial balance	Gains/Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Actuarial gains and losses	Dividends (Note 4.5)	Transfers/ Adjustments	Changes in the consolidation perimeter	Ending balance
Investments											
EMPL - Europe-Maghreb Pipeline, Ltd.		52,668	-	54,876	921	-	-	(46,886)	-	-	61,579
Gasoduto Al - Andaluz, S.A.		18,354	-	6,208	-	-	-	(3,856)	-	-	20,706
Gasoduto Extremadura, S.A.		15,278	-	6,143	-	-	-	(3,965)	-	-	17,456
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.		12,941	-	1,175	-	50	3	-	-	-	14,169
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.		10,875	-	2,310	(2,378)	-	-	-	-	-	10,807
Metragaz, S.A.		1,124	-	307	39	-	-	(123)	-	-	1,347
Terparque - Armazenagem de Combustíveis, Lda.		795	-	(61)	-	-	-	(188)	-	-	546
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda.		811	-	132	-	-	-	-	-	-	943
IPG Galp Beira Terminal, Lda.	c)	1,011	3,286	-	(203)	-	-	-	-	-	4,094
Sodigás-Sociedade Industrial de Gases, S.A.R.L.		197	112	242	-	-	-	(35)	-	-	516
Galp IPG Matola Terminal, Lda.	c)	682	3,329	-	(137)	-	-	-	-	-	3,874
		114,736	**6,727**	**71,332**	**(1,758)**	**50**	**3**	**(55,053)**	**-**	**-**	**136,037**
Provision for investment in associates (Note 25)											
Energin - Sociedade de Produção de Electricidade e Calor, S.A.		(2,397)	-	(19)	-	-	-	-	-	-	(2,416)
Aero Serviços, S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários		(90)	-	23	-	-	-	-	-	-	(67)
		(2,487)	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,483)**
		112,249	**6,727**	**71,336**	**(1,758)**	**50**	**3**	**(55,053)**	**-**	**-**	**133,554**

31 December 2016:

(a) The amounts of €2,242 k and €2,691 k presented under Increase in investment correspond to decreases in share capital executed by the subsidiaries Gasoduto Al-Andaluz, S.A. and Gasoduto Extremadura, S.A.

(b) Following the disposal of 22.5%, the subsidiary GGND ceased to fully consolidated in the Galp Energia SGPS, S.A. Group, and the entities that comprise this SubGroup are presented as jointly controlled entities. The amount of €14,996 k presented in changes in consolidation perimeter correspond to the amount of the financial investment at the disposal date (Note 3.1 d) and 3.2).

31 December 2015:

(c) The amounts €3,286 k and €3,329 k presented under Increase on investment correspond to supplementary capital contributions 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", was subject to an impairment test, by cash generating unit, detailed as follows as at 31 December 2016 and 31 December de 2015:

unit: €k

	December 2016	December 2015
Goodwill		
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939
Fair value (Note 3.1 d)		
Galp Gás Natural Distribuição, S.A.	53,227	-
	55,166	**1,939**

4.3 Financial assets held for sale

The financial investments in affiliates, presented in the Statement of financial position as Financial assets held for sale, its head offices and the percentage or interest held as of 31 December 2016 and 2015 are as follows:

unit: €k

Company	Head office		Percentage interest held		Book value	
	City	Country	2016	2015	2016	2015
Corporación de Reservas Estratégicas de Productos Petrolíferos	Madrid	Spain	n.d.	n.d.	1,808	1,808
Portugal Ventures	Oporto	Portugal	1.25%	1.25%	499	505
Adene - Agência para a Energia, S.A.	Amadora	Portugal	10.98%	10.98%	114	114
Omegás - Soc. D'Étude du Gazoduc Europe-Maghreb	Tanger	Morocco	5.00%	5.00%	35	35
Clube Financeiro de Vigo	Vigo	Spain	-	-	19	19
P.I.M. - Parque Industrial da Matola, S.A.R.L.	Maputo	Mozambique	1.50%	1.50%	16	13
ADEPORTO Agência de Energia do Porto	Oporto	Portugal	-	-	13	13
Imopetro - Importadora Moçambicana de Petróleos, Lda.	Maputo	Mozambique	15.38%	15.38%	5	8
OIL Insurance, Limited	Hamilton	Bermuda	1.00%	1.00%	9	9
MIBG - Mercado Ibérico de Gás	Madrid	Spain	1.76%	-	53	-
ISPG - Instituto do Petróleo e Gás	Lisbon	Portugal	76.67%	-	230	-
Other affiliated companies			n.d.	n.d.	2	28
					2,803	**2,552**
Impairment in financial investments available for sale						
Portugal Ventures	Oporto	Portugal	1.82%	1.82%	(52)	(52)
Petróleos de Portugal - Petrogal, S.A.	Maputo	Mozambique	1.50%	1.50%	(16)	(13)
					(68)	**(65)**
					2,735	**2,487**

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

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

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

4.4 Results from financial investments

The caption “Income from financial investments and impairment losses on Goodwill”, presented in the consolidated income statement for the year ended 31 December 2016 and 31 December 2015 is comprised as follows:

unit: €k

	December 2016	December 2015
Effect of applying the equity method:		
Associates (Note 4.2)	56,615	71,336
Joint ventures (Note 4.1)	(108,617)	12,012
Effect of the disposal of investments in group companies and associates:		
Gain in disposal of 22.5% of the interest held in Galp Gás Natural Distribuição, S.A. (Note 3 and 4.1)	131,561	-
Loss in disposal of 100% of the interest held in Madrileña Suministro de Gas S.L.	-	(12,914)
Gain in disposal of 100% of the interest held in Madrileña Suministro de Gas SUR S.L.	-	319
Effect of the price adjustment of the disposal of investments in group companies and associates:		
Acquisition cost adjustment related to the financial interest held in Madrileña Suministro de Gas S.L. for the year ended 31 December 2015	884	-
Acquisition cost adjustment related to the financial interest held in Madrileña Suministro de Gas SUR S.L. for the year ended 31 December 2015	(675)	-
Gain on disposal of the financial investment held in Compañia Logística de Hidrocarburos CLH, S.A.	-	2
Effect of the disposal of Assets held for sale/affiliate entities:		
Gain on disposal of the investment held in Ressa - Red Española de Servicios, S.A. (Note 4.3)	-	584
Differences related to acquisition of interests in Group companies/Associates :		
Acquisition of 0.01473% of financial interest in Beiragás - Companhia de Gás das Beiras, S.A.	(1)	-
Effect of the liquidation of group companies:		
Liquidation of the subsidiary Next Priority, SGPS, S.A.	-	(1)
Write off of exchange differences that resulted from the financial statements translation of the subsidiary Galp Energia Tarfaya, B.V., which were booked in Equity in the caption Other Reserves	(13,712)	-
Effect of Goodwill impairments of group companies:		
Goodwill Impairment of the subsidiary Galp Distribuicíon Oil España, SAU, which is recorded in the caption Goodwill (Note 11)	(11,092)	(8,541)
Goodwill Impairment of the subsidiary Galp Comercializacíon España, SL, which is recorded in the caption Goodwill (Note 11)	(37,725)	(35,731)
Goodwill Impairment of the subsidiary Petróleos de Valencia, S.A., Sociedad Unipersonal which is recorded in the caption Goodwill (Note 11)	-	(7,759)
Other	-	1
	17,238	**19,308**

4.5 Dividends from financial investments

31 December 2016:

The caption “Investments in associates and joint ventures” (Note 4.1 and 4.2) includes the total amount of €67,388 k related to dividends corresponding to amounts approved in the General meetings of the respective companies. The dividends received in the year ended 31 December 2016 amounted to €70,115 k.

The difference between the amount received and the amount recognised in the caption “Investments in associates and joint ventures” of €2,727 k is related to: i) €106 k of negative exchange differences occurring in the payment date which were reflected in the caption “Exchange gains (losses)”, in the income statement; and (ii) €2,621 k of dividends received from Assets available for sale.

31 December 2015:

An amount of €64,640 k was reflected in the caption Investments in associates and joint ventures (Note 4.1 and 4.2) relating to dividends corresponding to the amounts approved by the General Shareholders Meeting of the respective companies. The dividends received in the year ended 31 December 2015 amounted to €72,901 k.

The difference between the amount received and the amount recognised in the caption Investments in associates and joint ventures of €8,261 k corresponds to: i) €5,269k relating to unfavourable foreign exchange differences that occured at the time of payment and that were reflected in the caption Exchange gains/(losses), in the income statement; (ii) €482 k relating to dividends received relating to amounts approved by the General Shareholders Meeting in previous years; and (iii) €2,510 k relating to dividends received by Assets held for sale.

4.6 Joint operations

4.6.1. Joint operations – Oil Consortium

Joint operations are subject to joint agreements designated as JOA (Joint Operating Agreement). These JOA establish the joint decisions between the partners of the oil consortia. In addition to the JOA’s, Production Sharing Agreements may exist, which are primarily used to determine the share of oil production in a given area that is for the consortium. In PSAs, the national oil company pays the execution, by the international oil company (contractor), of the exploration and production activity. The contractor takes the mineral and financial risk of the initiative and, if successful, recovers the cost of capital spent and costs incurred in the year (cost oil) through the share of production. In Angola, the fluctuation in international oil prices also affects the production share (net entitlement) by which the contractor has the right to remunerate their invested capital (profit oil) after incurred costs are paid by cost oil. Thus, the investment and the stock are recognised in the share of the assets, while sales and costs are recognised in the Income Statement.

The profit oil is a form of remuneration of the State specific for the production sharing contracts in Angola. The profit oil represents the difference between (i) the amount of oil produced and collected from each development area and not used in oil operations, and (ii) the oil for the cost recovery (cost oil) in the same development area. Annual audits are performed by independent auditors on the accounts submitted by the consortium, in which it is assessed the acceptance of these costs, which gives rise to adjustments for excess or insufficiency in profit oil.

Joint Operations, by geographic area and percentage held as at 31 December 2016 and 2015 are as follows:

2016

Country	Consortium	Acquisition date	Participating companies and participation interest
Brazil	BM-S-8	September/2000	Statoil (66%); Petrogal Brasil (14%); Barra Energia (10%); Queiroz Galvão (10%)
	BM-S-11		Petróleo Brasileiro, S.A. (65%); BG E&P Brasil S.A. (25%); Petrogal Brasil S.A. (10%)
	BM-S-24	August/2001	Petróleo Brasileiro, S.A. (80%); Petrogal Brasil S.A. (20%)
	BT-POT-29		Petrogal Brasil, S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-POT-32	November/2004	Petróleo Brasileiro, S.A. (50%); Petrogal Brasil S.A. (50%)
	BT-POT-51	January/2006	Petrogal Brasil, S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-SEAL-13	January/2006	Petrogal Brasil, S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BM-POT-17	January/2006	Petróleo Brasileiro, S.A. (80%); Petrogal Brasil S.A. (20%)
	BM-POT-16	January/2006	Petróleo Brasileiro, S.A. (60%); Petrogal Brasil S.A. (20%); Encana Brasil S.A. (20%)
	PEPB-M-783	March/2008	Petróleo Brasileiro, S.A. (80%); Petrogal Brasil S.A. (20%)
	PEPB-M-839		Petróleo Brasileiro, S.A. (80%); Petrogal Brasil S.A. (20%)
	BAR-300	August/2013	Shell BG (50%); Petrobras (40%); Galp Energia Brasil S.A. (10%)
	BAR-342		Shell BG (50%); Petrobras (40%); Galp Energia Brasil S.A. (10%)
	BAR-344		Shell BG (50%); Petrobras (40%); Galp Energia Brasil S.A. (10%)
	BAR-388		Shell BG (50%); Petrobras (40%); Galp Energia Brasil S.A. (10%)
	PN-T-136		Galp Energia Brasil S.A. (50%); Petrobras (50%)
	PN-T-150		Petrobras (50%); Galp Energia Brasil S.A. (50%)
	PN-T-166		Petrobras (50%); Galp Energia Brasil S.A. (50%)
	PN-T-182		Galp Energia Brasil S.A. (50%); Petrobras (50%)
	POT-M-764		Petrobras (40%); BP (40%); Galp Energia Brasil S.A. (20%)
Angola	Block 14	December/1999	Galp (9%); CABGOG (31%); Sonangol (20%); Eni (20%); Angola Bloco 14, B.V. (20%)
	Block 14K	December/2002	Galp (4.5%); Chevron Overseas Congo Ltd (15.75%); CABGOG (15.5%); Sonangol (10%); SNPC (7.5%); TFE (10%); TEPC (26.75%); Eni (10%)
	Block 32	May/2007	Galp (5%); Total (30%); Sonangol (30%); SSI Limited (20%); Esso (15%)
	Block 33	May/2007	Galp (5.33%); Total (58.67%); Sonangol (20%); Falcon (16%)
	Sonagas	May/2007	Galp (10%); Sonagas (40%); Eni (20%); Gas Natural (20%); EXEM (10%)
Mozambique	Area 4	December/2007	Galp (10%); KOGAS (10%); Eni (70%); ENH (10%)
East Timor	Block (E) S06-04	December/2007	Galp (10%); KOGAS (10%); Eni (80%)
Namibia	PEL23	2013	Galp (14%); HRT (86%)
	PEL24		
	PEL28		
	PEL82	August/2016	Galp (80%); TPY (10%); NAMCOR (10%)
	PEL83		
Portugal	Peniche basin	May/2014	Galp (30%); Repsol (34%); Kosmos (31%); Partex (5%)
	Alentejo basin	December/2014	Galp (50%); Eni (50%)
	Aljubarrota	2012	Galp (50%); Porto Energy (50%)
Uruguay	Area 3	2009	Galp (20%); Shell (40%); YPF (40%)
	Area 4		
Sao Tome and Principe	Block 6	2015	Galp (45%); Kosmos Energy (45%); ANP-STP (10%)
	Block 5	2016	Galp (20%); Kosmos Energy (45%); ANP-STP (15%); Equator (20%)
	Block 11	2016	Galp (20%); Kosmos Energy (65%); ANP-STP (15%)
	Block 12	2016	Galp (20%); Kosmos Energy (45%); ANP-STP (12.5%); Equator (22.5%)

2015

Country	Consortium	Acquisition date	Participating companies and participation interest
Brazil	BM-S-8	September/2000	Petróleo Brasileiro, S.A. (66%); Petrogal Brasil S.A. (14%); Barra Energia (10%); Queiroz Galvão (10%)
	BM-S-11		Petróleo Brasileiro, S.A. (65%); BG E&P Brasil S.A. (25%); Petrogal Brasil S.A. (10%)
	BM-S-24		Petróleo Brasileiro, S.A. (80%); Petrogal Brasil S.A. (20%)
	BT-POT-28	November/2004	Petrogal Brasil, S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-POT-29		Petrogal Brasil, S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-POT-32	November/2004	Petróleo Brasileiro, S.A. (50%); Petrogal Brasil S.A. (50%)
	BT-POT-36	November/2004	Petrogal Brasil, S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-POT-51	January/2006	Petrogal Brasil, S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-SEAL-13	January/2006	Petrogal Brasil, S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BM-POT-17	January/2006	Petróleo Brasileiro, S.A. (80%); Petrogal Brasil S.A. (20%)
	BM-POT-16	January/2006	Petróleo Brasileiro, S.A. (60%); Petrogal Brasil S.A. (20%); Encana Brasil S.A. (20%)
	PEPB-M-783	March/2008	Petróleo Brasileiro, S.A. (80%); Petrogal Brasil S.A. (20%)
	PEPB-M-839		Petróleo Brasileiro, S.A. (80%); Petrogal Brasil S.A. (20%)
	AM-T-84	April/2009	Petróleo Brasileiro, S.A. (60%); Petrogal Brasil S.A. (40%)
	BAR-300	August/2013	BG (50%); Petrobras (40%); Galp Energia Brasil S.A. (10%)
	BAR-342		BG (50%); Petrobras (40%); Galp Energia Brasil S.A. (10%)
	BAR-344		BG (50%); Petrobras (40%); Galp Energia Brasil S.A. (10%)
	BAR-388		BG (50%); Petrobras (40%); Galp Energia Brasil S.A. (10%)
	PN-T-136		Galp Energia Brasil S.A. (50%); Petrobras (50%)
	PN-T-150		Petrobras (50%); Galp Energia Brasil S.A. (50%)
	PN-T-166		Petrobras (50%); Galp Energia Brasil S.A. (50%)
	PN-T-182		Galp Energia Brasil S.A. (50%); Petrobras (50%)
	POT-M-764		Petrobras (40%); BP (40%); Galp Energia Brasil S.A. (20%)
Angola	Block 14	December/1999	Galp (9%); CABGOG (31%); Sonangol (20%); Eni (20%); Angola Bloco 14, B.V. (20%)
	Block 14K	December/2002	Galp (4.5%); Chevron Overseas Congo Ltd (15.75%); CABGOG (15.5%); Sonangol (10%); SNPC (7.5%); TFE (10%); TEPC (26.75%); Eni (10%)
	Block 32	May/2007	Galp (5%); Total (30%); Sonangol (30%); SSI Limited (20%); Esso (15%)
	Block 33	May/2007	Galp (5.33%); Total (58.67%); Sonangol (20%); Falcon (16%)
	Sonagas	December/2007	Galp (10%); Sonagas (40%); Eni (20%); Gas Natural (20%); EXEM (10%)
Mozambique	Area 4	December/2007	Galp (10%); KOGAS (10%); Eni (70%); ENH (10%)
East Timor	Block (E) S06-04	December/2007	Galp (10%); KOGAS (10%); Eni (80%)
Morocco	Tarfaya Offshore 1	December/2012	Galp (50%); ONHYM (25%); Tangiers (25%)
Namibia	PEL23	2013	Galp (14%); HRT (86%)
	PEL24		
	PEL28		
Portugal	Peniche basin	May/2014	Galp (30%); Repsol (34%); Kosmos (31%); Partex (5%)
	Alentejo basin	December/2014	Galp (50%); Eni (50%)
	Aljubarrota	2012	Galp (50%); Porto Energy (50%)
Uruguay	Area 3	2009	Galp (20%); Petrobras (40%); YPF (40%)
	Area 4		
Sao Tome and Principe	Block 6	2015	Galp (45%); KOSMOS (45%); ANP-STP (10%)

Main impacts during the year ended 31 December, 2016:

a) Brazil

The non operated block AM-T-84 proved to be uneconomic, for which reason the Group proceeded to its write-off and returned the area to ANP:

AM-T-84	April/2009	Petróleo Brasileiro, S.A. (60%); Petrogal Brasil, S.A. (40%)

The Group sold the Andorinha Field (BT-POT-28 and BT-POT-36), being its assets totally depreciated:

BT-POT-28	November/2004	Petrogal Brasil, S.A. (50%); Petróleo Brasileiro, S.A. (50%)
BT-POT-36		

b) Namibia

On 11 August, 2016, two new licenses were acquired to operate in Namibia and the consortium works with two local entities:

PEL82	Blocks 2112B e 2112	August/2016	GALP (80%); TPY (10%); NAMCOR (10%)
PEL83	Blocks 2813B e 2814		

c) Morocco

The company Galp Energia Tarfaya operating in the Tarfaya Offshore area was liquidated on December 21, 2016 (note 3.1 c1):

Tarfaya Offshore 1	December/2012	Galp (50%); ONHYM (25%); Tangiers (25%)

d) Sao Tome and Principe

The Galp group reached an agreement with Kosmos Energy (Kosmos) to acquire a 20% stake in blocks 5, 11 and 12, in the Sao Tome and Principe offshore. Through this acquisition, Galp reinforces its presence in the country, where it has held, since 2015, the operation in block 6, in which Kosmos also participates.

Block 5	2016	**Galp (20%); Kosmos Energy (45%); ANP-STP (15%); Equator (20%)**
Block 11		**Galp (20%); Kosmos Energy (65%); ANP-STP (15%)**
Block 12		**Galp (20%); Kosmos Energy (45%); ANP-STP (12,5%); Equator (22,5%)**

4.6.2. Joint Operations – Jointly controlled entities

Joint ventures in jointly controlled entities, its head office, main activities and interest held as of 31 December 2016 and 2015 are as follows:

Companies	Head office		Interest held by the Group		Participating companies and participation interest	Main activity
	City	Country	2016	2015		
Sigás - Armazenagem de Gás, A.C.E.	Sines	Portugal	60%	60%	Petróleos de Portugal - Petrogal, S.A. (60%); Rubis Energia Portugal, S.A. (35%); Repsol Polímeros, S.A. (5%)	Design and construction of underground LPG storage and of the additional surface facilities needed to move products. Management and exploration of the cave including surface facilities, tanks and LPG spheres.
Pergás - Armazenamento de Gás, A.C.E. (Note 3.1 a)	Matosinhos	Portugal	51%	-	Petróleos de Portugal - Petrogal, S.A. (51%); Rubis Energia Portugal, S.A. (30,75%); Repsol Gás Portugal, S.A. (18,25%)	Executing the operation and maintenance of the Perafita Park, ensuring the development of the import, reception, storage, filling and expedition activities of GPL by the respective members.
Multiservicios Galp Barcelona	Barcelona	Spain	50%	50%	Galp Energia España, S.A. (50%); Multiservicios Aeroportuarios, S.A. (50%)	Managing the supply of aviation business in the Barcelona Airport.

5. Operating income

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

unit: €k

Captions	2016	2015	
Sales:			
Goods	5,134,354	6,721,787	(a)
Products	7,362,517	8,147,520	(a)
Exchange differences	(8,929)	(35)	(a)
	12,487,942	**14,869,272**	**(a)**
Services rendered	631,278	632,920	
Exchange differences	36	1,561	(a)
	631,314	**634,481**	**(a)**
Other operating income:			
Supplementary income	83,058	49,080	
Revenues arising from the construction of assets under IFRIC12	15,904	19,827	
Operational government grants	217	305	
Investment government grants (Note 13)	8,414	12,618	
Gains on fixed and intangible assets	5,303	8,527	
Exchange differences	(34)	1,012	(a)
Others	8,474	9,824	
	121,336	**101,193**	**(a)**
	13,240,592	**15,604,946**	**(a)**

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.26.

Fuel sales include the ISP.

The detail of the caption "Sales of goods and products", by type of product is as follows:

unit: €k

Detail of sale per type of product	December 2016	December 2015	
Crude	658,743	749,966	
Gasoline	2,123,655	2,196,672	
Diesel	5,553,054	6,127,811	
Jet fuel	715,284	832,274	
Fuel	516,093	657,172	
LPG	352,018	350,764	
Base oil and lubricants	128,966	136,141	
Chemicals, solvents and aromatics	181,274	255,970	
Naphthas	277,951	472,066	
Natural gas	1,550,175	2,268,858	
Electricity	236,878	277,568	
Store products	104,892	100,758	
Oil products	81,511	413,058	
Others	7,448	30,194	(a)
Total sales	**12,487,942**	**14,869,272**	

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.26.

The variation presented in the caption "Sales" relates primarily to a reduction in sales prices, while the quantities sold increased when compared to the previous year.

The caption "Sales and Services" rendered includes the negative amount of €13,732 k related to the marketing, distribution and storage of natural gas activities as a result of (Note 14):

- negative €1,710 k concerning the adjustment of the estimated regulated revenues and the value of the invoiced income in relation to distribution, marketing and storage activities (Note 14);
- negative €2,351 k concerning the adjustment made by ERSE in the fixation of the tariff deviations – regulated revenue of the Companies (Note 14);
- negative €7,748 k concerning the corresponding regulated revenue amortisation for 2013 (Note 14);
- negative €1,923 k concerning the corresponding regulated revenue amortisation for 2014 (Note 14).

Regarding the construction contracts under IFRIC12, the construction of the concession assets is subcontracted to specialised entities which assume their own construction 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:

unit: €k

Captions	2016	2015
Costs arising from the construction of assets under IFRIC12 (Note 6)	(15,904)	(19,827)
Revenues arising from the construction of assets under IFRIC12	15,904	19,827
Margin	-	-

6. Operating costs

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

unit: €k

Captions	2016	2015	
Cost of sales:			
Raw and subsidiary materials	4,529,693	6,059,056	(a)
Goods	3,045,970	4,067,561	
Tax on Oil Products	2,779,945	2,598,385	
Variation in production	(269,379)	67,908	
Impairment in inventories (Note 16)	(16,020)	(85,080)	
Financial derivatives (Note 27)	47,778	59,272	
Exchange differences	17,533	26,095	(a)
	10,135,520	**12,793,197**	(a)
External supplies and services:			
Subcontracts - network use	385,125	382,849	
Subcontracts	5,807	8,176	
Transport of goods	119,894	123,484	(a)
Storage and filling	51,458	56,776	
Rental costs	97,667	84,986	
Blocks production costs	177,732	139,495	
Maintenance and repairs	51,881	52,523	
Insurance	55,451	47,197	
Royalties	70,881	49,950	
IT services	29,841	25,339	
Commissions	10,522	13,027	
Advertising	13,323	11,571	
Electricity, water, steam and communications	55,952	62,675	
Technical assistance and inspection	3,725	7,844	
Port services and fees	8,633	9,100	
Other specialised services	75,244	67,571	
Other external supplies and services	23,805	25,066	
Exchange differences	(6,185)	1,363	(a)
Other costs	53,744	58,925	(a)
	1,284,500	**1,227,917**	(a)
Employee costs:			
Statutory board salaries (Note 29)	5,627	9,480	
Employee salaries	232,939	240,996	
Social charges	54,022	53,855	
Retirement benefits - pensions and insurance	29,257	35,369	
Other insurances	9,041	8,895	
Capitalisation of employee costs	(5,967)	(12,228)	
Exchange differences	(422)	192	(a)
Other costs	9,351	6,939	(a)
	333,848	**343,498**	(a)
Amortisation, depreciation and impairment:			
Amortisation and impairment of tangible assets (Note 12)	769,670	634,826	
Amortisation and impairment of intangible assets (Note 12)	30,873	43,598	
Amortisation and impairment of concession arrangements (Note 12)	34,315	41,211	
	834,858	**719,635**	

unit: €k

Captions	2016	2015	
Provision and impairment losses on receivables:			
Provisions and reversals (Note 25)	(11,897)	16,232	
Impairment losses on trade receivables (Note 15)	20,938	13,467	
Provisions and reversals for environmental charges (Note 25)	1,475	450	
Impairment losses (gains) on other receivables (Note 14)	269	976	
	10,785	**31,125**	
Other operating costs:			
Other taxes	19,525	15,146	
Costs arising from the construction of assets under IFRIC12 (Note 5)	15,904	19,827	
Loss on tangible and intangible assets	2,441	6,236	
Donations	1,544	1,692	
CO_2 Licenses (Note 35)	7,561	7,597	
Exchange differences	(16)	2,863	(a)
Other operating costs	50,581	12,989	(a)
	97,540	**66,350**	(a)
	12,697,051	**15,181,722**	(a)

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.26.

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);
- dransportation network use (URT);
- global system use (UGS).

The subcontracts heading includes the effect of regulated tariffs for the UGS and the 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 €385,125 k recorded under this caption mainly includes the amount of €6,443 k charged by Madrileña Red de Gas, €170,939 k charged by EDP Distribuição Energia and €78,707 k charged by Ren Gasodutos.

The amount of €70,881 k of royalties presented in “External supplies and services” mainly relates to the Exploration and Production of oil and gas in Brazil.

Royalties are calculated taking into account an applicable rate of 10% for the production volumes in proportion to the Galp share valued at the reference price of the oil or gas (the highest of the ANP’s minimum selling price and the contracted sales price).

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 of oil products;
- 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.

The financial information for the previously identified segments, as of 30 December 2016 and 2015 is presented as follows:

unit: €k

	Exploration & Production		Refining & Marketing		Gas & Power		Other		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Income												
Sales and services rendered	852,114	617,444	10,517,874	12,097,377	2,437,331	3,230,405	124,406	123,597	(812,469)	(565,070)	13,119,256	15,503,753
Inter-segmental	555,512	251,214	1,638	1,880	157,459	213,867	97,860	98,109	(812,469)	(565,070)	-	-
External	296,602	366,230	10,516,236	12,095,497	2,279,872	3,016,538	26,546	25,488	-	-	13,119,256	15,503,753
Cost of sales	(28,845)	6,484	(9,147,286)	(10,856,668)	(1,610,281)	(2,335,587)	2	(68)	650,890	392,642	(10,135,520)	(12,793,197)
Cost of goods sold and materials consumed	2,014	(1,630)	(9,425,388)	(10,761,403)	(1,632,417)	(2,354,830)	2	(68)	650,890	392,642	(10,404,899)	(12,725,289)
Variation in production	(30,859)	8,114	278,102	(95,265)	22,136	19,243	-	-	-	-	269,379	(67,908)
Ebitda [1]	**480,658**	**347,607**	**572,161**	**445,093**	**309,711**	**356,702**	**26,656**	**24,582**	**(2)**	**-**	**1,389,184**	**1,173,984**
Non payable expenses												
Amortisation, depreciation and impairments	(466,435)	(374,916)	(312,476)	(279,715)	(51,264)	(60,610)	(4,683)	(4,394)	-	-	(834,858)	(719,635)
Depreciation and amortisation	(274,134)	(210,915)	(305,146)	(270,568)	(52,380)	(58,220)	(4,683)	(4,394)	-	-	(636,343)	(544,097)
Impairments	(192,301)	(164,001)	(7,330)	(9,147)	1,116	(2,390)	-	-	-	-	(198,515)	(175,538)
Provisions and impairments	13,486	(1,129)	(16,861)	(9,065)	(7,410)	(20,931)	-	-	-	-	(10,785)	(31,125)
Provisions	(5,274)	-	(4,362)	(7,555)	(219)	(10,625)	-	-	-	-	(9,855)	(18,180)
Impairments	-	(1,129)	(36,538)	(18,520)	(10,751)	(12,900)	-	-	-	-	(47,289)	(32,549)
Provisions - Reversals	18,743	-	804	1,241	726	255	-	-	-	-	20,273	1,496
Impairments - Reversals	17	-	23,235	15,770	2,834	2,338	-	-	-	-	26,086	18,108
Ebit	**27,709**	**(28,438)**	**242,824**	**156,313**	**251,037**	**275,161**	**21,973**	**20,188**	**(2)**	**-**	**543,541**	**423,224**
Results from financial investments	(78,345)	12,994	(93,708)	(49,273)	189,283	55,588	6	(1)	2	-	17,238	19,308
Other financial results	81,385	102,763	(60,133)	(106,485)	(30,972)	(18,236)	(14,932)	(47,923)	-	-	(24,652)	(69,881)
Interest expense	58,022	63,417	(79,403)	(78,001)	(27,424)	(37,039)	(108,282)	(125,456)	97,510	107,621	(59,577)	(69,458)
Interest income	28,850	52,115	8,862	4,590	1,828	2,793	91,749	75,664	(97,553)	(106,723)	33,736	28,439
Other financial charges	(5,487)	(12,769)	10,408	(33,074)	(5,376)	16,010	1,601	1,869	43	(898)	1,189	(28,862)
Income tax	(176,309)	(95,964)	(46,615)	(6,579)	(35,638)	(58,088)	(1,823)	9,200	-	-	(260,385)	(151,431)
Energy sector extraordinary contribution	-	-	(28,667)	(29,005)	(39,380)	(37,997)	-	-	-	-	(68,047)	(67,002)
Non-controlling interests	(22,927)	(27,969)	(4,444)	(1,800)	(1,227)	(1,883)	-	-	-	-	(28,598)	(31,652)
Consolidated net result for the year	**(168,487)**	**(36,614)**	**9,257**	**(36,829)**	**333,103**	**214,545**	**5,224**	**(18,536)**	**-**	**-**	**179,097**	**122,566**
As at 31 December 2016 and 31 December 2015												
Other Informations												
Segment assets [2]												
Financial investments [3]	1,027,440	890,971	72,307	108,055	334,215	116,866	371	171	-	-	1,434,333	1,116,063
Non-current assets held for sale	-	-	4,128	-	-	-	-	-	-	-	4,128	-
Other Assets	5,754,950	4,977,938	4,768,888	4,935,698	1,330,823	2,647,550	2,607,160	2,113,399	(3,461,137)	(2,997,617)	11,000,684	11,676,968
Total consolidated assets	**6,782,390**	**5,868,909**	**4,845,323**	**5,043,753**	**1,665,038**	**2,764,416**	**2,607,531**	**2,113,570**	**(3,461,137)**	**(2,997,617)**	**12,439,145**	**12,793,031**
Liabilities associated with non-current assets held for sale	-	-	5,410	-	-	-	-	-	-	-	5,410	-
Other Liabilities	938,974	930,460	4,347,969	2,962,612	862,748	2,108,828	3,201,773	3,600,624	(3,461,137)	(2,997,617)	5,890,328	6,604,907
Total consolidated liabilities	**938,974**	**930,460**	**4,353,379**	**2,962,612**	**862,748**	**2,108,828**	**3,201,773**	**3,600,624**	**(3,461,137)**	**(2,997,617)**	**5,895,738**	**6,604,907**
Investment in tangible and intangible assets	**961,609**	**966,901**	**123,828**	**67,886**	**22,585**	**28,406**	**3,784**	**4,192**			**1,111,806**	**1,067,384**

[1] EBITDA = Segment Results/EBIT + Amortisations+Provisions
[2] Net Amount
[3] at the Equity Method

Inter-segmental Sales and Services Rendered

unit: €k

Segments	Exploration & Production	Refining & Marketing	Gas & Power	Others	Total
Gas & Power	-	1,259	-	27,437	28,696
Refining & Marketing	555,512	-	157,457	59,941	772,910
Exploration & Production	-	82	-	10,482	10,564
Others	-	297	2	-	299
	555,512	**1,638**	**157,459**	**97,860**	**812,469**

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 and marketing of oil products);
- Refining & Marketing: supply of fuel to all Group company vehicles;
- Exploration & Production: sales of crude oil to the Refining & Marketing of oil products segment; and
- Other: back-office and management services.

The commercial and financial transactions between related parties are performed according to the usual market conditions similar to transactions performed between independent companies (Note 28).

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, an analysis is made, amongst others, of 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 party's context, the remuneration thus corresponds to what is considered appropriate, as a rule, to the functions performed by each participant 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 value chain 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.

The detailed information on intersegmental sales and services rendered, tangible and intangible assets and financial investments by each geographic region where Galp operates is as follows:

unit: €k

	Sales and services rendered		Tangible and intangible assets		Financial investments	
	2016	2015 (a)	2016	2015	2016	2015
Africa	266,649	410,067	1,221,909	1,183,091	17,174	20,240
Latin America	284,176	366,376	2,400,080	1,534,150	-	-
Europe	12,568,431	14,727,310	2,642,431	4,038,494	1,417,159	1,095,823
Portugal	8,466,824	10,149,233	2,269,177	3,590,260	343,839	138,700
Other European Countries	4,101,607	4578077	373,254	448,234	1,073,320	957,123
	13,119,256	**15,503,753**	**6,264,420**	**6,755,735**	**1,434,333**	**1,116,063**

Of the total €1,073,320 k under financial investments in other European countries, €1,026,728 k were invested in companies related with projects in Brazil.

The reconciliation between the items in the Segment Reporting and the Income Statement for the years ended 31 December, 2016 and 2015 is as follows:

unit: €k

Captions from segment reporting	2016	2015	Captions from income statement	2016	2015
Income					
Sales and services rendered	13,119,256	15,503,753	Sales	12,487,942	14,869,272
			Services rendered	631,314	634,481
Cost of sales	(10,135,520)	(12,793,197)	Cost of sales	(10,135,520)	(12,793,197)
			Other operating income	121,336	101,193
			External supplies and services	(1,284,500)	(1,227,917)
			Employee costs	(333,848)	(343,498)
			Other operating costs	(97,540)	(66,350)
Ebitda IAS/IFRS (1)	**1,389,184**	**1,173,984**	**Operating result before amortization/ depreciation and provisions**	**1,389,184**	**1,173,984**
Non payable expenses					
Amortization and adjustments	(834,858)	(719,635)	Amortisation, depreciation and impairment losses on fixed assets	(834,858)	(719,635)
Provisions (net)	(10,785)	(31,125)	Provisions and impairment losses on receivables	(10,785)	(31,125)
Ebit IAS/IFRS	**543,541**	**423,224**	**Operating result**	**543,541**	**423,224**
Results from financial investments	17,238	19,308	Income from financial investments and impairment losses on Goodwill	17,238	19,308
Other financial results	(24,652)	(69,881)			
			Financial income	38,643	32,387
			Financial costs	(72,026)	(79,700)
			Exchange (losses) gains	(8,661)	(9,792)
			Income from financial instruments	17,392	(12,776)
Income tax	(260,385)	(151,431)	Income tax	(260,385)	(151,431)
Energy sector extraordinary contribution	(68,047)	(67,002)	Energy sector extraordinary contribution	(68,047)	(67,002)
Non-controlling interests	(28,598)	(31,652)	Non-controlling interests	(28,598)	(31,652)
Net income for the year	**179,097**	**122,566**	**Net income for the year**	**179,097**	**122,566**

8. Financial income and costs

Financial income and financial costs for the years ended 31 December 2016 and 2015 are as follows:

unit: €k

Captions	december 2016	december 2015
Financial income:		
Interest on bank deposits	27,272	23,294
Interest and other income with related companies	6,465	5,169
Other financial income	4,906	3,924
	38,643	**32,387**
Financial costs:		
Interest on bank loans, bonds, overdrafts and others	(112,730)	(122,361)
Interest with related parties	(8,669)	(7,898)
Interests capitalised in fixed assets (Note 12)	81,254	88,522
Net interest on retirement benefits and other benefits	(9,798)	(10,140)
Charges relating to loans and bonds	(12,935)	(17,019)
Other financial costs	(9,148)	(10,804)
	(72,026)	(79,700)
	(33,383)	**(47,313)**

During the year ended 31 December 2016, the Group capitalised under the caption Fixed assets in progress, the amount of €81,254 k, regarding interests on loans obtained to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

During 2016, the amount capitalised correspond to 72% of the total interests incurred by the group, in the amount of €112,730 k. The amount of capitalised interests is prorated by the investments in progress.

9. Income tax

The Group's operations take place in several regions and are carried out by various legal entities, being applied the locally established income tax rates.

The Group companies headquartered in Portugal in which the Group has an interest equal or greater than 75%, if such participation ensures more than 50% of voting rights, are taxed in accordance with the special regime for the taxation of groups of companies, with taxable income being determined in Galp Energia, SGPS, S.A. The weighted income tax rate applied to the Companies headquartered in Portugal is of 25%.

Spanish tax resident companies, in which the percentage held by the Group exceeds 75% have, from 2005 onwards, been taxed on a consolidated basis in Spain. Currently, the fiscal consolidation is performed by Galp Energia España S.A., on behalf of Galp Energia SGPS, S.A. The weighted income tax rate applied to the Companies headquartered in Spain is of 25%.

However, estimated income tax of the Company and its subsidiaries is accounted based on their tax results. In the year ended 31 December 2016, €260,385 k was recorded in the caption Income tax.

The following situations may affect income tax payable in the future:

i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years except when there are carried forward tax losses, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;

ii) From 2001 to 2016, the subsidiary Petrogal, S.A. was subject to several inspections by the tax authorities relating to the fiscal years 1997 to 2011, which in accordance with the Company assessment are following their normal course. Paragraphs v) to xiii) below detail the open inspections;

iii) During 2009, the tax authorities concluded the 2005 and 2006 inspections of Galp Energia, SGPS, S.A. and its subsidiaries Petrogal, S.A. and Galp Gas & Power, S.A. Tax returns which resulted in additional assessments are summarised in paragraph vii) below;

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

v) As mentioned in paragraph ii) above, in 2004 the corporate income tax returns for the years 2000, 2001 and 2002 were inspected by the tax authorities, which resulted in proposed additional assessments communicated to Petrogal of €740 k, €10,806 k and €2,479 k, respectively, of which €11,865 k have been paid. Additionally, regarding 2001, Petrogal has appealed against the settlement issued. As such, and given the expectation of additional amount to be incurred on these claims, Petrogal accounted for a provision to cover such settlements totalling €7,394 k (Note 25);

vi) As mentioned in paragraph ii) above, in 2006 the corporate income tax return for the year 2003 was inspected by the tax authorities, which resulted in an increase in taxable income of €12,098 k, which corresponds to an additional assessment communicated to Petrogal of €5,265 k, for which an appealing was presented and a partial payment of €2,568 k was made in 2008 and recognised in the income statement of that year;

vii) As mentioned in paragraphs ii) and iii) above, in 2009 Galp Energia, SGPS, S.A. and its subsidiaries Petrogal, S.A. and Galp Gas & Power SGPS, S.A. (previously named GDP – Gás de Portugal, SGPS, S.A.) 2005 income tax returns were inspected by the tax authorities, which resulted in additional assessment of €23,587 k and for which during January 2010 the Company has conceded a guarantee in the amount of €27,010 k. As the Group does not agree with the tax authority's position, the Company, supported by its tax and legal advisors, presented an administrative claim and a judicial review where it questions the additional assessment. In previous years Galp Energia SGPS, S.A. recorded a provision of €3,230 k and its subsidiary Galp Gas & Power, SGPS, S.A. (previously GDP, SGPS, S.A.) recorded an amount of €2,092 for this purpose. In 2014, as a result of favourable developments in this matter, the company decided to reverse the previously recorded provision;

viii) Additionally, during 2010, and as consequence of inspections that occurred in 2006 and 2007, Petrogal S.A. tax returns were corrected by the tax administration, which resulted in additional assessments of €479 k and €190 k, respectively. As the company partially disagrees with these corrections, amounts of €304 k regarding 2006 and €87 k regarding 2007 were not paid. Regarding these amounts the company has either contested or will contest the assessments. For the unpaid amounts, the company has presented the respective claim and has appealed the rejection of the same;

ix) In 2011, the subsidiary Petrogal, S.A was subject to a tax inspection regarding the year 2008, which resulted in a correction to taxable income corresponding to additional tax payable of €492 k. Since the company disagrees with some of the corrections referred to above, the company has filed an administrative appeal, which is still under consideration;

x) The tax inspection at the subsidiary Petrogal, S.A. regarding the year 2009 resulted in corrections to taxable income that correspond to additional tax payable, of which the company has chosen to appeal €375 k - an administrative claim has been filed which is running its natural course of action;

xi) During 2014, the tax inspection regarding the 2010 financial year of subsidiary Petrogal S.A., as well as the other companies, members of the special tax regime of taxation for groups of companies, was completed and resulted favourable corrections to the Group and a tax refund of €1 k;

xii) In 2015 the tax inspection for the year 2011 was concluded for the subsidiary Petrogal S.A. and the consolidated tax group led by Galp Energia SGPS, S.A. Of the referred inspections, no corrections were noted that correspond to additional tax to be paid for the period under review;

xiii) Additionally, the subsidiary Petrogal, S.A., as a result of the 2009 tax inspection, was subject to an adjustment on Value Added Tax (VAT) in the amount of €4,577 k. As the correction is based on the compliance of a mere formality, the Company believes that the above amount is not due, provided that the required formalities are fulfilled, which has already occurred. In this regard, the Company presented a claim and subsequent hierarchical appeal, disputing this correction, both of which were rejected. Given its conviction of the correctness of its position, the Company has proceeded to judicial action, having nevertheless proceeded, in 2016, to pay the corresponding tax recognising it as an expense for the year;

xiv) As a result of the exploration and oil production operations in Angola, the Group is subject to IRP based on the Angolan tax system applied to production sharing contracts where the Group participates. As at 31 December 2016, there are under discussion with the Ministry of Finance in Angola the preliminary results from the tax audits performed for the years 2003 to 2010, for which the Group has decided to book a provision for the eventual additional corrections. As of 31 December 2016, the provision amounts to €22,581 k (Note 25 and 33);

xv) Under current legislation, tax losses in Portugal can be reported and carried forward during a period of 5 years, for 2012 and 2013 taxable income, and 12 years for taxable income arising from 2014 onward;

xvi) There is no limit for the use of tax losses of Group companies based in the Brazilian and Spanish territories. On the other hand, tax losses of Group companies based in the Netherlands are carried forward for a maximum period of 9 years.

xvii) The Group has accounted for deferred tax assets for tax losses carried forward only for subsidiaries in which there is high probability of recovery.

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

unit: €k

Captions	December 2016	December 2015	
Current income tax	118,701	72,454	
IRP - Tax on Oil income	11,645	23,764	
Special Participation Tax	103,719	82,920	
(Excess)/Insuficiency of income tax for the preceding year	4,196	(10,296)	
Deferred tax	21,941	(16,672)	
Exchange differences	183	(739)	(a)
Income tax	**260,385**	**151,431**	**(a)**
Energy sector extraordinary contribution	**68,047**	**67,002**	
	328,432	**218,433**	**(a)**

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.26

As of December 31, 2016 and 2015, the Group has recorded in current income tax payable the amount of €75,440k and €9,214k respectively as follows:

unit: €k

Captions	2016	2015
Galp Gás Natural Distribuição Group (Note 28)		
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A. (Note 28)	9,925	-
Lusitaniagás - Companhia de Gás do Centro, S.A. (Note 28)	3,094	-
Galp Gás Natural Distribuição, S.A. (Note 28)	1,349	-
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A. (Note 28)	545	-
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A. (Note 28)	212	-
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A. (Note 28)	210	-
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A. (Note 28)	62	-
	15,397	**-**
State and other public entities	**(90,837)**	**(9,214)**
	(75,440)	**(9,214)**

Below is a reconciliation of the income tax for the years ended 31 December 2016 and 2015, and detail of deferred taxes:

	December 2016	Rate	Income tax	December 2015		Rate	Income tax	
Income before taxes:	536,127	27.00%	144,754	372,651	(a)	27.00%	100,815	(a)
Adjustments to taxable income:								
Application of the equity method		-0.87%	(4,654)			-1.60%	(5,975)	
Fiscal benefits		-0.17%	(925)			-0.71%	(2,653)	
Achievements of social utility		0.00%	-			0.09%	330	
Income tax rates differences		0.49%	2,615			4.20%	15,660	
(Excess)/Insufficiency of income tax of the preceding year		0.78%	4,196			-2.76%	(10,296)	
Autonomous taxation		0.51%	2,747			0.84%	3,123	
Special participation Tax (SPT) and IRP - Tax on oil income		14.31%	76,714			17.40%	64,823	
Other additions and deductions		6.52%	34,938			-3.86%	(14,396)	(a)
Effective tax rate and tax income		48.57%	260,385			40.58%	151,431	(a)

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.26.

In the year ended 31 December 2016 the Group paid IRP through its subsidiary Galp Energia Overseas Block 14, B.V. and its respective branch in Angola, amounting to €10,981 k relating to Oil Income Tax, determined based on the Angolan tax regime applied to Production Sharing Agreements in which the Group participates.

Deferred taxes

As at 31 December 2016 and 31 December 2015, the balance of deferred tax assets and liabilities is as follows:

unit: €k

	Deferred taxes December 2016 - Assets						
Captions	Initial balance	Effect in results	Effect in equity	Effect of currency translation	Changes in the consolidation perimeter	Other adjustments	Ending balance
Adjustments to accruals and deferrals	6,512	(318)	-	-	(828)	-	5,366
Adjustments to tangible and intangible assets	41,214	(14,111)	-	1,964	(7)	(1,428)	27,632
Adjustments to inventories	631	26	-	-	-	-	657
Overlifting adjustments	927	607	-	61	-	-	1,595
Retirement benefits and other benefits	102,402	(2,065)	(1,366)	-	(12,083)	14	86,902
Double economical taxation	2,752	-	-	-	-	-	2,752
Financial instruments	254	1,445	(1,654)	-	-	-	45
Tax losses carried forward	102,430	(13,130)	-	5,625	-	1,428	96,353
Regulated revenue	8,541	1,109	-	-	(2,492)	240	7,398
Non deductible provisions	33,036	11,604	-	3,809	(1,286)	(6)	47,157
Potential foreign exchange differences Brazil	133,192	(50,103)	(89,103)	27,082	-	298	21,366
Others	30,243	4,747	-	3,647	(865)	(11)	37,761
	462,134	**(60,189)**	**(92,123)**	**42,188**	**(17,561)**	**535**	**334,984**

unit: €k

	Deferred taxes December 2015 - Assets					
Captions	Initial balance	Effect in results	Effect in equity	Effect of currency translation	Other adjustments	Ending balance
Adjustments to accruals and deferrals	8,284	(1,814)	-	-	42	6,512
Adjustments to tangible and intangible assets	25,033	134	-	4,037	12,010	41,214
Adjustments to inventories	742	(111)	-	-	-	631
Overlifting adjustments	147	749	-	31	-	927
Retirement benefits and other benefits	100,847	(353)	1,867	-	41	102,402
Double economical taxation	3,522	(771)	-	-	1	2,752
Financial instruments	-	-	254	-	-	254
Tax losses carried forward	65,950	40,061	-	(4,302)	721	102,430
Regulated revenue	14,083	(5,542)	-	-	-	8,541
Non deductible provisions	27,374	8,489	-	(2,790)	(37)	33,036
Potential foreign exchange differences Brazil	79,523	(31,661)	112,945	(16,876)	(10,739)	133,192
Others	38,468	(17,138)	-	(171)	9,084	30,243
	363,973	**(7,957)**	**115,066**	**(20,071)**	**11,123**	**462,134**

unit: €k

Captions	Initial balance	Effect in results	Effect of currency translation	Changes in the consolidation perimeter	Ending balance
	Deferred taxes December 2015 - Liabilities				
Adjustments to accruals and deferrals	(13)	(540)	46	-	(507)
Adjustments to tangible and intangible assets	(34,531)	27,114	(5,128)	-	(12,545)
Adjustments to tangible and intangible assets Fair Value	(20,682)	(5,235)	(657)	3,452	(23,122)
Adjustments in Inventories	(181)	99	-	-	(82)
Underlifting Adjustments	(389)	298	2	-	(89)
Dividends	(27,612)	13,441	-	-	(14,171)
Financial instruments	-	(1,446)	-	-	(1,446)
Regulated revenue	(22,622)	4,327	-	6,450	(11,845)
Accounting revaluations	(2,386)	202	-	1,163	(1,021)
Others	(968)	(12)	(5)	-	(985)
	(109,384)	**38,248**	**(5,742)**	**11,065**	**(65,813)**

unit: €k

Captions	Initial balance	Effect in results	Effect of currency translation	Other adjustments	Ending balance
	Deferred taxes December 2015 - Liabilities				
Adjustments to accruals and deferrals	(53)	2	38	-	(13)
Adjustments to tangible and intangible assets	(20,019)	(8,526)	1,149	(12,736)	(40,132)
Adjustments to tangible and intangible assets Fair Value	(16,496)	2,626	-	(1,211)	(15,081)
Adjustments in Inventories	(181)	-	-	-	(181)
Underlifting adjustments	(1,113)	836	(112)	-	(389)
Dividends	(39,973)	12,361	-	-	(27,612)
Regulated revenue	(39,828)	17,206	-	-	(22,622)
Accounting revaluations	(2,605)	219	-	-	(2,386)
Others	(920)	(95)	8	39	(968)
	(121,188)	24,629	1,083	(13,908)	(109,384)

Changes in deferred taxes reflected in Equity, correspond to:

- €1,366 k for changes in deferred taxes related with the actuarial gains/(losses) including: i) €293 k related to Group companies and ii) €1,073 k related to the deferred taxes recognized up to the date of the disposal of the companies disposed (Note 3.1 d);
- €1,654 k for changes in deferred taxes related to hedge reserves components;
- €89,103 k including €62,372 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 €26,731 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.

Tax losses for which deferred tax assets were recognised are as follows:

Year	Tax losses carried forward	Limit year use	Deferred tax asset
The Netherlands:			
2012 and previous:	16,842	2022	
2013	1,863	2023	
2014	217	2024	
2015	834	2025	
2016	56,966	2026	
	76,722		**13,674**
Spain:			
2012 and previous:	33,183	No limit	
2013	-	No limit	
2014	89,462	No limit	
2015	141,864	No limit	
	264,509		**65,695**
Brazil:			
2013	2,233	No limit	
2014	520	No limit	
2015	7,321	No limit	
2016	38,629	No limit	
	48,703		**16,559**
Portugal:			
2014	265	2026	
2015	1,760	2027	
	2,025		**425**

Regarding the assumptions underlying the existence of future taxable income sufficient to realise the deferred tax assets, Galp follows the medium and long-term plan designed for the Companies.

It should also be noted that in the case of jurisdictions where there are fiscal consolidation regimes, Galp simulates the implementation of these consolidations. It should also be referred that the prescribed legal limits for recovery of the losses are considered as the period for the recovery of deferred tax assets arising from tax losses.

In situations where the legal period for recovery exceeds the periods for which the Group makes the preparation of budgets and plans, forecasts are made for those periods based on the values established for the Budgets and Plans years.

Tax losses carried forward in Brazil will be recovered by the future expectable taxable income on the basis of the increasing oil exploration activity.

Regarding the companies headquarter in the Netherlands, deferred tax assets were only recognized in relation to the losses recognized in respect of the liquidation of the Company Tarfaya B.V., which was set up for the exploration of hydrocarbons in an exploration area in Morocco, for which the commercial exploration was found uneconomic.

These losses will naturally be used through the results generated in the normal course of the activity of Galp Energia E&P B.V., according to the existing budgets and plans.

In the specific case of Spain, the recovery of tax losses takes place beyond the timigs for which budgets and plans have been prepared, but are nevertheless based on extrapolations from these budgets and plans based on an economic reasonability criteria.

To this purpose, it should be highlighted that the expected improvement in tax results in Spain is based on the increase in the current activity and the constant search for new businesses and solutions.

10. Earnings per share

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

unit: €k

	December 2016	December 2015
Results:		
Net result for purposes of calculating earnings per share (Consolidated net income for the year attributable to Galp Energia SGPS, S.A. Shareholders)	179,097	122,566
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):	**0.22**	**0.15**

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

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 December 2016 was as follows:

2016 unit: €k

Subsidiaries		Acquisition year	Equity proportion at the acquisition date: Acquisition cost	%	Amount	Goodwill movement: December 2015	Currency exchange differences (d)	Changes in the consolidation perimeter (e)	Impairments (g)	December 2016
Galp Energia España, S.A.										
Galp Comercializacion Oil España, S.L.	(a)	2008	176,920	100.00%	129,471	37,725	-	-	(37,725)	-
Galp Distribuición Oil España, S.A.U.	(b)	2008	172,822	100.00%	123,611	11,092	-	-	(11,092)	-
Petróleos de Valência, S.A. Sociedad Unipersonal	(a)	2005	13,937	100.00%	6,099		-	-	-	-
						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	687	-	-	21,601
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	-	-	5,568
Galp Gambia, Limited	(f)	2008	6,447	100.00%	1,693	-	-	-	-	-
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.		2007 and 2008	8,360	15.77%	4,031	4,329	-	-	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	3,893	128	-	-	4,021
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	**815**	**(2,275)**	**(48,817)**	**86,758**

2015 unit: €k

			Equity proportion at the acquisition date			Goodwill movement				
Subsidiaries		**Acquisition year**	**Acquisition cost**	**%**	**Amount**	**December 2014**	**Currency exchange differences (d)**	**Changes in the consolidation perimeter (e)**	**Impairments (g)**	**2015**
Galp Energia España, S.A.										
Galp Comercializacion Oil España, S.L.	(a)	2008	176,920	100.00%	129,471	46,266	-	-	(8,541)	37,725
Petróleos de Valência, S.A. Sociedad Unipersonal	(a)	2005	13,937	100.00%	6,099	7,759	-	-	(7,759)	-
Galp Distribuición Oil España, S.A.U.	(b)	2008	172,822	100.00 %	123,611	46,823	-	-	(35,731)	11,092
						100,848	**-**	**-**	**(52,031)**	**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	18,754	2,160	-	-	20,914
Madrileña Suministro de Gas, S.L.		2010	43,356	100.00%	12,641	29,766	-	(29,766)	-	-
Madrileña Suministro de Gas SUR, S.L.		2010	12,523	100.00%	3,573	8,686	-	(8,686)	-	-
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	-	-	5,568
Galp Gambia, Limited		2008	6,447	100.00%	1,693	405	(405)	-	-	-
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.		2007 and 2008	8,360	15.77%	4,031	4,329	-	-	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	3,491	402	-	-	3,893
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
Probigalp - Ligantes Betuminosos, S.A.		2007	720	10.00%	190	-	-	-	-	-
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
						225,361	**2,157**	**(38,452)**	**(52,031)**	**137,035**

(a) The subsidiaries Petróleos de Valência, S.A. Sociedad Unipersonal and Galp Comercializacion 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 Distribuición 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). (e) Galp Gás Natural Distribuição Group ceased to fully consolidate in the Galp Energia, SGPS, S.A. Group, and the companies comprising the Group are therefore presented as joint ventures (Note 3.1 d) and 4.1). (f) Non-current assets held for sale (Note 3.1 f) (g) Amounts determined following the Goodwill impairment tests. (Note 4.4).

Goodwill Impairment analysis

When performing impairment tests, goodwill is allocated to the respective cash generating unit. Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The recoverable amount is estimated for the cash-generating unit to which it may belong, according to the method of discounted cash flows. The discount rate used reflects Galp group's WACC for the reporting segment and country of each cash generating unit.

31 December 2016:

		Assumptions		
Cash generating unit	Evaluation method	Cash flows	Growth factor	Discount rates
Financial investment (comprised in business segments)	DCF (Discounted Cash Flow)	According to corporate business plan	Gordon model with a growth factor to perpetuity of 2%	WACC between: R&M [7.3%-11.1%] E&P [10%-12%] G&P [6.3%-6.9%]

E&P - Exploration & Production, R&M - Refining & Marketing of Oil products, G&P - Gas & Power

31 December 2015:

		Assumptions		
Cash generating unit	Evaluation method	Cash flows	Growth factor	Discount rates
Financial investment (comprised in business segments)	DCF (Discounted Cash Flow)	According to corporate business plan	Gordon model with a growth factor to perpetuity of 2%	WACC between: R&M [7.2%-10%] E&P [9.8%-12.2%] G&P [6.2%-6.8%]

E&P - Exploration & Production, R&M - Refining & Marketing of Oil products, G&P - Gas & Power

The former Esso investments (Galp Comercialização Portugal and España) and former Agip investments (Galp Distribuicion España) were merged in Galp Energia España for those assets relating to Spain, and in Petrogal, for those assets related to Portugal. Thus, the Goodwill is tested for impairment with those assets (e.g. network station) with the respective sensitivity analysis (note 12).

Considering the volatility in the cash flows, resulting from the non-renewal of distribution contracts, which resulted in a loss of market share, leading additionally to an optimization of the network through the closure of service stations during the year 2016, Galp has reviewed the assumptions considered at the end of 2015. Therefore, a full impairment loss on the remaining Goodwill for the distribution network in Spain in the amount of €48,817k (Note 4.4.) was recognised. The discount rate considered, for the cash generating unit was 7.3%. Please refer to the stress analysis on the distribution network in Spain in note 12.

12. Tangible and intangible assets

12.1 Movements in tangible assets

Movements in tangible assets at 31 December 2016 are as follows:

2016 unit: €k

Tangible assets	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils	Administrative equipment	Reusable containers	Other tangible assets	Tangible assets in progress	Advances to suppliers of tangible assets	Total tangible assets
Acquisition cost:											
Balance at 1 January 2016	285,435	942,509	7,498,249	30,474	4,673	177,520	159,213	91,720	2,277,774	-	11,467,567
Additions	175	1,075	40,384	361	72	2,302	90	502	980,219	-	1,025,180
Additions by financial costs capitalisation (Note 8)	-	-	-	-	-	-	-	-	81,254	-	81,254
Write-offs/Disposals	(1,062)	(11,342)	(86,786)	(641)	(135)	(5,399)	(3,172)	(2,690)	(122,979)	-	(234,206)
Adjustments	-	-	(130,888)	-	-	-	-	65	(3,907)	7	(134,723)
Adjustments for currency differences in initial balance	29	(2,924)	202,922	(163)	(3)	113	(1,506)	299	317,581	-	516,348
Transfers	56	9,371	576,749	523	41	3,682	5,805	2,016	(594,564)	-	3,679
Transfer to investments held for sale	-	(1,848)	(3,378)	(687)	-	(432)	(186)	(323)	-	-	(6,854)
Changes in perimeter (Note 3)	-	(938)	-	-	-	-	-	-	-	-	(938)
Gross acquisition cost at 31 December 2016	**284,633**	**935,903**	**8,097,252**	**29,867**	**4,648**	**177,786**	**160,244**	**91,589**	**2,935,378**	**7**	**12,717,307**
Accumulated impairments at 1 January 2016	(9,720)	(21,166)	(24,324)	-	(61)	(1,182)	(1)	(2,384)	(230,186)	-	(289,024)
Increase in impairments	(2,079)	(1,043)	(7,851)	-	-	-	-	(11)	(191,170)	-	(202,154)
Reversal of impairments	-	-	2,445	-	-	-	-	-	-	-	2,445
Adjustments for currency differences in initial balance	-	-	108	-	-	-	-	-	(15,354)	-	(15,246)
Utilisation/Transfers of impairments	(2,545)	7,406	6,815	-	-	(3)	-	-	112,419	-	124,092
Impairments balance at 31 December 2016	**(14,344)**	**(14,803)**	**(22,807)**	**-**	**(61)**	**(1,185)**	**(1)**	**(2,395)**	**(324,291)**	**-**	**(379,887)**
Accumulated depreciations and impairment losses:											
Balance at 1 January 2016	(1,947)	(675,855)	(4,860,488)	(27,705)	(4,070)	(167,146)	(145,271)	(80,337)	-	-	(5,962,819)
Depreciations for the year	(276)	(24,107)	(532,549)	(1,151)	(192)	(5,353)	(3,947)	(2,386)	-	-	(569,961)
Write-offs/Disposals	6	8,781	76,183	456	128	5,241	3,063	2,513	-	-	96,371
Adjustments	255	(67)	86,804	182	-	(25)	25	(13)	-	-	87,161
Adjustments for currency differences in initial balance	(55)	1,003	(84,854)	117	3	(112)	967	(234)	-	-	(83,165)
Transfers	-	9	(21)	-	-	-	-	12	-	-	-
Transfer to investments held for sale	-	1,099	2,192	573	-	390	191	268	-	-	4,713
Changes in perimeter (Note 3)	-	391	-	-	-	-	-	-	-	-	391
Accumulated balance at 31 December 2016	**(2,017)**	**(688,746)**	**(5,312,733)**	**(27,528)**	**(4,131)**	**(167,005)**	**(144,972)**	**(80,177)**	**-**	**-**	**(6,427,309)**
Net amount:											
as at 31 December 2016	**268,272**	**232,354**	**2,761,712**	**2,339**	**456**	**9,596**	**15,271**	**9,017**	**2,611,087**	**7**	**5,910,111**

Tangible assets are recorded in accordance with the accounting policy defined by the Group in Note 2.3.

The depreciation rates that are being applied are disclosed in the same note.

The adjustments for exchange differences relate to the revaluation of opening balances from foreign currencies into Euro of the tangible assets of the subsidiaries denominated in foreign currencies.

2016 unit: €k

Tangible assets	Land and natural resources	Buildings and other constructions	Machinery and equipment	Transport equipment	Tools and utensils	Administrative equipment	Reusable containers	Other tangible assets	Tangible assets in progress	Advances to suppliers of tangible assets	Total tangible assets
Acquisition cost:											
Balance at 1 January 2015	286,994	940,163	7,142,059	31,060	4,469	174,666	158,791	91,740	1,907,460	28	10,737,430
Additions	61	765	41,600	210	22	1,399	508	685	907,565	-	952,815
Additions by financial costs capitalisation (Note 8)	-	-	-	-	-	-	-	-	88,522	-	88,522
Write-offs/Disposals	(1,676)	(1,698)	(25,749)	(787)	(63)	(849)	(4,177)	(775)	(86,885)	-	(122,659)
Adjustments	-	-	-	-	-	-	-	(64)	1,167	(28)	1,075
Adjustments for currency differences in initial balance	(35)	(2,474)	(4,745)	(94)	(3)	(228)	(917)	(432)	(173,347)	-	(182,275)
Transfers	91	5,753	345,084	85	248	2,532	5,008	566	(366,708)	-	(7,341)
Gross acquisition cost at 31 December 2015	**285,435**	**942,509**	**7,498,249**	**30,474**	**4,673**	**177,520**	**159,213**	**91,720**	**2,277,774**	**-**	**11,467,567**
Accumulated impairments at 1 January 2015	(8,667)	(20,849)	(39,263)	-	(61)	(1,182)	(1)	(2,384)	(158,063)	-	(230,470)
Increase in impairments	(1,297)	(313)	(4,756)	-	-	-	-	-	(155,732)	-	(162,098)
Reversal of impairments	-	-	(149)	-	-	-	-	-	590	-	441
Adjustments for currency differences in initial balance	-	-	-	-	-	-	-	-	(4,877)	-	(4,877)
Utilisation/Transfers of impairments	244	(4)	19,844	-	-	-	-	-	87,896	-	107,980
Impairments balance at 31 December 2015	**(9,720)**	**(21,166)**	**(24,324)**	**-**	**(61)**	**(1,182)**	**(1)**	**(2,384)**	**(230,186)**	**-**	**(289,024)**
Accumulated depreciations and impairment losses:											
Balance at 1 January 2015	(2,005)	(654,368)	(4,382,246)	(27,308)	(3,915)	(159,688)	(146,060)	(79,014)	-	-	(5,454,604)
Depreciations for the year	(288)	(23,383)	(433,370)	(1,171)	(206)	(8,385)	(4,072)	(2,294)	-	-	(473,169)
Write-offs/Disposals	-	1,284	21,427	674	48	778	4,176	667	-	-	29,054
Adjustments	45	72	(1,740)	42	-	18	56	13	-	-	(1,494)
Adjustments for currency differences in initial balance	64	631	(64,415)	68	3	137	629	281	-	-	(62,602)
Transfers	237	(91)	(144)	(10)	-	(6)	-	10	-	-	(4)
Accumulated balance at 31 December 2015	**(1,947)**	**(675,855)**	**(4,860,488)**	**(27,705)**	**(4,070)**	**(167,146)**	**(145,271)**	**(80,337)**	**-**	**-**	**(5,962,819)**
Net amount:											
as at 31 December 2015	**273,768**	**245,488**	**2,613,437**	**2,769**	**542**	**9,192**	**13,941**	**8,999**	**2,047,588**	**-**	**5,215,724**

12.2 Movements in intangible assets

Movements in intangible assets at 31 December 2016 are as follows:

2016 — unit: €k

Intangible assets	Research and development costs	Industrial property and other rights	Goodwill	Reconversion of consumption to natural gas	Other intangible assets	Service concession arrangements	Intangible assets in progress	Intangible assets in progress - Service concession arrangements	Total intangible assets
Acquisition cost:									
Balance at 1 January 2016	285	599,521	19,668	551	498	1,743,641	32,663	1,701	2,398,528
Additions	-	4,310	-	-	-	-	19,794	15,904	40,008
Write-offs/Disposals	-	(10,384)	-	-	-	(671)	(195)	-	(11,250)
Adjustments for currency differences in initial balance	-	3,932	-	-	-	-	3,744	-	7,676
Transfers	-	10,558	-	-	-	15,252	(14,237)	(15,252)	(3,679)
Transfers to assets held for sale	-	(684)	-	-	-	-	-	-	(684)
Changes in the consolidation perimeter	-	-	-	-	-	(1,758,222)	-	(2,353)	(1,760,575)
Gross acquisition cost at 31 December 2016	**285**	**607,253**	**19,668**	**551**	**498**	**-**	**41,769**	**-**	**670,024**
Accumulated impairments at 1 January 2016	(5)	(50,761)	(7,810)	-	-	-	(3,431)	-	(62,007)
Increase in impairments	-	(1,131)	-	-	-	-	-	-	(1,131)
Adjustments for currency differences in initial balance	-	(1,499)	-	-	-	-	-	-	(1,499)
Utilisation/Transfers of impairments	-	7,320	-	-	-	-	115	-	7,435
Impairments balance at 31 December 2016	**(5)**	**(46,071)**	**(7,810)**	**-**	**-**	**-**	**(3,316)**	**-**	**(57,202)**
Accumulated depreciations and impairment losses:									
Balance at 1 January 2016	(279)	(305,555)	(10,206)	(439)	(498)	(616,567)	-	-	(933,544)
Amortisation for the year	-	(29,734)	-	(8)	-	(34,315)	-	-	(64,057)
Write-offs/Disposals	-	1,386	-	-	-	610	-	-	1,996
Adjustments	(1)	(67)	-	-	-	-	-	-	(68)
Adjustments for currency differences in initial balance	-	(365)	-	-	-	-	-	-	(365)
Transfers to assets held for sale	-	495	-	-	-	-	-	-	495
Changes in the consolidation perimeter	-	-	-	-	-	650,272	-	-	650,272
Accumulated balance at 31 December 2016	**(280)**	**(333,840)**	**(10,206)**	**(447)**	**(498)**	**-**	**-**	**-**	**(345,271)**
Net amount:									
as at 31 December 2016	**-**	**227,342**	**1,652**	**104**	**-**	**-**	**38,453**	**-**	**267,551**

Intangible assets are recorded in accordance with the accounting policy defined by the Group in Note 2.4.

The amortisation rates that are being applied are disclosed in the same note.

The adjustments for exchange differences relate to the revaluation of opening balances from foreign currencies into Euro of the intangible assets of the subsidiaries denominated in foreign currencies.

The caption Industrial property and other rights mainly includes Land surface rights and Signature Bonus (Mineral Rights).

Movements in intangible assets at 31 December 2015 are as follows:

2015 unit: €k

Intangible assets	Research and development costs	Industrial property and other rights	Goodwill	Reconversion of consumption to natural gas	Other intangible Assets	Service concession arrangements	Intangible assets in progress	Intangible assets in progress - Service concession arrangements	Total intangible assets
Acquisition cost:									
Balance at 1 January 2015	285	601,734	19,668	551	498	1,718,566	35,533	3,199	2,380,034
Additions	-	4,125	-	-	-	-	15,135	19,816	39,076
Write-offs/Disposals	-	(2,734)	-	-	-	(1,523)	-	-	(4,257)
Adjustments	-	2	-	-	-	5,284	26	-	5,312
Adjustments for currency differences in initial balance	-	4,479	-	-	-	-	(3,729)	-	750
Transfers	-	14,394	-	-	-	21,314	(14,302)	(21,314)	92
Changes in the consolidation perimeter	-	(22,479)	-	-	-	-	-	-	(22,479)
Gross acquisition cost at 31 December 2015	**285**	**599,521**	**19,668**	**551**	**498**	**1,743,641**	**32,663**	**1,701**	**2,398,528**
Accumulated impairments at 1 January 2015	(5)	(39,962)	(2,483)	-	-	-	(3,316)	-	(45,766)
Increase in impairments	-	(8,818)	(5,327)	-	-	-	(114)	-	(14,259)
Adjustments for currency differences in initial balance	-	(3,933)	-	-	-	-	-	-	(3,933)
Utilisation/Transfers of impairments	**-**	**1,952**	**-**	**-**	**-**	**-**	**(1)**	**-**	**1,951**
Impairments balance at 31 December 2015	(5)	(50,761)	(7,810)	-	-	-	(3,431)	-	(62,007)
Accumulated depreciations and impairment losses:									
Balance at 1 January 2015	(271)	(299,391)	(10,205)	(431)	(498)	(576,566)	-	-	(887,362)
Amortisation for the year	(9)	(29,322)	-	(8)	-	(41,211)	-	-	(70,550)
Write-offs/Disposals	-	1,039	-	-	-	1,323	-	-	2,362
Adjustments	1	86	(1)	-	-	(113)	-	-	(27)
Adjustments for currency differences in initial balance	-	385	-	-	-	-	-	-	385
Transfers to assets held for sale	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**4**
Changes in the consolidation perimeter	-	21,644	-	-	-	-	-	-	21,644
Accumulated balance at 31 December 2015	**(279)**	**(305,555)**	**(10,206)**	**(439)**	**(498)**	**(616,567)**	**-**	**-**	**(933,544)**
Net amount:									
as at 31 December 2015	**1**	**243,205**	**1,652**	**112**	**-**	**1,127,074**	**29,232**	**1,701**	**1,402,977**

12.3 Main events occurring during the year ended 31 December 2016

The increases noted in tangible and intangible assets captions, amounting to €1,146,422 k, mainly include:

i) Exploration & Production segment

- €671,917 k regarding exploration and development investments in blocks in Brazil;
- €223,382 k regarding exploration investments in Block 32 in Angola;
- €30,278 k regarding exploration investments in Area 4 in Mozambique;
- €25,133 k regarding exploration and development investments in block 14 in Angola;
- €4,215 k regarding oil exploration investments in Namibia.

ii) Gas and Power segment

- €22,450 k regarding natural gas infrastructure construction (network, plot and other infrastructures) of which the amount of €15,904 k is covered by IFRIC 12 (Note 5 and 6).

iii) Oil Products Refining & Marketing Segment

- €35,528 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;
- €35,445 related to industrial investments in the Sines and Matosinhos refineries;
- €11,468 k related to investments for the sectorial stoppage in the Fuel and Aromatics factory in Matosinhos;
- €10,279 k related to the "Monoboia" intervention offshore of Leixoes terminal;
- €7,980 k related to the stoppage of the Sines refinery;
- €4,980 related to the revamping project in the Perafita park; and
- €4,786 k related to the requalification project for gas cylinders.

In the period ended 31 December 2016, tangible and intangible assets amounting to a net €147,089 k were disposed and written-off, including:

- €91,868 k related to write-off of equipment, expenses and mineral rights in blocks in Morocco, without economic viability, which were fully impaired;
- €38,824 k related to write-off of equipment, expenses and mineral rights in blocks in Brazil, without economic viability, which were fully impaired; and
- €16,116 k related to write-offs in 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.

The net amount of €1,110,850 k under the caption "Changes in the consolidation perimeter" corresponds to the disposal of the subsidiary Galp Gás Natural Distribuição, SGPS, S.A. (Note 3.2).

The net amount of €2,330 k under the caption "Transfer to investments held for sale" relates to the subsidiary Galp Gambia, Limited.

12.4 Impairment on tangible and intangible assets

Accumulated at year end 31 December 2016, impairments on tangible and intangible assets have been recognised amounting to €407,603 k which mainly include:

- €260,913 k for impairment losses on non-operated and operated blocks and other assets in Brazil and Angola;
- €78,987 k for impairment losses in blocks in Namibia;
- €36,672 k for impairment losses in the retail network in Portugal and Spain;
- €8,753 k for impairment losses in exploration in Aljubarrota;
- €7,670 k for impairment losses in exploration in Uruguay;
- €7,365 k for impairment losses in exploration in Mozambique; and
- €4,638 k for impairment losses in blocks in East Timor.

12.5 Amortisation, depreciation and impairment losses in the year

Amortisation, depreciation and impairment losses for the years 2016 and 2015 are as follows:

unit: €k

			December 2016			December 2015
	Tangible	Intangible	Total	Tangible	Intangible	Total
Amortisation for the year - Service Concession Arrangements	-	34,315	34,315	-	41,211	41,211
Impairments	199,709	1,131	200,840	161,657	14,258	175,915
Amortisation, depreciation and impairments (Note 6)	**769,670**	**65,188**	**834,858**	**634,826**	**84,809**	**719,635**

12.6 Split of tangible and intangible assets in progress

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

unit: €k

	Assets in progress	Impairments	Net amount
Exploration of oil in Brazil	1,567,863	(29,897)	1,537,966
Exploration of oil in Angola and Congo	834,593	(230,338)	604,255
Exploration in Mozambique	315,122	(7,365)	307,757
Exploration in Portugal	69,343	(8,753)	60,590
Industrial investment relating to refineries	57,119	-	57,119
Renewal and expansion of the network	46,642	(278)	46,364
Exploration in Namibia	45,270	(40,661)	4,609
Exploration in São Tomé and Príncipe	3,249	-	3,249
Transportation and logistics	2,101	-	2,101
Upgrade project of the Sines and Matosinhos refineries	977	-	977
Underground storage of natural gas	26	-	26
Exploration of oil in Blocks 3 and 4 in Uruguay	7,670	(7,670)	-
Exploration in Timor	2,645	(2,645)	-
Other projects	24,534	-	24,534
	2,977,154	**(327,607)**	**2,649,547**

The Exploration & Production segment is divided in three stages: Exploration, Development and Production.

The transition from the exploration stage to the development stage is related to the discovery of commercially viable reserves and the transition to the production stage is related with the beginning of the production process.

As mentioned in the accounting policies, Galp capitalises the investment expenses in all three stages, subjecting them to periodic impairment tests.

12.7 Exploration segment assets

The table below, details the Assets in progress and Fixed assets for the exploration and production segment:

2016 unit: €k

	Assets in progress									Fixed assets									Total
	Signature bonus		Assets in exploration		Assets in development		Financial interests		Others	Signature bonus		Assets in exploration		Assets in development		Financial interests		Others	
	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	
Angola	49	-	265,406	(108,557)	555,788	(101,280)	17,931	-	-	23,320	(567)	110,870	-	1,199,626	(20,501)	1,724	-	288	1,944,097
Brazil	14,221	(110)	481,280	(21,105)	888,238	(8,133)	149,492	(660)	-	1,378	-	75,470	-	1,196,106	-	56,796	-	1	2,832,974
East Timor	-	-	2,645	(2,645)	-	-	-	-	-	1,993	(1,993)	-	-	-	-	-	-	-	-
Namibia	-	-	45,270	(40,661)	-	-	-	-	-	38,327	(38,327)	-	-	-	-	-	-	-	4,609
Mozambique	2,107	-	276,094	(7,364)	6,562	-	30,358	-	-	4,445	-	-	-	-	-	-	-	55	312,257
Portugal	3,368	(3,316)	61,969	(12,095)	-	-	10,625	-	-	-	-	-	-	-	-	-	-	-	60,551
Uruguai	-	-	7,670	(7,670)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sao Tome	949	-	3,249	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,198
TOTAL	20,694	(3,426)	1,143,583	(200,097)	1,450,588	(109,413)	208,406	(660)	-	69,463	(40,887)	186,340	-	2,395,732	(20,501)	58,520	-	344	5,158,686

2015 unit: €k

	Assets in progress									Fixed assets									Total
	Signature bonus		Assets in exploration		Assets in development		Financial interests		Others	Signature bonus		Assets in exploration		Assets in development		Financial interests		Others	
	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	Impairment	Investment	
Angola	2	-	249,312	(51,682)	361,202	(17,544)	5,348	-	-	22,516	(549)	74,921	-	1,270,886	-	1,669	-	279	1,916,360
Brazil	8,778	-	382,867	(14,189)	643,241	(2,609)	77,976	(33)	2,964	4,722	(142)	69,840	-	526,482	-	39,438	-	4,341	1,743,676
East Timor	-	-	2,597	(2,597)	-	-	-	-	-	1,993	(1,993)	-	-	-	-	-	-	-	-
Morocco	115	(115)	81,658	(81,658)	-	-	-	-	-	6,889	(6,889)	-	-	-	-	-	-	-	-
Namibia	-	-	39,751	(39,751)	-	-	-	-	-	37,108	(37,108)	-	-	-	-	-	-	-	-
Mozambique	2,040	-	253,447	(7,184)	-	-	20,318	-	-	4,304	-	-	-	-	-	-	-	54	272,979
Portugal	-	-	68,183	(8,753)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,430
Uruguai	-	-	7,670	(7,670)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	10,935	(115)	1,085,485	(213,484)	1,004,443	(20,153)	103,642	(33)	2,964	77,532	(46,682)	144,761	-	1,797,368	-	41,107	-	4,674	3,992,445

Expenses capitalised as assets in the exploration and evaluation stage, for which proven reserves do not currently exist, are as follows:

2016 — unit: €k

Geography	Gross Assets: Signature bonus	Gross Assets: Exploration	Gross Assets: Interests	Gross Assets: Total	Impairments	Net Assets	Costs: Annual impairment	Cash flow: Annual investment
Angola	567	50,373	-	50,940	(50,940)	-	121	(127)
Brazil	34,668	510,599	50,682	595,949	(214,097)	381,852	(25,067)	45,349
East Timor	1,993	2,645	-	4,638	(4,638)	-	(48)	48
Morocco	-	-	-	-	-	-	(282)	296
Namibia	38,327	45,269	-	83,597	(78,987)	4,610	-	4,215
Mozambique	6,552	276,095	30,358	313,005	(7,366)	305,639	38	20,905
Portugal	3,368	55,312	10,625	69,304	(8,753)	60,551	-	(748)
Uruguay	-	7,670	-	7,670	(7,670)	-	-	-
Sao Tome	949	3,249	-	4,198	-	4,198	-	3,181
Total	**86,424**	**951,212**	**91,665**	**1,129,301**	**(372,451)**	**756,851**	**(25,238)**	**73,119**

2015 — unit: €k

Geography	Gross Assets: Signature bonus	Gross Assets: Exploration	Gross Assets: Interests	Gross Assets: Total	Impairments	Net Assets	Costs: Annual impairment	Cash flow: Annual investment
Angola	549	48,895	-	49,444	(49,444)	-	(39,953)	454
Brazil	22,223	390,512	25,476	438,211	(114,340)	323,870	(58,757)	108,658
East Timor	1,993	2,597	-	4,590	(4,590)	-	(32)	32
Morocco	7,004	81,658	-	88,662	(88,662)	-	(16,556)	9,983
Namibia	38,326	38,533	-	76,859	(76,477)	382	-	-
Mozambique	6,344	253,501	20,318	280,163	(7,183)	272,980	(732)	55,174
Portugal	3,368	55,138	9,678	68,184	(8,753)	59,431	72	6,847
Uruguay	-	7,579	90	7,669	(7,670)	-	(5,975)	70
Total	**79,807**	**878,413**	**55,562**	**1,013,782**	**(357,119)**	**656,663**	**(121,933)**	**181,218**

12.8 Stress analysis for impairment tests over tangible and intangible assets

Exploration & Production segment

Tangible and intangible assets of the E&P segment were subject to impairment tests at year end, being also tested the sensitivity of the carrying value of the main assets to the Brent fluctuation.

Assumptions:

The forecast of Brent prices considered in impairment studies, was based on the estimates of the main brokers and peers of the Company (see table below), being the oil resources and reserves considered for accounting purposes referred in note 31.

Year 2017	Year 2018	Year 2019	Year 2020	Year 2021
50$ /bbl	55$ /bbl	60$ /bbl	65$ /bbl	70$ /bbl

The analysis considered a future average exchange rate of €/USD of 1.1 and USD/BRL of 3.64 and a discount rate of 10.8%, which reflects the WACC of the E&P Business Unit, Calculated on a USD basis.

From the impairment tests carried out, the safety margin to the carrying value per CGU, of the regions in which Galp operates (Angola, Mozambique and Brazil) is positive.

It should be noted that the safety margin in Angola is close to zero, a direct consequence of the impairment recognised for the assets in production in Block 14/14k resulting from the impairment tests carried out at the end of 2016.

In the context of the stress analysis carried out to test the impact of Brent's volatility on the value of the main E&P assets, it is possible to summarize the following conclusions:

- Angola: a 10% reduction in the Brent price has a negative impact on the impairment test, resulting in a potential impairment of approximately 142 million Euros in specific cash-generating units (CGUs). This impairment may occur in a future scenario of reduction of the Brent assumption, in which the remaining variables of the analysis would remain immutable (eg Opex, Capex);

- Mozambique and Brazil: the 10% reduction in the Brent price does not represent a risk of potential impairments in the CGU of these geographies;

During the year 2016, impairments were recognised in Angola (Euro 151.4 million - Block 14/14k) and Brazil (Euro 10.7 million - Sergipe). These impairments were the result of a downward revision of the estimated future production of these assets as a result of the deterioration in the short-medium term of the macroeconomic scenario and of the investment conditions. The impairment value recognised in Block 14/14k also includes the impairment of assets in the exploration phase, resulting from the review carried out in the year to Galp's asset portfolio, from which it was concluded that there is a low probability that these assets will be developed in the medium term.

The remaining impairments recorded in the year represent costs incurred in the drilling of wells that had no discovery of hydrocarbon reserves (26.1 million Euros - Amazonas), as well as the value of the acquisition of seismic data (3.2 million Euros) under which the investment will not be executed.

Refining & Marketing segment

Impairment tests were carried out on the stations network in Portugal and Spain accompanied by a stress analysis.

For the two CGU, stations network in Portugal and in Spain, the stress analysis was based on the following fundamental assumptions:

- A negative variation of Cash flows by 10%;
- An increase in the discount rate by 1%.

We believe that these two assumptions represent a good stress test for impairment tests.

The retail station network in Portugal presents a positive safety margin, and if subject to a sensitivity analysis taking into account the aforementioned assumptions does not reveal potential future impairments. The cash-generating unit was subject to a discount rate of 7.3%.

The retail station network in Spain presents, after the recognition of the Goodwill impairment (please see Note 11), a positive safety margin. In a sensitivity analysis to the network in Spain, considering the aforementioned assumptions, a potential additional impairment exists to the one recognised in the amount of 117 million Euros. This impairment can occur if the negative assumptions are noted in the future, considering a scenario where the remaining variables of the analysis would remain immutable. The cash-generating unit was subject to a discount rate of 7.3%.

Several obsolete assets were identified in the refining segment during the scheduled stoppage period, which suffered an individual impairment of €7,851k. These assets were later dismantled. From the analysis made to the refining cash-generating unit, the referred CGU has a positive safety margin. A sensitivity analysis was performed on the impairment test, considering assumptions identical to those used for the impairment tests of the network. The result of this sensitivity analysis was positive. The cash-generating unit was subject to a discount rate of 8.2%.

13. Government grants

As of 31 December 2016 and 31 December 2015 the amounts to be recognised as government grants in future years amount to €7,492 k and €253,679 k, respectively (Note 24).

The significant decrease in government grants is related with the changes in consolidation perimeter noted in the year 2016 (Note 3).

During the year ended 31 December 2016 and 31 December 2015 government grants of €8,414 k and €12,618 k, respectively, were recognised in the income statement (Note 5).

14. Other receivables

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

unit: €k

	December 2016		December 2015	
Captions	Current	Non-current	Current	Non-current
State and Other Public Entities:				
Value Added Tax - Reimbursement requested	4,376	-	539	-
"ISP" - Tax on Oil Products	237	-	558	-
Others	73,463	-	16,769	-
Loans granted to Sinopec Group (Note 28)	610,003	-	722,936	-
Non operated blocks	143,663	-	-	-
Other receivables - associates, joint ventures and other related parties (Note 28)	20,802	-	5,821	90
Underlifting	19,333	-	27,792	-
Suppliers debtor balances	16,619	-	7,536	-
Advances to suppliers	7,024	-	2,457	-
Means of payment	6,618	-	7,276	-
Operated blocks	5,459	-	18,817	-
Personnel	1,797	-	1,588	-
Guarantees	1,285	11,663	12,541	-
"ISP" - Tax on Oil Products - Congeners credit	685	-	-	-
Loans to costumers	531	839	124	1,355
Subsoil levies	182	-	24,750	28,068
Advances to tangible and intangible suppliers	25	-	99,795	-

unit: €k

	December 2016		December 2015	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
Carry from public participations interests	-	-	22,937	-
Spanish Bitumen process	-	-	385	-
Ceding rights contract of telecommunications infrastructures usage	-	-	86	-
Loans to associates, joint ventures and other related parties (Note 28)	-	38,375	-	30,271
Other receivables	35,207	23,342	37,723	28,294
	947,309	**74,219**	**1,010,430**	**88,078**
Accrued income:				
Sales and services rendered not yet invoiced Natural Gas	56,582	-	109,809	-
Sales and services rendered not yet invoiced Electrivity	45,070	-	28,698	-
Sales and services rendered not yet invoiced	21,672	-	7,903	-
Adjustment to tariff deviation - "pass through" - ERSE regulation	21,006	-	29,424	-
Accrued management and structure costs	2,158	-	7,581	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation	1,682	776	23,231	17,551
Commercial discount on purchases	1,042	-	884	-
Compensation for the uniform tariff	882	-	1,032	-
Sale of finished goods to be invoiced by the service stations	820	-	724	-
Accrued interest	360	-	1,691	-
Financial neutrality - regulation ERSE	-	-	6,102	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation	-	61,639	-	61,639
Other accrued income	11,824	-	8,531	63
	163,098	**62,415**	**225,610**	**79,253**
Deferred charges:				
Energy sector extraordinary contribution	21,740	85,923	23,370	107,663
Catalyser charges	13,983	-	20,070	-
Deferred charges - external supplies and services	6,025	-	7,020	-
Prepaid rent	4,942	-	4,309	-
Prepaid rent relating to service stations concession contracts	2,928	25,277	2,894	25,633
Interest and other financial costs	1,978	-	180	-
Prepaid insurance	1,044	-	1,033	-
Retirement benefits (Note 23)	-	271	-	176
Other deferred costs	11,125	183	13,076	99
	63,765	**111,654**	**71,952**	**133,571**
	1,174,172	**248,288**	**1,307,992**	**300,902**
Impairment of other receivables	(8,355)	(2,753)	(8,096)	(2,753)
	1,165,817	**245,535**	**1,299,896**	**298,149**

The movement occurred in the caption “Impairment of other receivables” for the year ended 31 December 2016 and 2015 was as follows:

unit: €k

Other receivables	Initial balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
2016						
Other receivables - Current	8,096	306	(37)	(104)	97	8,355
Other receivables - Non-Current	2,753	-	-	-	-	2,753
	10,849	**306**	**(37)**	**(104)**	**97**	**11,108**
2015						
Other receivables - Current	7,406	1,215	(239)	(306)	20	8,096
Other receivables - Non-Current	2,753	-	-	-	-	2,753
	10,159	**1,215**	**(239)**	**(306)**	**20**	**10,849**

The increase and decrease in the caption “Impairment of other receivables” in the net amount of €269 k is included in the caption “Provisions and impairment losses on receivables” (Note 6).

The caption “Loans granted” includes the amount of €610,003 k (US$643,005 k) relating to a loan granted by the Group to Tip Top Energy, S.A.R.L. (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. See additionally note 28.

During the year ended 31 December 2016 an amount of €5,446 k has been recognised under the caption Interest relating to loans granted to related companies (Note 28).

The amount of €19,333 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 December 2016.

The amount of €143,663 k presented in the caption “Other receivable – Non-operated Blocks”, includes the amount of €29,605 k related to carry from public participation interests, referring 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 partner up to their participation limit.

The caption “Means of payment” amounting to €6,618 k refers to amounts receivable for sales made with Visa/debit cards, which as of 31 December 2016 were pending receipt.

The amount of €20,802 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” amounting to €12,948 k includes the non-current balance of €11,663 k from payments on account and negotiated guarantees to support transactions and operations in the Spanish and French electricity markets.

The amount of €16,619 k recognised in the caption “Suppliers debtor balances” are mainly related to credit notes issued by suppliers and to be received in 2017.

The caption “Accrued income - sales and services rendered not yet invoiced, amounting to €101,652 k, is mainly related with the billing of natural gas and electricity consumption in December, to be issued to customers in January of the following year and is detailed as follows:

unit: €k

Company	Total	Natural gas	Electricity
Galp Gás Natural, S.A.	49,855	49,855	-
Galp Power, S.A.	34,986	28	34,958
Petróleos de Portugal - Petrogal, S.A.	4,651	-	4,651
Portcogeração, S.A.	4,695	-	4,695
Lisboagás Comercialização, S.A.	2,064	2,064	-
Galp Energia España, S.A.	2,846	2,484	362
Lusitaniagás Comercialização, S.A.	687	687	-
Setgás Comercialização, S.A.	527	527	-
Transgás, S.A.	937	937	-
Agrocer-Sociedade de Cogeração do Oeste S.A.	400	-	400
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	4	-	4
	101,652	**56,582**	**45,070**

The caption “Accrued income - sale of finished goods to be invoiced by the service stations” amounting to €820 k relates to consumptions up until 31 December 2016 through the Galp Frota loyalty card scheme and which will be invoiced in the following months.

Expenses recorded in deferred costs amounting to €28,205 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.

There are core activities and pass through activities within the Retailers of Last Resort (RLR). This classification relates to the nature of which. In the first there is “value creation” intrinsic to the company. In the second activity the company is limited to billing its customers, and to pass on to the companies the amounts due for their core activities.

In general terms, in the case of the pass through activities:

- for RLRs, they charge to the end customers the tariffs for access to the transport and distribution infrastructures (UGS, URT and URD tariffs), which pass on the ONGDNs (the fraction of transportation access fee is then passed by these to REN) and the cost of natural gas is simply passed on to the Retailer of Last Resort Wholesaler (RLRW) in the Energy Tariff.

The caption Accrued income – Adjustments to tariff deviation – Energy tariff – ERSE regulation, contains the following detail:

unit: €k

Wholesale gas commercialisation activity - Energy Tariff (CURG)	2015	Variation	2016
Gas Year 2008-2009			
First half of Gas Year 2008-2009 (31.12.2008)	32,325	-	32,325
Second half of Gas Year 2008-2009 (30.06.2009)	28,531	-	28,531
Adjustment to regulated tariff - Real - Gas Year 2008-2009	6,535	-	6,535
Regulated Revenue in respect of Gas Year 2008-2009 - Amortisation difference	(65,375)	-	(65,375)
	2,016	**-**	**2,016**
Second half of 2009			
Second half of 2009	8,314	-	8,314
	8,314	**-**	**8,314**
Fiscal Year of 2010			
First half of 2010	14,651	-	14,651
Second half of 2010	987	-	987
	15,638	**-**	**15,638**
Fiscal Year of 2011			
First half of 2011	21,154	-	21,154
Second half of 2011	12,427	-	12,427
	33,581	**-**	**33,581**
Fiscal Year of 2012			
First half of 2012	(4,224)	-	(4,224)
Second half of 2012	563	-	563
	(3,661)	**-**	**(3,661)**
Fiscal Year of 2013			
First half of 2013	(657)	-	(657)
Second half of 2013	(1,074)	-	(1,074)
	(1,731)	**-**	**(1,731)**
Fiscal Year of 2014			
First half of 2014	(6,275)	-	(6,275)
Second half of 2014	(4,164)	-	(4,164)
	(10,439)	**-**	**(10,439)**
Fiscal Year of 2015			
First half of 2015	821	-	821
Second half of 2015	1,269	-	1,269
	2,090	**-**	**2,090**
Fiscal Year of 2016			
First half of 2016	-	(1,221)	(1,221)
Second half of 2016	-	(1,120)	(1,120)
	-	**(2,341)**	**(2,341)**
	45,808	**(2,341)**	**43,467**
Accrued charges (Note 24)	(15,831)	(2,341)	(18,172)
Accrued Income (Note 14)	61,639	-	61,639
	45,808	**(2,341)**	**43,467**

The amount of €43,467 k relates to the cumulative difference between the natural gas acquisition cost from the Group's suppliers and regulated tariffs defined by ERSE for each Gas Year, applied in the billing to customers. This difference will be recovered by the tariff reviews of the following years, in accordance with the mechanism established by ERSE. These amounts are to be paid at twelve months Euribor plus a spread defined annually by ERSE.

Galp recorded €61,639 k in non-current assets as of 31 December, 2016, relating to the energy tariff deviation, which will be recovered in accordance with the time schedule defined by ERSE. Presently, since the Gas Year 2014-2015, this process is interrupted.

The caption Accrued income – Adjustments to tariff deviation – Regulated revenue – ERSE regulation, includes the following detail:

unit: €k

Distribution and commercialisation of natural gas	2015	Adjustment to regulated revenue - Real Gas Year (Note 5)	Regulated Revenue in respect of Gas Year - Amortisation/ Reversal (Note 5)	Adjustment between the estimated regulated revenue and the revenues invoiced (Note 5)	Other reclassification	Changes in perimeter	2016
Fiscal Year of 2013							
First half of 2013	(2,221)	-	-	-	-	-	(2,221)
Second half of 2013	22,638	-	-	-	-	-	22,638
Adjusment to Fiscal year 2013	(809)	(809)	-	-	-	-	(1,618)
Regulated Revenue Fiscal Year 2013 Reversal	(7,747)	-	(7,748)	-	-	-	(15,495)
Transfer	(3,304)	-	-	-	-	-	(3,304)
	8,557	**(809)**	**(7,748)**	**-**	**-**	**-**	**-**
Fiscal Year of 2014							
First half of 2014	(746)	-	-	-	(221)	(194)	(1,161)
Second half of 2014	10,208	-	-	-	931	(12,524)	(1,385)
Adjusment to Fiscal year 2014	(419)	(1,542)	-	-	-	1,959	(2)
Regulated Revenue Fiscal Year 2014 Reversal	3	-	(1,923)	-	-	3,549	1,629
Transfer	6,921	-	-	-	(3,946)	(2,975)	-
	15,967	**(1,542)**	**(1,923)**	**-**	**(3,236)**	**(10,185)**	**(919)**
Fiscal Year of 2015							
First half of 2015	(10,236)	-	-	-	937	9,644	345
Second half of 2015	6,381	-	-	-	(1,174)	(11,137)	(5,930)
Transfer	(3,620)	-	-	-	3,946	(326)	-
	(7,475)	**-**	**-**	**-**	**3,709**	**(1,819)**	**(5,585)**
Fiscal Year of 2016							
First half of 2016	-	-	-	(16,529)	-	13,690	(2,839)
Second half of 2016	-	-	-	14,819	-	(17,447)	(2,628)
Transfer	-	-	-	-	-	-	-
	-	**-**	**-**	**(1,710)**	**-**	**(3,757)**	**(5,467)**
	17,049	**(2,351)**	**(9,671)**	**(1,710)**	**473**	**(15,761)**	**(11,971)**
Accrued charges (Note 24)	(23,733)	-	6,133	(18,659)	9,880	11,950	(14,429)
Accrued Income (Note 14)	40,782	(2,351)	(15,804)	16,949	(9,407)	(27,711)	2,458
	17,049	**(2,351)**	**(9,671)**	**(1,710)**	**473**	**(15,761)**	**(11,971)**

The caption Adjustment to tariff deviation – regulated revenue amounting to €11,971 k is related to the difference between the estimated regulated revenue published for the regulated activity and the revenue for the real invoices issued (Note 2.14). These amounts are remunerated at the twelve month Euribor rate, plus a spread defined annually by ERSE.

The amounts to be paid or received for each Gas Year are presented for each activity at the net amount, depending on their nature in each Gas Year, as this is the manner in which the regulated revenue deviations allowed by ERSE are approved.

From 2010, financial statements for "ERSE - Entidade Reguladora do Sector Energético", started to be reported in accordance with the calendar year. Consequently the opening balances have been reclassified to reflect the calendar year.

During the year ended 31 December, 2016, the differences for the Group's Regulated Revenue for the calendar year 2014 were settled, amounting to a payable amount of €919 k. As the accrual made is lower than the amount agreed, the Group recognised in the caption Rendered services the respective decrease amounting to €1,542 k.

As mentioned in Note 2.14 the total amount to be recovered was included by ERSE in the regulated revenues to be recovered in the 2016-2017 Gas Year, thus the Group recognised the reversal of the amount of the approved tariff deviation in the income statement.

Items contained in Section IX of the Tariff Regulations: "Compensation for the application of tariff uniformity of the Tariff Regulations" defines the Compensations and Transfers between Regulated Entities. These amounts, enshrined in the annual publication of ERSE for Regulated Revenues are designed to ensure the recovery of the regulated revenues and ensure economic and financial equilibrium for the Regulated Entities.

Finally, it should be noted that the ERSE has established this compensation and transfer mechanism to allow the establishment of a uniform national tariff, since from the consumption structure in each distribution area (absolute size of the consumption and weight on the domestic and industrial sectors) there are distributors which are not able to achieve a recovery of the revenue ("insufficient" tariff), while in others there is an over- recovery ("high" tariff). Thus, in the latter case ("payers") the excess income recovered is transferred to the former ("receivers"), ensuring a balanced recovery of the regulated revenues.

Accruals for compensations related to the uniform tariff amount to €882 k.

The following is an ageing schedule of Group Other receivables as of 31 December 2016 and 2015:

unit: €k

Ageing other receivables	Not overdue	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2016 Gross amount	1,411,598	358	10	25	998	2,656	6,815	1,422,460
Impairments	(5,278)	-	-	(3)	(27)	(12)	(5,788)	(11,108)
	1,406,320	**358**	**10**	**22**	**971**	**2,644**	**1,027**	**1,411,352**
2015 Gross amount	1,584,106	8,385	1,840	4,332	450	1,115	8,666	1,608,894
Impairments	(2,754)	-	-	(576)	(286)	(581)	(6,652)	(10,849)
	1,581,352	**8,385**	**1,840**	**3,756**	**164**	**534**	**2,014**	**1,598,045**

The Group has included as amounts not overdue, balances related to other receivables that are not in default and the captions of accrued income and deferred charges amounting to €400,932 k and €510,386 k in 2016 and 2015, respectively.

The amounts of other receivables that are overdue but for which no impairment has been recognised correspond to credits which have payment agreements, are covered by credit insurance or for which there is an expectation of partial or total settlement.

Galp holds collateral guarantees on receivables, namely bank guarantees and security deposits, which as of 31 December 2016, amount to approximately €105,320 k.

15. Trade receivables

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

unit: €k

	December 2016		December 2015	
Captions	Current	Non-current	Current	Non-current
Trade receivables - current accounts	1,034,498	1,081	797,927	24,162
Trade receivables - doubtful accounts	187,818	-	202,120	-
Trade receivables - notes receivable	1,731	-	4,261	-
	1,224,047	**1,081**	**1,004,308**	**24,162**
Impairment on trade receivables	(182,977)	-	(199,428)	-
	1,041,070	**1,081**	**804,880**	**24,162**

The non-current debt included in the caption “Trade receivables - current accounts”, amounting to €1,081 k and €24,162 k for the years ended 31 December 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 years ended 31 December 2016 and 2015 were as follows:

unit: €k

Impairment on trade receivables	Initial balance	Increases	Decreases	Utilisation	Adjustments	Assets held for sale	Changes in consolidation perimeter	Ending balance
2016	199,428	46,988	(26,050)	(35,538)	(541)	(142)	(1,168)	182,977
2015	228,828	30,238	(16,771)	(14,259)	(565)	-	(28,043)	199,428

The increase and decrease in the caption “Impairment of trade receivables” in the net amount of €20,938 k was recorded in the caption “Provision and impairment losses on receivables” (Note 6).

The “Changes in consolidation perimeter” is related with the fact that Galp has abdicated of the full control of Galp Gás Natural Distribuição Group, being the companies which comprise it considered as joint ventures (Note 3).

The caption Assets held for sale corresponds to the associate Galp Gambia, Limited, which is in disposal process (Note 3).

The following is an ageing schedule of Group trade receivables as of 31 December 2016 and 2015:

unit: €k

Ageing trade receivables	Not overdue	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2016 Gross amount	865,757	90,745	58,294	11,866	7,046	13,042	178,378	1,225,128
Impairments	-	(7,712)	(33,344)	(7,693)	(6,028)	(9,682)	(118,518)	(182,977)
	865,757	**83,033**	**24,950**	**4,173**	**1,018**	**3,360**	**59,860**	**1,042,151**
2015 Gross amount	536,435	188,505	19,831	80,291	15,516	14,342	173,550	1,028,470
Impairments	-	(1,187)	(3,968)	(16,794)	(7,830)	(9,461)	(160,188)	(199,428)
	536,435	**187,318**	**15,863**	**63,497**	**7,686**	**4,881**	**13,362**	**829,042**

Overdue balances which have not been subject to adjustments are in respect of receivables for which there are payment agreements or for which there is a total or partial expectation of settlement.

The average days receivable of Galp not overdue trade receivables balance is lower than 30 days.

16. Inventories

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

unit: €k

Captions	December 2016	December 2015
Raw, subsidiary and consumable materials:		
Crude oil	142,111	126,476
Other raw materials	60,260	48,435
Raw material in transit	59,407	30,850
	261,778	**205,761**
Impairment on raw, subsidiary and consumable materials	(11,701)	(11,639)
	250,077	**194,122**
Finished and semi-finished products:		
Finished products	209,141	141,965
Semi-finished products	195,879	188,573
Finished products in transit	2,667	3,986
	407,687	**334,524**
Impairment on finished and semi-finished products	(32)	(3,677)
	407,655	**330,847**
Work in progress	43	156
	43	**156**
Goods	212,342	359,849
Goods in transit	254	1,477
	212,596	**361,326**
Impairment on goods	(1,447)	(13,933)
	211,149	**347,393**
	868,924	**872,518**

The detail of the inventory caption by type of product can be broken down as follows:

Detail of inventories per type of product	December 2016	December 2015
Crude	197,536	155,324
Other raw materials	14,728	11,781
Gasoline	94,331	80,344
Diesel	245,611	293,347
Jet fuel	56,355	65,753
Fuel	38,654	41,390
LPG	11,722	12,958
Base oil and lubricants	29,659	21,115
Chemicals, solvents and aromatics	16,865	16,349
Naphthas	18,711	16,623
Natural gas	51,058	76,460
Special Taxes ("ISP" in Portugal and "IIEE" in Spain)	23,774	26,466
Store products	6,176	6,347
Various materials	27,763	21,036
Petroleum products basket	28,969	23,159
Others	7,010	4,066
Total inventories	**868,924**	**872,518**

As of 31 December 2016, the caption “Goods” amounting to €212,342 k, mainly relates to €51,058 k of natural gas in pipelines and crude oil derivative products of the subsidiaries Galp Energia España, S.A., Petrogal Moçambique, Lda. and Empresa Nacional de Combustíveis – Enacol, S.A.R.L. amounting to €133,342 k, €7,272 k and €5,823 k, respectively.

As of 31 December 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 €34,644 k and €30,002 k respectively (Note 24).

The subsidiary Petróleos de Portugal – Petrogal, S.A. 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 installations, 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 installations of Petróleos de Portugal – Petrogal, S.A. under this contract are not reflected in the Group financial statements.

The movement in Inventories impairment captions for the years ended 31 December 2016 and 2015 is as follows:

unit: €k

Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Changes in consolidation perimeter	Ending balance
2016							
Impairment on raw, subsidiary and consumable materials	11,639	412	(195)	-	-	(155)	11,701
Impairment on finished and semi-finished products	3,677	641	(4,254)	-	(32)	-	32
Impairment on goods	13,933	192	(12,816)	(63)	201	-	1,447
	29,249	**1,245**	**(17,265)**	**(63)**	**169**	**(155)**	**13,180**
2015							
Impairment on raw, subsidiary and consumable materials	44,466	-	(32,803)	(24)	-	-	11,639
Impairment on finished and semi-finished products	40,781	395	(37,592)	-	93	-	3,677
Impairment on goods	29,074	389	(15,469)	-	(61)	-	13,933
	114,321	**784**	**(85,864)**	**(24)**	**32**	**-**	**29,249**

The net balance of increases and decreases, amounting to €16,020 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 at 31 December 2016 and 31 December 2015 are detailed as follows:

unit: €k

	December 2016		December 2015	
Captions	Current	Non-current	Current	Non-current
Financial derivatives at fair value through profit and loss (Note 27)				
Swaps and Options over Commodities	18,922	2,246	4,458	1,041
Currency swaps	31	0	0	0
	18,953	**2,246**	**4,458**	**1,041**
Other Financial Assets				
Other	-	24,156	-	23,389
	-	**24,156**	**-**	**23,389**
	18,953	**26,402**	**4,458**	**24,430**

As at 31 December 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 years ended 31 December 2016 and 31 December 2015 the caption "Cash and cash equivalents" is detailed as follows:

Captions	December 2016	December 2015
Cash	5,066	3,589
Cash deposits	218,564	263,519
Term deposits	33,427	5,866
Other negotiable securities	68,604	69,147
Other treasury investments	707,837	788,485
Cash and cash equivalents in the consolidated statement of financial position	**1,033,498**	**1,130,606**
Bank overdrafts (Note 22)	(110,255)	(85,755)
Cash and cash equivalents in the consolidated statement of cash flow	**923,243**	**1,044,851**

The caption "Other negotiable securities" mainly includes:

- €63,436 k regarding bank deposit certificates;
- €4,001 k of electricity futures, CO_2 futures and futures over commodities (Brent) (Note 27); and
- €1,163 k of futures over natural gas with physical delivery.

These futures are recorded in this caption due to their high liquidity and reduced risk of loss of value (Note 27).

The caption "Other treasury investments" includes investments with maturities of up to three months, in respect of the following Group companies:

unit: €k

Companies	December 2016	December 2015
Galp Energia E&P, B.V.	572,589	666,662
Galp Sinopec Brazil Services, B.V.	92,970	91,853
Petróleos de Portugal - Petrogal, S.A.	20,586	-
Petrogal Brasil, S.A.	11,304	589
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	4,000	3,700
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	4,000	6,800
Galp Energia España, S.A.	1,423	-
Galp Energia Brasil, S.A.	601	-
Galp Exploração Serviços do Brasil, Lda.	364	1,881
Petróleos de Portugal - Petrogal, S.A. Sucursal en España	-	13,000
Beiragás - Companhia de Gás das Beiras, S.A.	-	4,000
	707,837	**788,485**

During 2016, no restrictions or constraints, besides those that result from the law itself, regarding the use or distribution of funds presented as Cash and cash equivalents, in its various geographies.

19. Share capital

Capital structure

The share capital of Galp is comprised of 829,250,635 shares, with nominal value of 1 Euro each and fully subscribed Of these, 771,171,121, (93% of the share capital), are listed on the Euronext Lisbon stock exchange. The remaining 58,079,514 shares, representing 7% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not listed.

With the sale of 5% in the share capital of Galp by Amorim Energia, B.V., completed in September 2016, the free float of the Company increased from 54.66% to 59.66%.

The qualifying holdings in Galp share capital are calculated in accordance with article 16 and 20 of the Portuguese Securities Code. In accordance with these articles, shareholders have to notify the Company whenever their shareholding reaches, exceeds or is 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.

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

2016

	Number of shares	% of capital	% of voting rights
Amorim Energia, B.V.	276,472,161	33.34%	33.34%
Parpública - Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	494,698,960	59.66%	59.66%
Total	**829,250,635**	**100.00%**	-

2015

	Number of shares	% of capital	% of voting rights
Amorim Energia, B.V.	317,934,693	38.34%	38.34%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	453,236,428	54.66%	54.66%
Total	**829,250,635**	**100.00%**	-

20. Reserves

As of 31 December 2016 and 31 December 2015 the captions “Translation reserves”, “Hedging reserves” and “Other reserves” are detailed as follows:

unit: €k

Captions	December 2016	December 2015
Translation reserves:		
Reserves - financial allocations (*quasi capital*)	(243,076)	(426,523)
Reserves - Tax on financial allocations (*quasi capital*) (Note 9)	94,365	156,737
	(148,711)	(269,786)
Reserves - Translation of financial statements	547,366	265,178
Reserves - Goodwill currency update (Note 11)	5,190	4,375
	403,845	**(233)**
Hedging reserves:		
Reserves - financial derivatives (Note 27)	5,254	(1,920)
Reserves - Deferred tax on financial derivatives (Note 9)	(1,350)	254
	3,904	**(1,666)**
Other reserves:		
Legal reserves	165,850	165,850
Free distribution reserves	27,977	27,977
Special reserves (Note 3)	20	(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)
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)
Reserves - Increase of 33.0541% in 2015 in the participation in the share capital of the subsidiary Setgás Comercialização, S.A.	450	450
Reserves - Increase of 99% in the participation in the share capital of the subsidiary Enerfuel, S.A.	(31)	(31)
	2,687,354	**2,684,293**
	3,095,103	**2,682,394**

Translation reserves:

The caption “Translation reserve” reflects the exchange rate fluctuations:

i) €547,366 k relating to positive exchange differences resulting from the translation of financial statements in foreign currency to Euros;

unit: €k

Translation reserve - by currency:	Exchange rate as at 31 December 2015	Initial balance	Variation	Ending balance	Exchange rate as at 31 December 2016
Gambian Dalasi	42.19	(799)	250	(549)	44.10
United States Dollars	1.09	564,811	144,757	709,568	1.05
Cape Verde Escudos	110.27	(69)	-	(69)	110.27
CFA Francs	655.96	(202)	2	(200)	655.96
Angolan Kwanzas	147.11	(4,796)	(3,551)	(8,347)	184.48
Swazi Lilangeni	16.78	(1,212)	1,039	(173)	14.42
Mozambican Meticais	50.50	(11,389)	(10,069)	(21,458)	74.94
Brazilian Reais	4.31	(281,216)	149,739	(131,477)	3.43
Moroccan Dirhams	10.75	50	21	71	10.61
		265,178	**282,188**	**547,366**	

ii) €148,711 k relating to negative foreign exchange rate differences on the financial contributions from Galp Exploração and Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A., Petrogal Brazil, B.V., Galp Sinopec Brazil Services, B.V. and Winland International Petroleum, S.A.R.L. (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;

iii) €5,190 k regarding positive exchange rate 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 year ended 31 December 2016, the amount of €5,254 k (Note 27) is related with the fair value of financial derivatives - cash flow hedges and €1,350 k relates to the respective tax impact (Note 9), and presents the following detail:

unit: €k

Hedging reserves	December 2016	December 2015	Changes in the consolidation perimeter (Note 3.1 d)	Changes in the period
Reserves - financial derivatives (Note 27)				
Group companies	6,224	(1,129)	-	7,353
Financial investments in associates and joint ventures	(970)	(791)	44	(223)
	5,254	**(1,920)**	**44**	**7,130**
Reserves - deferred tax on financial derivatives				
Group companies (Note 9)	(1,400)	254	-	(1,654)
Financial investments in associates and joint ventures	50	-	-	50
	(1,350)	254	-	(1,604)
	3,904	**(1,666)**	**44**	**5,526**

Other reserves:

Legal reserves

In accordance with the Company deeds and Commercial Law ("Código das Sociedades Comerciais - CSC"), the Company must transfer a minimum of 5% of its annual net income to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may, in certain circumstances, be used to increase capital or to absorb losses after all the other reserves have been utilised. In 2015 the caption did not present any changes as the legal reserves have already reached 20% of share capital.

Special reserves

Of the amount presented in the caption "Special reserves", €20 k relates to a donation to the subsidiary Gasinsular – Combustíveis do Atlântico, S.A.

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

On 28 March 2012 Winland International Petroleum, S.A.R.L. (WIP), a subsidiary of Tip Top Energy, S.A.R.L. (Sinopec Group), subscribed and paid a capital increase amounting to $4,797,528,044.74 in respect of the subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services, B.V. (previously denominated Galp Brazil Services, B.V.), acquiring 30% of the shares and voting rights of both Galp subsidiaries.

As a result of the capital increase operation, the Galp group has retained the operational and financial control of the Companies, for which it now owns 70% of the capital and voting rights, continuing, under IAS 10, to consolidate their assets by the full consolidation method. Accordingly, the difference of €2,493,088 k between the amount paid of the capital increase and the book value of the equity at the date of the increase was recognised in equity under the caption "Reserves".

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

In July 2013, under the terms of a contract signed in August 2012 in which it committed to purchase the remaining shares at completion of the plant, the Group acquired 99% of the capital of Enerfuel, S.A. As the Group already had control, the Company was already consolidated using the full consolidation method. Accordingly, the difference of €31 k between the amount paid and the book value of equity at the acquisition date, was recognised in equity under reserves.

Reserves - increase of 33.0541% in the capital of the subsidiary Setgás Comercialização, S.A.

On 21 December 2015, the Group acquired from Enagás – SGPS, S.A. 33.0541% of the capital of the subsidiary Setgás – Comercialização, S.A., which was previously controlled by the Group and consolidated using the full consolidation method. Accordingly, the difference of €450 k between the amount paid and the book value of the equity at the acquisition date, was recognised in equity under reserves.

In the year ended 31 December 2016, due to the changes in the consolidation perimeter referred on Notes 3.1 d) and 3.2), were recycled to the caption retained earnings the following reserves:

Special reserves

The negative amount of €443 k in the caption "Special reserves" relating to a deferred tax correction – revaluation of equity in the subsidiary Lisboagás GDL – Sociedade Distribuidora de Gás Natural de Lisboa, S.A.

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

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

In May 2013, the Group acquired 0.3438% of the capital of the subsidiary Lusitaniagás – Companhia de Gás do Centro, S.A. and recognised in equity under reserves the amount of €92 k due to the difference between the amount paid and the book value.

Reserves - increase of 33.05427% in the capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A.

On 21 December 2015, the Group acquired 33.05427% of the capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. from Enagás – SGPS, S.A., which was already controlled by the Group and consolidated using the full consolidation method. Accordingly, the negative difference of €571 k between the amount paid and the book value of the equity at the acquisition date, was recognised in equity under reserves.

21. Non-controlling interests

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

2016: unit: €k

		% Non-controlling interest 2015	Balance as at December 2015	Share capital and reserves	Assigned dividends (d)	Prior year results	Translation reserves (d)	Retained earnings - actuarial gains and losses	Changes in the consolidation perimeter (Note 3)	Net result for the year	Balance as at December 2016	% Non-controlling interest 2016
Galp Sinopec Brazil Services, B.V.		30.00%	1,268,700	-	-	-	41,613	-	-	(613)	1,309,700	30.00%
Petrogal Brasil, S.A.		30.00%	105,140	-	(7,382)	-	108,748	-	-	23,540	230,046	30.00%
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.		51.71%	19,703	-	(2,538)	10	-	-	-	2,178	19,353	51.71%
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		20.00%	2,874	-	(490)	-	-	-	-	956	3,340	20.00%
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		25.00%	1,236	-	(353)	-	-	-	-	455	1,338	25.00%
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		32.35%	1,039	-	(238)	-	-	(12)	-	194	983	32.35%
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.		25.00%	631	-	(481)	-	-	-	-	647	797	25.00%
Lusitaniagás - Companhia de Gás do Centro, S.A.	(c)	3.16%	1,999	-	(225)	-	-	-	(1,922)	148	-	-
Beiragás - Companhia de Gás das Beiras, S.A.	(c)	40.50%	17,096	-	(810)	-	-	-	(17,568)	1,282	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(c)	0.07%	59	-	(30)	-	-	-	(30)	1	-	-
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(a)	35.00%	(191)	-	-	-	-	-	-	14	(177)	35.00%
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	(a)	35.00%	(2,240)	-	-	-	-	-	-	(204)	(2,444)	35.00%
			1,416,046	-	(12,547)	10	150,361	(12)	(19,520)	28,598	1,562,936	

2015 unit: €k

		% Non-controlling interest 2014	Balance as at December 2014	Share capital and reserves	Assigned dividends (f)	Prior year results	Translation reserves	Retained earnings - actuarial gains and losses	Changes in the consolidation perimeter	Net result for the year	Balance as at December 2015	% Non-controlling interest 2015
Galp Sinopec Brazil Services, B.V.		30.00%	1,127,303	-	-	-	130,063	-	-	11,334	1,268,700	30.00%
Petrogal Brasil, S.A.		30.00%	225,790	-	(5,649)	-	(131,640)	-	-	16,639	105,140	30.00%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(g)	33.12%	23,804	(7,903)	-	(17,473)	-	1	-	1,630	59	0.07%
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.		51.71%	20,247	-	(608)	-	-	-	-	64	19,703	51.71%
Beiragás - Companhia de Gás das Beiras, S.A.		40.50%	15,653	-	-	-	-	-	-	1,443	17,096	40.50%
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		20.00%	2,622	-	(457)	1	-	-	-	708	2,874	20.00%
Lusitaniagás - Companhia de Gás do Centro, S.A.		3.16%	1,771	-	-	-	-	-	-	228	1,999	3.16%
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		25.00%	1,180	-	(297)	-	-	-	-	353	1,236	25.00%
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		32.35%	1,100	-	(218)	(5)	-	-	-	162	1,039	32.35%
Setgás Comercialização, S.A.	(h)	33.05%	999	(664)	-	(448)	-	-	-	113	-	-
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.		25.00%	643	-	(493)	-	-	-	-	481	631	25.00%
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	(e)	35.00%	(709)	-	-	-	-	-	-	(1,531)	(2,240)	35.00%
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(e)	35.00%	(219)	-	-	-	-	-	-	28	(191)	35.00%
			1,420,184	(8,567)	(7,722)	(17,925)	(1,577)	1	-	31,652	1,416,046	

31 December 2016:

(a) As of 31 December 2016, the subsidiaries Petrogás Guiné Bissau, Lda. and Carriço Cogeração, S.A. present negative equity. Accordingly, the Group only recognised accumulated losses in the proportion of the capital held in that subsidiaries, reason why the non-controlling interest's presents a debtor balance.

(b) Of the amount of €12,547 k of allocated dividends, €5,152 k were paid in the year ended 31 December 2016. Additionally, the subsidiary Petrogal Brasil, S.A. paid €3,960 k, related to dividends for the year ended 31 December 2015, to the minority shareholder W.I.P. Therefore, in the year ended 31 December 2016 dividends were paid in the amount of €9,112 k to minority shareholders (Note 30).

(c) GGND helds financial interests in the subsidiaries i) Lusitaniagás - Companhia de Gás do Centro, S.A. (96,842%); ii) Beiragás - Companhia de Gás das Beiras, S.A. (59,519%); and iii) Setgás - Sociedade de Produção e Distribuição de Gás, S.A.

Due to the sale of 22.5% of the share capital of the subsidiary GGND and considering the Shareholders' agreements which establish joint control over the Company (Note 3 and 4.1), Galp Gás Natural Distribuição, S.A. and its respective subsidiaries are accounted for under the equity method.

The amount of €19.520 corresponds to the non-controlling interests of the subsidiaries, on the disposal date, from which moment Galp ceased to consolidate by the full method and started using the equity method (Note 3.2 and 4.1):

unit: €k

Equity as of 31 October 2016	Beiragás - Companhia de Gás das Beiras, S.A.	Lusitaniagás - Companhia de Gás do Centro, S.A.	Setgás - Sociedade de Produção e Distribuição de Gás, S.A.
Equity:			
Share capital	11,580	20,500	9,000
Share premium	-	-	7,482
Reserves	2,273	5,266	7,426
Retained earnings	26,491	31,697	19,667
Consolidated net income for the period	3,155	4,587	1,762
Total equity attributable to Galp Gás Natural Distribuição, S.A.	43,499	62,050	45,337
Galp Energia, SGPS, S.A. Intragroup eliminations	(117)	(1,191)	(231)
	43,382	**60,859**	**45,106**
% Non controlling interests at disposal date	40.50%	3.158%	0.07%
Non controlling interests	**17,568**	**1,922**	**30**

(d) Changes in non-controlling interests in the caption translation reserves has the following detail:

d1) €41,613 k related to the positive Exchange differences arising from the translation of financial statements of the subsidiary Galp Sinopec Brazil Services, B.V. in United States Dollars (USD) to Euros (EUR);

d2) €108,748 k related to the positive Exchange differences from the subsidiary Petrogal Brasil, S.A. of which:

- €56,859 k are related to positive Exchange differences resulting from the translation of the financial statements of the subsidiary Petrogal Brasil, S.A. in Brazilian Reais (BRL) to Euros (EUR);

- €51,889 k related to positive Exchange diferences resulting from the financial allocation of 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, S.A.R.L. (W.I.P.), to Petrogal Brasil, S.A., in Euros and in United States 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.

31 December 2015:

(a) As of 31 December 2015, the subsidiaries Petrogás Guiné Bissau, Lda. and Carriço Cogeração, S.A. present negative equity. Accordingly, the Group only recognised accumulated losses in the proportion of the capital held in those subsidiaries, reason why the non-controlling interest's presents a debtor balance.

(b) Of the assigned dividends amounting to €7,722 k, the amount of €2,693 k was paid in the period ended 31 December 2015.

(c) The subsidiary Setgás – Sociedade de Produção e Distribuição de Gás, S.A., which was previously owned at 66.87906%, is now held 99.93333% by the Group. Due to the increase of 33.05427%, a negative amount of €25,376 k, relating to the variation in the percentage held by the Group, was recorded in Non-controlling interests.

The negative amount of €7,903 k corresponds to the variation of non-controlling interests in the captions "Share capital", "Other reserves" and "Share premium" and the negative amount of €17,473 k corresponds to the variation of non-controlling interests in the caption "Retained earnings" until the date of the participation increase.

(d) The subsidiary Setgás Comercialização, S.A., which was previously 66.496% owned, is now 100% held by the Group. Due to the increase of 33.0541%, a negative amount of €1,112 k, relating to the variation in the percentage held by the Group, was recorded in Non-controlling interests.

The negative amount of €664 k corresponds to the variation of non-controlling interests in the captions "Share capital", "Other reserves" and "Share premium" and the negative amount of €448 k corresponds to the variation of non-controlling interests in the caption "Retained earnings" until the date of the participation increase.

The following table includes the detail of the separate financial statements (i.e. statement of financial position, income statement and cash flow statement) of the entities with non-controlling interests as of 31 December 2016:

Statement of financial position:

2016 unit: €k

Assets	Galp Sinopec Brazil Services, B.V.	Petrogal Brasil, S.A.	Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	Carriço Cogeração - Sociedade de Geração de Eletricidade e Calor, S.A.
Non-current assets:									
Tangible assets	-	2,351,702	17,001	4,777	1,127	1,658	29,877	475	4
Goodwill	2	-	-	-	-	-	-	-	-
Intangible assets	-	8,289	59	3	-	-	-	-	-
Investments in associates and joint ventures	1,027,313	-	1,909	-	-	493	-	-	-
Other receivables	1,185,846	18,986	-	-	-	1	-	-	-
Deferred tax assets	-	88,233	348	69	79	70	-	-	80
Total non-current assets:	**2,213,161**	**2,467,210**	**19,317**	**4,849**	**1,206**	**2,222**	**29,877**	**475**	**84**
Inventories	-	19,367	4,886	3,747	2,910	-	-	-	-
Trade receivables	34	156,064	14,603	1,843	405	663	6,010	-	4
Other receivables	2,069,197	199,943	6,752	3,107	2,528	273	52	24	37
Income tax receivables	-	-	-	-	-	-	-	15	290
Cash and cash equivalents	95,601	74,951	16,551	7,075	4,225	1,255	6,538	504	19
Subtotal current assets:	**2,164,832**	**450,325**	**42,792**	**15,772**	**10,068**	**2,191**	**12,600**	**543**	**350**
Total assets:	**4,377,993**	**2,917,535**	**62,109**	**20,621**	**11,274**	**4,413**	**42,477**	**1,018**	**434**
Liabilities:									
Bank loans	-	-	-	-	-	384	18,268	-	-
Other payables	-	1,780,922	-	-	-	105	6,279	228	3,453
Post-employment and other employee benefits liabilities	-	-	-	-	-	328	-	-	-
Deferred tax liabilities	-	12,545	-	-	-	-	-	-	-
Provisions	-	93,774	182	75	-	29	1,669	-	71
Total non-current liabilities:	**-**	**1,887,241**	**182**	**75**	**-**	**846**	**26,216**	**228**	**3,524**
Bank loans and overdrafts	-	-	-	-	-	-	3,217	-	-
Trade payables	1,179	16,665	15,554	2,402	5,050	186	3,159	47	1,248
Other payables	135	196,843	8,167	921	306	320	6,628	1,248	2,644
Other financial instruments	-	1,001	-	-	-	-	-	-	-
Current income tax payable	11,012	48,963	784	524	564	23	67	-	-
Subtotal current liabilities:	**12,326**	**263,472**	**24,505**	**3,847**	**5,920**	**529**	**13,071**	**1,295**	**3,892**
Total liabilities:	**12,326**	**2,150,713**	**24,687**	**3,922**	**5,920**	**1,375**	**39,287**	**1,523**	**7,416**
% Non controlling interests	**30.00%**	**30.00%**	**51.71%**	**20.00%**	**25.00%**	**32.35%**	**25.00%**	**35.00%**	**35.00%**
Non controlling interests	**1,309,700**	**230,046**	**19,353**	**3,340**	**1,338**	**983**	**797**	**(177)**	**(2,444)**

2015: unit: €k

Assets	Galp Sinopec Brazil Services, B.V.	Petrogal Brasil, S.A.	Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	Beiragás - Companhia de Gás das Beiras, S.A.	Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	Lusitaniagás - Companhia de Gás do Centro, S.A.	Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	Carriço Cogeração - Sociedade de Geração de Eletricidade e Calor, S.A.
Non-current assets:												
Tangible assets	-	1,501,954	563	18,253	-	4,789	-	1,700	1,596	32,871	518	6
Goodwill	2	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	8,040	173,655	140	71,239	6	281,207	-	-	-	-	-
Investments in associates and joint ventures	896,099	-	-	1,572	-	-	-	-	546	-	-	-
Financial assets available for sale	-	-	3	-	-	-	-	-	-	-	-	-
Other receivables	2,426,264	23,710	5,924	-	2,886	-	10,684	-	1	-	-	-
Deferred tax assets	-	190,541	501	-	88	105	482	79	61	-	-	193
Total non-current assets:	**3,322,365**	**1,724,245**	**180,646**	**19,965**	**74,213**	**4,900**	**292,373**	**1,779**	**2,204**	**32,871**	**518**	**199**
Inventories	-	12,957	61	6,876	246	3,284	189	2,930	-	-	-	-
Trade receivables	18	25,804	1,520	16,917	1,826	1,624	1,937	362	665	7,991	-	8
Other receivables	758,705	106,331	55,751	2,479	5,007	3,432	21,681	2,490	413	61	108	(665)
Income tax receivables	-	2,210	-	394	-	-	-	-	-	-	-	333
Cash and cash equivalents	151,444	65,680	14	7,718	5,249	10,281	6,069	3,983	1,301	8,563	342	62
Subtotal current assets:	**910,167**	**212,982**	**57,346**	**34,384**	**12,328**	**18,621**	**29,876**	**9,765**	**2,379**	**16,615**	**450**	**(262)**
Total assets:	**4,232,532**	**1,937,227**	**237,992**	**54,349**	**86,541**	**23,521**	**322,249**	**11,544**	**4,583**	**49,486**	**968**	**(63)**
Liabilities:												
Bank loans	-	-	2,041	-	12,225	-	6,906	-	384	21,486	-	-
Other payables	-	1,315,617	125,262	-	20,370	-	209,517	-	128	7,055	-	3,462
Post-employment and other employee benefits liabilities	-	-	631	-	291	-	179	-	320	-	-	-
Deferred tax liabilities	-	32,034	4,527	-	463	-	3,288	-	-	-	-	-
Provisions	-	63,037	2,760	-	1,421	75	4,970	9	15	1,251	-	68
Total non-current liabilities:	**-**	**1,410,688**	**135,221**	**-**	**34,770**	**75**	**224,860**	**9**	**847**	**29,792**	**-**	**3,530**
Bank loans and overdrafts	8	-	6,205	439	2,630	-	2,302	-	-	7,687	-	-
Trade payables	458	6,362	1,141	13,238	1,256	6,075	4,195	5,505	159	2,663	47	1,134
Other payables	52	169,431	5,931	2,572	4,520	2,626	21,315	318	332	6,755	1,439	1,672
Other financial instruments	-	277	-	-	-	-	-	-	-	-	-	-
Current income tax payable	3,012	-	1,166	-	1,150	377	6,275	765	31	66	26	-
Subtotal current liabilities:	**3,530**	**176,070**	**14,443**	**16,249**	**9,556**	**9,078**	**34,087**	**6,588**	**522**	**17,171**	**1,512**	**2,806**
Total liabilities:	**3,530**	**1,586,758**	**149,664**	**16,249**	**44,326**	**9,153**	**258,947**	**6,597**	**1,369**	**46,963**	**1,512**	**6,336**
% Non controlling interests	30.00%	30.00%	0.07%	51.71%	40.50%	20.00%	3.16%	25.00%	32.35%	25.00%	35.00%	35.00%
Non controlling interests	1,268,700	105,140	59	19,703	17,096	2,874	1,999	1,236	1,039	631	(191)	(2,240)

Income statement:

2016 — unit: €k

	Galp Sinopec Brazil Services, B.V.	Petrogal Brasil, S.A.	Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	Beiragás - Companhia de Gás das Beiras, S.A.	Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	Lusitaniagás - Companhia de Gás do Centro, S.A.	Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	Carriço Cogeração - Sociedade de Geração de Eletricidade e Calor, S.A.
Total operating income:	15,927	758,581	26,179	89,832	14,004	51,926	52,395	57,312	3,582	9,841	343	54
Total operating costs:	16,163	516,223	17,967	86,119	9,933	45,071	36,395	54,936	2,890	6,670	288	297
Operating result:	(236)	242,358	8,212	3,713	4,071	6,855	16,000	2,376	692	3,171	55	(243)
Income before taxes:	14,801	216,727	4,297	5,527	3,951	6,413	9,739	2,386	745	2,952	53	(411)
Consolidated net income for the year	(2,046)	78,468	1,779	4,211	3,168	4,782	4,681	1,819	599	2,590	40	(583)
% Non controlling interests	30.00%	30.00%	0.00%	51.71%	0.00%	20.00%	0.00%	25.00%	32.35%	25.00%	35.00%	35.00%
Non controlling interests	(613)	23,540	1	2,178	1,282	956	148	455	194	647	14	(204)

2015: — unit: €k

	Galp Sinopec Brazil Services, B.V.	Petrogal Brasil, S.A.	Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	Beiragás - Companhia de Gás das Beiras, S.A.	Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	Lusitaniagás - Companhia de Gás do Centro, S.A.	Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	Setgás Comercialização, S.A.	CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	Carriço Cogeração - Sociedade de Geração de Eletricidade e Calor, S.A.
Total operating income:	3,663	494,730	32,735	108,844	18,536	48,507	66,138	55,395	3,552	12,695	9,532	393	5,981
Total operating costs:	27,912	366,817	21,810	108,250	12,805	43,543	44,992	53,556	2,841	12,124	6,979	243	10,216
Operating result:	(24,249)	127,913	10,925	594	5,731	4,964	21,146	1,839	711	571	2,553	150	(4,235)
Income before taxes:	43,306	139,924	8,833	1,340	5,455	4,700	13,283	1,852	648	667	2,250	127	(4,342)
Consolidated net income for the year	37,782	55,462	5,497	1,133	3,678	3,535	7,177	1,412	487	285	1,923	95	(4,374)
% Non controlling interests	30.00%	30.00%	0.07%	51.71%	40.50%	20.00%	3.16%	25.00%	32.35%	0.00%	25.00%	35.00%	35.00%
Non controlling interests	11,334	16,639	1,630	64	1,443	708	228	353	162	113	481	28	(1,531)

Statement of cash flows:

2016: unit: €k

	Galp Sinopec Brazil Services, B.V.	Petrogal Brasil, S.A.	Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	Carriço Cogeração - Sociedade de Geração de Eletricidade e Calor, S.A.
Cash flows from operating activities (1)	(4,099)	301,779	14,030	(2,627)	1,655	910	8,011	162	(43)
Cash flows from investing activities (2)	(56,691)	(645,254)	44	(89)	-	(219)	(194)	-	-
Cash flows from financing activities (3)	(17)	347,810	(5,345)	(490)	(1,413)	(737)	(5,367)	-	-
Net change in cash and cash equivalents (4) = (1) + (2) + (3)	(60,807)	4,335	8,729	(3,206)	242	(46)	2,450	162	(43)
Effect of foreign exchange rate changes in cash and cash equivalents	4,972	4,936	104	-	-	-	-	-	-
Cash and cash equivalents at the beginning of the year	151,436	65,680	7,718	10,281	3,983	1,301	4,088	342	62
Cash and cash equivalents at the end of the year	95,601	74,951	16,551	7,075	4,225	1,255	6,538	504	19

2015: unit: €k

	Galp Sinopec Brazil Services, B.V.	Petrogal Brasil, S.A.	Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	Beiragás - Companhia de Gás das Beiras, S.A.	Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	Lusitaniagás - Companhia de Gás do Centro, S.A.	Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	Carriço Cogeração - Sociedade de Geração de Eletricidade e Calor, S.A.
Cash flows from operating activities (1)	(5,022)	247,600	10,824	7,600	8,604	1,661	29,615	1,903	877	3,771	(18)	23
Cash flows from investing activities (2)	148,050	(611,412)	(48,286)	(2,311)	(1,379)	(135)	(5,351)	(1)	66	(189)	-	2
Cash flows from financing activities (3)	(34)	407,062	52,364	(6,968)	(9,465)	(457)	(10,127)	(1,188)	(704)	(5,441)	-	-
Net change in cash and cash equivalents (4) = (1) + (2) + (3)	142,994	43,250	14,902	(1,679)	(2,240)	1,069	14,137	714	239	(1,859)	(18)	25
Effect of foreign exchange rate changes in cash and cash equivalents	899	(6,264)	-	(30)	-	-	-	-	-	-	-	-
Cash and cash equivalents at the beginning of the year	7,551	28,694	(17,012)	9,427	7,489	9,212	(8,068)	3,269	1,062	5,947	360	37
Cash and cash equivalents at the end of the year	151,444	65,680	(2,110)	7,718	5,249	10,281	6,069	3,983	1,301	4,088	342	62

22. Loans

Detail of loans

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

unit: €k

	December 2016		December 2015	
	Current	Non-current	Current	Non-current
Bank loans:				
Loans	198,556	912,749	162,439	1,152,214
Bank overdrafts (Note 18)	110,255	-	85,755	-
Discounted notes	631	-	2,174	-
	309,442	**912,749**	**250,368**	**1,152,214**
Origination fees	(1,134)	(1,260)	(3,578)	(1,182)
	308,308	**911,489**	**246,790**	**1,151,032**
Other loans obtained:				
IAPMEI/SIDER	-	384	1	384
	-	**384**	**1**	**384**
	308,308	**911,873**	**246,791**	**1,151,416**
Bonds and Notes:				
Bonds	22,500	670,000	250,000	920,000
Notes	-	1,000,000	-	1,000,000
	22,500	**1,670,000**	**250,000**	**1,920,000**
Origination fees	(5,645)	(4,344)	-	(11,891)
	16,855	**1,665,656**	**245,756**	**1,908,109**
	325,163	**2,577,529**	**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 December 2016:

unit: €k

	Loans		
Maturity	Total	Current	Non-current
2017	221,056	221,056	-
2018	628,739	-	628,739
2019	698,988	-	698,988
2020	649,372	-	649,372
2021	535,091	-	535,091
2022	25,943	-	25,943
2023	20,000	-	20,000
2024 and subsequent years	25,000	-	25,000
	2,804,189	**221,056**	**2,583,133**

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

Currency		December 2016		December 2015	
		Total initial amount	Due amount unit: €k	Total initial amount	Due amount unit: €k
United States Dollars	USD	126,000	59,767	126,000	115,734
Cape Verde Escudos	CVE	-	-	48,377	439
Euro	EUR	3,580,353	2,744,422	3,662,172	3,368,865
			2,804,189		**3,485,038**

The average interest rate of the loans, including costs associated with overdrafts, incurred by the Group, in the years 2016 and 2015, amounted to 3.52% and 3.75%, respectively.

Description of the main loans

Commercial paper issuance

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

These instruments bear interest at the Euribor rate applicable for the respective period of issuance, plus variable spreads. 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 December 2016:

unit: €k

Entity	Due amount	Interest rate	Maturity	Reimbursement
Banco Itaú	59,767	Libor 6M + spread	April 2017	April 2017
UniCredit Bank Austria	150,000	Euribor 6M + spread	April 2020	April 2020
	209,767			

Additionally, the Group has project finance loans amounting to €22,048 k, obtained by the companies Agroger - Sociedade de Cogeração do Oeste S.A. and CLCM – Companhia Logística de Combustíveis da Madeira, S.A.

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

unit: €k

Entity	Due amount	Interest rate	Maturity	Reimbursement
EIB (Matosinhos cogeneration)	50,000	Fixed rate	October '17	October '17
EIB (Instalment A - Sines cogeneration)	19,286	Fixed rate	September '21	Semi-annual instalments beginning in March '10
EIB (Instalment B - Sines cogeneration)	10,205	Fixed rate	March '22	Semi-annual instalments beginning in September '10
EIB (Instalment A - refinery upgrade)	186,000	Revisable fixed rate	February '25	Semi-annual instalments beginning in August '12
EIB (Instalment B - refinery upgrade)	124,000	Fixed rate	February '25	Semi-annual instalments beginning in August '12
	389,491			

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

The remaining loan with the EIB, amounting to €124,000 k, is guaranteed by a bank syndicate.

The Galp Energia Group has bank loans contracted, which in some cases have covenants which, if triggered by banks, lead to early repayment (Note 33).

Bonds

Detailed information for bonds as of 31 December 2016:

unit: €k

Emission	Due amount	Interest rate	Maturity	Reimbursement
GALP ENERGIA/2013-2017 €600 M. FRN	22,500	Euribor 6M + spread	May '17	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
	692,500			

Galp Energia, SGPS, S.A. pursuant to the applicable terms and conditions, has exercised the call option with respect to the total outstanding amount of the notes representing the bond issue EUR 455,000,000.00 Floating Rate Notes Due 2017 (CVM Code: GALKOM).

The redemption of the referred notes was made at principal amount thereof plus accrued interest, and occurred on 21 November 2016, payment day of current Interest Period, followed by the cancellation of such notes.

Notes issuance

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

Detail by issuance, as of 31 December 2016:

unit: €k

Emission	Overdue 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			

The fair value of the bonds was measured based on inputs observed in the market, therefore its classification in the fair value hierarchy is Level 2 (Note 34).

23. Post employment and other employee benefits

The Group provides to its employees two defined benefit plans, which are non-contributory for the participants, and one defined contribution plan, which is contributory. In addition, it provides benefits for health insurance, life insurance and a complimentary defined contribution plan in the event of death or disability.

The two defined benefit plans are as follows:

The Petrogal Pension Plan provides the following benefits:

- pension supplements for retirement and disability;
- pension supplements for surviving dependents;
- early retirement pension;
- pre-retirement pension;
- retirement bonus; and
- voluntary social insurance.

The Petrogal Pension Fund aims for the payment of pension supplements for retirement and disability and survival pensions.

The Sacor Marítima Pension Plan provides the following benefits:

- pension supplements for retirement and disability;
- pension supplements for surviving dependents; and
- pre-retirement pension.

The closed Sacor Marítima Pension Fund aims for the payment of pension supplements for retirement and disability and survival pensions.

Two scenarios have been used for the calculation of the liabilities of these defined benefit plans:

- finance scenario - used by Galp to determine liabilities; and
- minimum Solvency Level scenario - scenario using recommended assumptions to calculate the minimum amount of funding of the Pension Funds (Rule No. 21/96-R).

The liabilities presented in this report have been calculated based on the Projected Unit Credit method. The principle behind this method is to cover the benefits of each of the participants of the plan as they accrue, taking into account the future growth of costs associated with the benefit under analysis. Thus, the total cost for each participant is divided into units, each of which is associated with a past or future year of service.

For the purpose of the assessment, the cumulative liability of an individual is the present value of the accumulated benefits, at the reference date.

Past Service Liability (PSL) result from the sum of the accumulated liabilities for all participants in the plan.

The Petrogal Pension Plan is complementary to the public social security scheme, according to the rules officially in force as of 31 December 1993.

The retirement benefits (retirement and disability) and survival benefits are paid directly by the Pension Fund. The benefits for early retirement, pre-retirement, voluntary social insurance and retirement bonus are not chargeable to the Pension Fund as they are paid directly by Petrogal, for which accounting provisions have been made.

The Sacor Marítima Pension Plan is also complementary to the public schemes.

The benefits provided under the plan are paid by the Pension Fund. Payments to pre-retirees are made directly by Sacor, with the liability being provisioned for this purpose.

Galp also offers its employees a defined contribution plan, to which the following companies are currently associated: Galp Energia SGPS, Petróleos de Portugal-Petrogal, S.A., Galp Energia S.A., Galp Exploração e Produção Petrolífera S.A., Saaga-Sociedade Açoreana de Armazenagem de Gás, S.A., Galp Gás Natural, S.A., Galp Gas & Power,SGPS, S.A. and Galp Power, S.A.

In the Defined Contribution Plan, the benefits to be attributed to employees are the result of the contributions made up to the time of retirement by both the company and employees.

The Companies make contributions of 3% of the pensionable salary and a “matching” contribution of an amount equal to the employee’s contribution, up to a limit of 1% of the pensionable salary.

The annual cost is fixed as a percentage and has no risk to changes in life expectancy, fund performance, Social Security contributions, and does not require actuarial valuations.

This defined contribution plan also includes a minimum benefit in case of death or disability of active participants, by attributing a minimum total pension to be added to that from the Social Security, which guarantees a minimum total pension equal to 50% of the pensionable salary of the employee on the date of occurrence.

The pension plans are governed by Portuguese law applied to pension funds and supervised by the Supervisory Authority for Insurance and Pensions ("Autoridade de Supervisão de Seguros e Pensões – ASF").

The Fund Management Company is responsible for executing all necessary or convenient acts and operations to ensure the good administration and management of the Fund in accordance with what has established in the Constitution Agreement and in the Fund Management Contract.

CGD Pensões is the fund management company of the Petrogal Fund, and Pensões Gere manages the Sacor Marítima pension fund.

The Health Insurance benefit aims to cover medical/hospital expenses in accordance with existing policies.

The Life Insurance benefit aims to ensure financial protection of employees and/or spouses and children in the event of death or disability and in accordance with the existing policies.

On 31 December, 2016 and 2015, the net assets of the Pension Funds, valued at fair value, were as follows according to the reports submitted by the respective fund management companies:

unit: €k

	December 2016	December 2015
Bonds	171,354	182,803
Shares	51,108	61,862
Other Investments	10,279	10,066
Real Estate	2,628	3,274
Liquidity	17,141	30,039
Property	30,245	29,566
Total	**282,755**	**317,610**

The heading Property refers to the value of the properties being used by the Group.

During the year ended 31 December, 2016, no contribution was made for the Pension Fund. The assets are declining in line with the gradual ageing of the beneficiary population.

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

unit: €k

	December 2016			December 2015		
Captions	Asset (Note 14)	Liability	Equity	Asset (Note 14)	Liability	Equity
Post employment benefits:						
Relating to the Pension Fund	271	(7,031)	44,345	176	(4,835)	42,009
Retired employees	-	(750)	1,452	-	(3,839)	1,910
Pre-retirement	-	(56,518)	9,107	-	(67,175)	9,006
Early retirement	-	(63,026)	7,744	-	(83,152)	5,806
Retirement bonus	-	(7,029)	341	-	(6,919)	43
Voluntary social insurance	-	(2,257)	3,892	-	(2,319)	3,543
Other	-	-	-	-	-	-
Other benefits:						
Healthcare	-	(208,283)	75,342	-	(241,635)	85,769
Life insurance	-	(2,816)	238	-	(3,129)	66
Defined contribution plan minimum benefit	-	(11,412)	19	-	(8,537)	(1,621)
	271	**(359,122)**	**142,480**	**176**	**(421,540)**	**146,531**

The caption Relating to the Pension Fund amounting to €7,031 k includes €133 k for the Retirement and Disability Plan - Amortisation of the deficit of the defined benefit plan of the subsidiary Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A. Until 31 December 2009, the retirement benefit consisted of a defined benefit plan. On 3 May 2010, the retirement benefits scheme was changed, and from that moment became a defined contribution plan (existing at the level of Galp group). Accordingly, for retirement and disability pension liabilities existing on 3 May, 2010 amounting to €394 k, corresponding to the amount of those liabilities which were not covered by the assets of the pension fund, a repayment plan was agreed so as to amortise the difference, plus interest over a period of ten years. On 31 December 2016, the value of these liabilities amounted to €133 k.

The caption Retired employees amounting to €338 k includes a €20 k provision to cover future liabilities assumed by the subsidiary Petrogal Moçambique, Lda. in relation to its employees who had retired up until 1990 (before the creation of the social security system in Mozambique).

The Pre-retirement caption amounting to €56,518 k includes €2,983 k for the subsidiary Petróleos de Portugal - Petrogal, S.A., to cope with already agreed pre-retirements that will only be effective in 2017.

The caption Employee costs - retirement benefits amounting to €29,257 k (Note 6) includes mainly: (i) €950 k relating to benefits related to the Fund; (ii) €13,723 k from the remaining retirement benefits; (iii) a loss of €6,403 k of other benefits; (iv) €4,002 k for the defined contribution plan and (v) a loss of €4,179 k regarding pre-retirements and early retirements not included in the other benefits.

The difference of €24,603 k between the amount recorded in the Equity detail above and the amount in the caption Retained earnings – actuarial gains and losses - pension fund, of the consolidated statement of changes in equity is due to the amount relating to deferred tax.

The table below shows the number of participants and beneficiaries sorted by category:

	December 2016	December 2015
Active	1,659	1,880
Pre-retired	312	370
Early retirements	320	341
Disability retirements	72	83
Age retirements	2,671	2,968
Pensioners - Widows/Orphans	1,612	1,773
	6,646	**7,415**

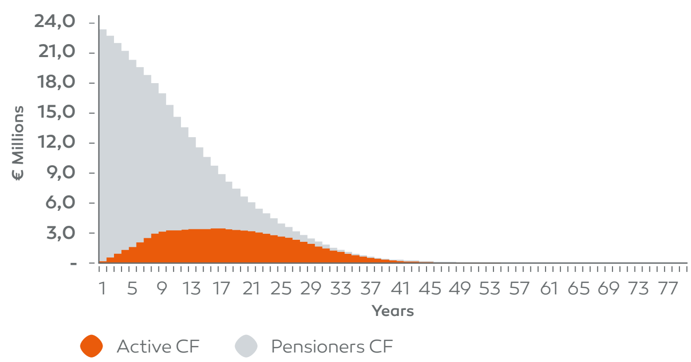
During 2016 there were 28 new cases of pre-retirement, 26 new cases of early retirement and 8 withdrawals for termination by mutual agreement.

The reduction in the number of participants and beneficiaries results especially from the changes in consolidation perimeter noted in 2016, which resulted in the deconsolidation of 635 participants.

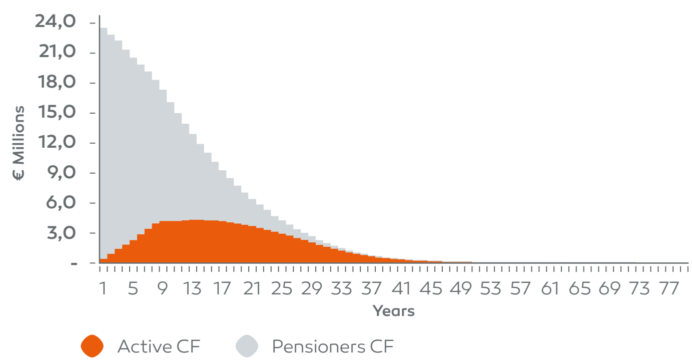
The average maturity of liabilities for the defined benefit plans, is 10.5 years.

Payment distribution associated with the Petrogal Pension Fund:

Financing Scenario



Solvency Minimum



The assumptions used for the calculation of post-employment benefits are considered by the Group as those that best meet the commitments set out in the pension plan and are set out as follows:

unit: €k

	2016	2015
Assumptions:		
Rate of return on assets	2.25%	2.50%
Technical interest rate	2.25%	2.50%
Rate of increase in salaries	1.00%	1.00%
Rate of increase in pensions	[0.00% - 1.40%]	[0.00% - 2.00%]
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011
Retired personnel mortality table	INE 2009-2011	INE 2009-2011
Disability table	50% EVK 80	50% EVK 80
Common age for retirement	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous year	322,275	325,515
Current service cost	564	773
Interest cost	7,635	8,604
Actuarial (gain)/loss	9,394	13,539
Benefit payments made by the Fund	(24,757)	(25,208)
Changes in the benefits plan	-	(756)
Cut back - Early retirements	362	694
Cut back - Pre-retirement	13	20
Cut Back - Migration to DC	(28)	(896)
Liquidations	-	(9)
Changes in consolidation perimeter	(25,806)	-
Other adjustments	-	
PSL at the end of the current year	**289,652**	**322,275**
Changes in coverage of financial assets (pension fund)		
Assets at the end of the previous year	317,610	334,950
Net interest	7,524	8,863
Associates contribution	-	1,650
Benefit payments	(24,757)	(25,208)
Changes in consolidation perimeter	(23,864)	
Cut Back - Migration to DC	(37)	(896)
Financial gains/(losses)	6,279	(1,749)
Assets at the end of the current year	**282,755**	**317,610**
Reconciliation of gains and losses - through Comprehensive Income		
(Gain)/loss from actuarial experience	(3,067)	(6,176)
(Gain)/loss by actuarial assumptions change	(6,327)	(7,363)
Financial (Gain)/loss	6,279	(1,749)
Other impacts	3,115	15,288
(Gains)/losses to be recognized in the year-end	**-**	**-**

unit: €k

	2016	2015
Reconciliation to the Statement of Financial Position		
(Gains)/losses recognized at the beginning of the year - Asset/(Liability)	(4,665)	9,435
Net cost of the year	(1,060)	(462)
Associates contribution	-	1,650
Gains/(losses) recognized - through Comprehensive Income	(3,115)	(15,288)
Changes in consolidation perimeter	1,942	-
Total recognized at year end - Assets/(Liabilities)	**(6,898)**	**(4,665)**
Net cost of the year		
Current service cost	564	773
Interest cost	111	(259)
Net cost of the year before special events	**675**	**514**
Cut back impact - Early Retirement	362	694
Cut back impact - Pre-retirement	13	20
Liquidations impacts	-	(9)
Cut Back - Migration to DC	10	(756)
Net cost of the year	**1,060**	**463**
Reconciliation of gains and loss recognized- through Comprehensive Income		
Cummulative (Gains)/losses recognized at the beginning of the year	39,692	24,404
Actuarial (Gains) and Losses from experience	3,067	6,176
(Gains)/losses from change in assumptions	6,327	7,363
Financial (Gains)/losses	(6,279)	1,749
Associates	812	-
Changes in consolidation perimeter	(1,500)	-
Other impacts	1	-
Cummulative (Gains)/losses recognized at the end of the year	**42,120**	**39,692**

The actuarial losses related to past service liabilities which occurred in 2016 amounting to €9,394 k can be segregated as follows:

- by changes in assumptions: losses amounting to €6,327 k related to the change in the discount rate. As the change in the regular retirement age was driven by the change in legislation, the impact was considered as a gain/loss by experience; and
- by experience: losses amounting to €3,067 k

The financial losses resulting from the Funds, amounting to €6,279 k, are a consequence of the difference between the estimated value for the development of the Funds and the actual value shown in the previous paragraph, as detailed below:

unit: €k

	Estimated	Real	Deviation	Date
Initial balance	**317,610**	**317,610**	**-**	**12/31/2015**
Benefits payment	(25,362)	(24,757)	605	2016
Acquired rights	-	-	-	
Associates contributions	5,402	-	(5,402)	
Participant contributions	-	-	-	
Transfer to the Galp Energia Pension Fund (relating to the employee migration to the DC Plan)	-	(37)	(37)	
Changes in consolidation perimeter	-	(23,864)	(23,864)	
Total Movements	**(19,960)**	**(48,658)**	**(28,698)**	
Fund return	7,524	13,803	6,279	
Ending balance	**305,174**	**282,755**	**(22,419)**	**12/31/2016**

The assumptions used to calculate the post-employment benefits are those considered by the Group as those that best meet the commitments set out in the pension plan and the respective pension liabilities for Spain are as follows:

unit: €k

	Group in Spain	
	2016	**2015**
Assumptions		
Rate of return on assets	1.85%	2.45%
Technical interest rate	1.85%	2.45%
Rate of increase in salaries	2.50%	2.50%
Rate of increase in pensions	2.00%	2.00%
Current personnel and pre-retirees mortality table	PERMF 2000P	PERMF 2000P
Retired personnel mortality table	PERMF 2000P	PERMF 2000P
Common age for retirement	65	65
Method	Projected credit unit	Projected credit unit
Changes in past service liability (PSL)		
PSL at the end of the previous year	434	431
Current service cost	2	5
Interest cost	11	10
Actuarial (gain)/loss	51	1
Other adjustments	-	(13)
PSL at the end of the current year	**498**	**434**
Changes in coverage of financial assets (pension fund)		
Assets at the end of the previous year	610	554
Net interest	15	12
Associates contribution	-	22
Other adjustments	1	-
Financial gains/(losses)	143	22
Assets at the end of the current year	**769**	**610**
Reconciliation to the Statement of Financial Position		
(Gains)/losses recognized at the beginning of the year - Asset/(Liability)	176	123
Net cost of the year	2	10
Associates contribution	-	22
Gains/(losses) recognized - through Comprehensive Income	92	21
Other adjustments	1	-
Total recognized at year end - Assets/(Liabilities)	**271**	**176**
Net cost of the year		
Current service cost	2	5
Interest cost	(4)	(2)
Net cost of the year before special events	**(2)**	**3**
Liquidations impacts	**-**	**(13)**
Net cost of the year	**(2)**	**(10)**
Reconciliation of gains and loss recognized- through Comprehensive Income		
Cummulative (Gains)/losses recognized at the beginning of the year	2,317	2,338
Actuarial (Gains) and Losses from experience	2	13
(Gains)/losses from change in assumptions	49	(12)
Financial (Gains)/losses	(143)	(22)
Cummulative (Gains)/losses recognized at the end of the year	**2,225**	**2,317**

Other pension benefits not allocated to the funds:

unit: €k

						Group in 2016
	Retired	Pre-retirement	Early Retirement	Retirement bonuses	Voluntary social insurance	Total
Assumptions						
Technical interest rate	2.25%	2.25%	2.25%	2.25%	2.25%	
Rate of increase in salaries	1.00%	1.00%	1.00%	1.00%	1.00%	
Rate of increase in pensions	[0.00% - 1.40%]	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.05% - 1.40%]	[0.05% - 1.40%]	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Disability table	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	
Common age for retirement	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)						
PSL at the end of the previous year	3,807	65,199	82,973	6,919	2,319	161,217
Current service cost	5	9	484	217	-	715
Interest cost	76	1,426	1,852	170	52	3,576
Actuarial (gain)/loss	25	193	550	298	349	1,415
Benefits payment made by the Company	(305)	(15,072)	(11,942)	(469)	(477)	(28,265)
Cut back - Early retirements	-	-	7,185	(71)	14	7,128
Cut back - Pre-retirement	-	5,728	184	5	-	5,917
Cut back - Liquidations Mutual Agreement	-	-	-	(40)	-	(40)
Changes in consolidation perimeter	(2,876)	(3,948)	(18,262)	-	-	(25,086)
Other Adjusyments	(2)	-	2	-	-	-
PSL at the end of the current year	**730**	**53,535**	**63,026**	**7,029**	**2,257**	**126,577**
Reconciliation to the Statement of Financial Position						
(Gains)/losses recognized at the beginning of the year - Asset/(Liability)	(3,807)	(65,199)	(82,973)	(6,919)	(2,319)	(161,217)
Net cost of the year	(81)	(7,163)	(9,705)	(281)	(66)	(17,296)
Benefits paid directly by the Company	305	15,072	11,942	469	477	28,265
Gains/(losses) recognized - through Comprehensive Income	(25)	(193)	(550)	(298)	(349)	(1,415)
Changes in consolidation perimeter	2,876	3,948	18,262	-	-	25,086
Other Adjusyments	2	-	-	-	-	2
Total recognized at year end - Assets/(Liabilities)	**(730)**	**(53,535)**	**(63,024)**	**(7,029)**	**(2,257)**	**(126,575)**
Net cost of the year						
Current service cost	5	9	484	217	-	715
Interest cost	76	1,426	1,852	170	52	3,576
Net cost of the year before special events	**81**	**1,435**	**2,336**	**387**	**52**	**4,291**
Cut back impact - Early Retirement	-	-	7,185	(71)	14	7,128
Cut back impact - Pre-retirement	-	5,728	184	5	-	5,917
Liquidations impacts	-	-	-	(40)	-	(40)
Net cost of the year	81	7,163	9,705	281	66	17,296
Reconciliation of gains and loss recognized- through Comprehensive Income						
Cummulative (Gains)/losses recognized at the beginning of the year	1,910	9,006	5,806	43	3,543	20,308
Actuarial (Gains) and Losses from experience	10	(178)	(90)	140	332	214
(Gains)/losses from change in assumptions	15	371	640	158	17	1,201
Associates	(69)	159	2,990	-	-	3,080
Changes in consolidation perimeter	(413)	(251)	(1,602)	-	-	(2,266)
Other Adjusyments		-	-	-	-	
Cummulative (Gains)/losses recognized at the end of the year	**1,452**	**9,107**	**7,744**	**341**	**3,892**	**22,536**

unit: €k

Group in 2015

	Retired	Pre-retirement	Early Retirement	Retirement bonuses	Voluntary social insurance	Total
Assumptions						
Technical interest rate	2.50%	2.50%	2.50%	2.50%	2.50%	
Rate of increase in salaries	1.00%	1.00%	1.00%	1.00%	1.00%	
Rate of increase in pensions	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.00% - 2.00%]	[0.05% - 1.40%]	[0.05% - 1.40%]	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	66 years or 65 years if at least with 43 years of discounts to Social Security at age 65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)						
PSL at the end of the previous year	3,897	60,515	75,473	6,974	2,600	149,459
Current service cost	5	9	498	228	-	740
Interest cost	98	1,471	1,925	189	65	3,748
Actuarial (gain)/loss	415	(248)	2,763	211	70	3,211
Benefits payment made by the Company	(608)	(15,199)	(11,115)	(557)	(452)	(27,931)
Cut back - Early retirements	-	-	13,636	(127)	36	13,545
Cut back - Pre-retirement	-	18,651	(207)	30	-	18,474
Cut back - Liquidations	-	-	-	(29)	-	(29)
PSL at the end of the current year	**3,807**	**65,199**	**82,973**	**6,919**	**2,319**	**161,217**
Reconciliation to the Statement of Financial Position						
(Gains)/losses recognized at the beginning of the year - Asset/(Liability)	(3,897)	(60,515)	(75,473)	(6,974)	(2,600)	(149,459)
Net cost of the year	(103)	(20,131)	(15,852)	(291)	(101)	(36,478)
Benefits paid directly by the Company	608	15,199	11,115	557	452	27,931
Gains/(losses) recognized - through Comprehensive Income	(415)	248	(2,763)	(211)	(70)	(3,211)
Total recognized at year end - Assets/(Liabilities)	**(3,807)**	**(65,199)**	**(82,973)**	**(6,919)**	**(2,319)**	**(161,217)**
Net cost of the year						
Current service cost	5	9	498	228	-	740
Interest cost	98	1,471	1,925	189	65	3,748
Net cost of the year before special events	**103**	**1,480**	**2,423**	**417**	**65**	**4,488**
Cut back impact - Early Retirement	-	-	13,636	(127)	36	13,545
Cut back impact - Pre-retirement	-	18,651	(207)	30	-	18,474
Liquidations impacts	-	-	-	(29)	-	(29)
Net cost of the year	**103**	**20,131**	**15,852**	**291**	**101**	**36,478**
Reconciliation of gains and loss recognized- through Comprehensive Income						
Cummulative (Gains)/losses recognized at the beginning of the year	1,495	9,239	3,042	(168)	3,473	17,081
Actuarial (Gains) and Losses from experience	367	(1,210)	1,705	46	54	962
(Gains)/losses from change in assumptions	48	962	1,059	165	16	2,250
Other adjustments	-	15	-	-	-	15
Non controlling interests	**-**	**-**	**-**	**-**	**-**	**-**
Cummulative (Gains)/losses recognized at the end of the year	**1,910**	**9,006**	**5,806**	**43**	**3,543**	**20,308**

As mentioned in Note 2.11, the ISP authorised the establishment of the Galp Energia Defined Contribution Pension Fund in 31 December 2002, giving the possibility for the employees to choose between this new defined contribution pension plan and the existing defined benefit plan. During 2016, a cost of €4,002 k was recognised in the Employee cost caption in respect of the contributions of the year, paid to the Fund management company of the associated companies of the Galp Energia Defined Contribution Pension Fund, in favour of their employees.

Other retirement benefits - healthcare, life insurance and minimum benefit defined contribution plan (disability and survival)

As mentioned in Note 2.12, the Group has registered on 31 December, 2016, a provision to cover its liability for healthcare, life insurance for past services of active population and total liabilities for the remaining population and the liability for the minimum benefit defined contribution plan. The current value of liabilities for past services and actuarial assumptions used in their calculation, is as follows:

unit: €k

				Group in 2016
	Healthcare	Life insurance	Defined contribution plan minimum benefit	Total
Assumptions				
Technical interest rate	2.25%	2.25%	2.25%	
Rate of increase in Costs	4.00%	1.00%	1.00%	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	GKF95	
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	
Common age for retirement	66	66	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous year	241,635	3,129	8,537	253,301
Current service cost	4,493	92	1,818	6,403
Interest cost	5,826	73	210	6,109
Actuarial (gain)/loss	(8,933)	151	1,571	(7,211)
Benefits payment made by the Company	(10,251)	(240)	-	(10,491)
Changes in the consolidation perimeter	(24,487)	(389)	(724)	(25,600)
PSL at the end of the current year	**208,283**	**2,816**	**11,412**	**222,511**
Reconciliation to the Statement of Financial Position				
(Gains)/losses recognized at the beginning of the year - Asset/(Liability)	(241,635)	(3,129)	(8,537)	(253,301)
Net cost of the year	(10,319)	(165)	(2,028)	(12,512)
Benefits paid directly by the Company	10,251	240	-	10,491
Gains/(losses) recognized - through Comprehensive Income	8,933	(151)	(1,571)	7,211
Changes in the consolidation perimeter	24,487	389	724	25,600
Total recognized at year end - Assets/(Liabilities)	**(208,283)**	**(2,816)**	**(11,412)**	**(222,511)**
Net cost of the year				
Current service cost	4,493	92	1,818	6,403
Interest cost	5,826	73	210	6,109
Net cost of the year	**10,319**	**165**	**2,028**	**12,512**
Reconciliation of gains and loss recognized- through Comprehensive Income				
Cummulative (Gains)/losses recognized at the beginning of the year	85,769	66	(1,621)	84,214
Actuarial (Gains) and Losses from experience	(16,601)	90	(1,449)	(17,960)
(Gains)/losses from change in assumptions	7,668	61	3,020	10,749
Associates	1,656	23	58	1,737
Changes in the consolidation perimeter	(3,146)	16	26	(3,104)
Other impacts	(2)			(4)
Cummulative (Gains)/losses recognized at the end of the year	**75,344**	**255**	**33**	**75,632**
Non-controlling interests (Note 21)	(2)	(17)	(14)	(33)
Cummulative (Gains)/losses recognized at the end of the year	**75,342**	**238**	**19**	**75,599**

The current service cost, amounting to €6,403 k was recorded by the group in the consolidated income statement in the Employee costs (Note 6).

Net interest, amounting to €6,109 k was recorded by the Group in the consolidated income statement under Other interest expense (Note 8).

unit: €k

			Group in 2015	
	Healthcare	Life insurance	Defined contribution plan minimum benefit	Total
Assumptions				
Technical interest rate	2.50%	2.50%	2.50%	
Rate of increase in Costs	4.00%	1.00%	1.00%	
Rate of increase in pensions	[0.00% - 1.40%]	[0.00% - 1.40%]	0.00%	
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	GKF95	
Disability table	EVK 80 - 50%	EVK 80 - 50%	EVK 80 - 50%	
Common age for retirement	66 *	66 *	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	
Method	Projected credit unit	Projected credit unit	Projected credit unit	
Changes in past service liability (PSL)				
PSL at the end of the previous year		236,627	7,843	247,389
Current service cost		4,533	1,440	6,065
Interest cost		6,361	215	6,653
Actuarial (gain)/loss		5,420	(1,473)	4,222
Benefits payment made by the Company		(11,306)	-	(11,540)
Other adjustments		-	512	512
PSL at the end of the current year		**241,635**	**8,537**	**253,301**
Reconciliation to the Statement of Financial Position				
(Gains)/losses recognized at the beginning of the year - Asset/(Liability)	(236,627)	(2,919)	(7,843)	(247,389)
Net cost of the year	(10,894)	(169)	(2,164)	(13,227)
Benefits paid directly by the Company	11,306	234	-	11,540
Gains/(losses) recognized - through Comprehensive Income	(5,420)	(275)	1,473	(4,222)
Effect of other adjustments	-	-	(3)	(3)
Total recognized at year end - Assets/(Liabilities)	**(241,635)**	**(3,129)**	**(8,537)**	**(253,301)**
Net cost of the year				
Current service cost	4,533	92	1,440	6,065
Interest cost	6,361	77	215	6,653
Net cost of the year before special events	10,894	169	1,655	12,718
Other adjustments	-	-	509	509
Net cost of the year	**10,894**	**169**	**2,164**	**13,227**
Reconciliation of gains and loss recognized- through Comprehensive Income				
Cummulative (Gains)/losses recognized at the beginning of the year		80,348	(148)	79,996
Actuarial (Gains) and Losses from experience		(3,336)	(1,595)	(4,722)
(Gains)/losses from change in assumptions		8,757	122	8,945
Other impacts		-	-	(5)
Cummulative (Gains)/losses recognized at the end of the year		**85,769**	**(1,621)**	**84,214**
Non-controlling interests (Note 21)	1	(3)	14	12
Cummulative (Gains)/losses recognized at the end of the year	**85,768**	**69**	**(1,635)**	**84,202**

(*) For Lisboagás, S.A., the requirements for retirement are met when the first among the following four situations occur: the employee has reached 40 years of service; the employee has reached 35 years of service and is 60 years old or older; the employee is 66 years old; or the employee is 65 years old with at least 43 years of Social Security deductions at that age.

According to actuarial studies prepared by a specialised entity, the estimated contribution to the various defined health benefit plans, life insurance, retirements, early retirement pension, pre-retirement pension, voluntary social insurance, minimum benefit of the defined contribution plan and retirement bonus for 2017 is of €35,504 k.

Discount rate changes

Changing the discount rate from 2.50% to 2.25% from 2015 to 2016 reflects the decrease which has occurred in the market reference interest rates.

Sensitivity analysis of the discount rate

A sensitivity analysis was performed (except for the group in Spain) in order to measure the impact on liabilities caused by a change in the discount rate. For this purpose a negative variation of 25 b.p. in the discount rate was considered.

unit: €k

Liabilities	Discount rate 2.25%	Discount rate 2.00%	Variation
Retirement benefits:			
Related to the pension fund	289,652	296,237	2.27%
Non-related to the pension fund	126,577	127,810	0.97%
	416,229	**424,047**	
Other benefits:			
Healthcare	208,283	216,430	3.91%
Life insurance	2,816	2,877	2.16%
Defined contribution plan minimum benefit	11,412	11,593	1.59%
	222,511	**230,900**	
	638,740	**654,947**	

Trend rate of medical costs

Galp group has considered a growth rate of 4% for medium and long term medical costs, based on historical growth rates of premiums and claims. The sensitivity analysis performed, demonstrates that a 1% increase in the growth rate of premiums implies a 17% increase in liabilities (€35,025 k), whereas a decrease of 1% in the growth rate of premiums results in a decrease of 13% of liabilities (€27,707 k).

Health insurance sensitivity analysis

unit: €k

Captions	3.00%	4.00%	5.00%
Current services costs	180,576	208,283	243,308
Impact on past services liabilities	(27,707)	-	35,025

Historical analysis of the actuarial gains and losses

The historical analysis of actuarial gains and losses was carried out with reference to the Petrogal Pension Fund.

unit: €k

Discount rate	2.25%	2.50%	2.75%	3.75%	4.50%	5.25%	5.25%	5.25%	6.10%	5.45%
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Liabilities amount (a)	281,741	288,409	293,615	302,461	342,720	336,401	329,908	339,565	311,357	328,220
Value of the Fund (b)	275,443	285,777	304,127	306,892	320,518	288,047	304,235	308,472	302,572	333,403
Actuarial Gains (+) and Losses (-)	(9,645)	(11,319)	(19,062)	35,491	(6,483)	(8,694)	8,833	(32,210)	12,871	24,205
Gains (+) and Losses (-) for changes in assumptions	(6,101)	(6,307)	(24,452)	44,243	4,055	-	-	(27,009)	20,337	30,430
Actuarial Gains (+) and Losses (-) from experience (c)	(3,544)	(5,012)	5,390	(8,752)	(10,538)	(8,694)	8,833	(5,201)	(7,466)	(6,225)
Financial Gains (+) and Losses (-) (d)	6,688	(1,806)	26,365	(2,744)	20,213	(15,219)	1,706	11,013	(26,840)	(7,363)
(c)/(a)	-1%	-2%	2%	-3%	-3%	-3%	3%	-2%	-2%	-2%
(d)/(b)	2%	-1%	9%	-1%	6%	-5%	1%	4%	-9%	-2%
Real Return on Plan Assets (%)	4.9%	2.1%	12.7%	3.6%	12.5%	0.3%	4.8%	8.9%	-2.9%	3.1%
Real Return on Plan Assets	13,537	6,231	37,426	11,128	36,200	125	15,857	25,535	(9,796)	9,694

Group Post-employment Defined Benefit Pension Plan and Health and Life Insurance are exposed to various risks, among which are the following:

a) Longevity risk

Real longevity higher than projected may lead to an increase in liabilities.

b) Bond interest rate risk

A decrease of the reference interest rate used as discount rate leads to increased liabilities, which is mitigated by the exposure of the Fund to the Bond segment.

c) Investment risk

The main investment risks are the risk of the interest rate, credit risk, equity market risk and currency risk. The implications that the level of risk related to the investment policy may have on compliance with the minimum solvency of the fund, result from interest rate fluctuations, exposure to shares and alternative markets, resulting in a lower performance to the discount rate. The risk of interest rate fluctuation is the most relevant. In this particular case, since the portfolios are primarily invested in this asset class. This, together with the impact of risks which can not be mitigated (e.g. variations of the population), increases the probability of necessary additional contributions (other than the current service cost) to maintain the solvency of the fund.

d) Risk of adverse developments in the real cost with health insurance and life insurance

Asset/liability management strategy used for risk mitigation

The fund's current investment strategy resulted from an alignment study between the financial asset and liabilities promoted by the Associate. The Associate collaborates with the Actuary in monitoring the adequacy of the financial assets that comprise the portfolio of the fund and the liabilities assumed by the pension plan.

The Fund management entity has software in which the investment restrictions established by the legislation in force at each moment are modeled. It has also modeled the restrictions arising from the Investment Policy agreed with the Associate. Since all assets in the portfolio are classified and framed in one or more groupings created for this purpose, daily deviations control reports are available automatically and the need for management adjustments is analyzed.

24. Other payables

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

unit: €k

	December 2016		December 2015	
Captions	**Current**	**Non-current**	**Current**	**Non-current**
State and other public entities:				
Value Added Tax payables	194,719	-	175,698	-
ISP - Tax on oil products	115,853	-	90,904	-
Personnel and Corporate Income Tax Withheld	9,937	-	8,500	-
Social Security contributions	5,572	-	6,301	-
Other taxes	23,780	2	19,519	-
Tangible and intangible assets suppliers	97,076	83,998	146,116	88,182
Overlifting	59,752	-	21,447	-
Advances on sales (Note 16)	34,644	-	30,002	-
Other payables - Associates, affiliates and related companies (Note 28)	7,092	121	3,652	121
Personnel	6,815	-	4,946	-
Dividends payable	5,449	-	-	-
Advances related to disposal of financial investments (Note 3.1 f))	5,327			
ISP - Other operators debit	4,553	-	1,821	-
Trade receivables credit balances	3,165	-	3,782	-
Guarantee deposits and guarantees received	2,457	3,292	2,723	-
Non operated blocks	1,902	-	-	-
Loans - Associates, affiliates and related companies (Note 28)	365	178,515	365	172,842
Trade receivables advance payments	264	-	2,999	-
Operated blocks	122	-	-	-
Other payables - Other shareholders	2	-	3,495	-
Loans - Other shareholders	-	1,205	-	1,653
Other creditors	12,139	597	25,966	3,536
	590,985	**267,730**	**548,236**	**266,334**
Accrued costs:				
External supplies and services	116,510	-	111,293	-
Accrued interest	49,208	-	53,582	-
Productivity bonuses	26,579	3,704	28,457	8,369
Holiday , holiday subsidy and corresponding contributions	25,698	-	28,967	-
Adjustment to tariff deviation - regulated revenue - ERSE regulation (Note 14)	5,337	9,092	7,559	16,174
Adjustment to tariff deviation - other activities - ERSE regulation	4,944	-	16,707	-
Discounts, bonuses and rappel related to sales	3,985	-	2,139	-
Accrued insurance premiums	1,656	-	992	-
Accrued personnel costs - other	1,489	-	64	-
Financial costs	1,013	-	876	-
Fastgalp prizes	118	-	2,576	-
Adjustment to tariff deviation - energy tariff - ERSE regulation (Note 14)	-	18,172	-	15,831
Financial neutrality - ERSE regulation	-	-	161	-
Other accrued costs	34,233	-	16,351	-
	270,770	**30,968**	**269,724**	**40,374**
Deferred income:				
Services rendered	7,177	-	4,322	-
Investment government grants (Note 13)	1,156	6,336	10,142	243,537
Fibre optics	-	-	404	991
Others	13,920	42	11,505	51
	22,253	**6,378**	**26,373**	**244,579**
	884,008	**305,076**	**844,333**	**551,287**

The caption “Advances on sales” amounting to €34,644 k is related with Group liabilities with competitors for strategic reserves (Note 16).

The amount of €59,752 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 2.8 e).

The amount of €4,553 k recorded in the caption “ISP – Other operators 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 oil products) from counterparties (partners/competitors) and to deliver it over to the State.

The amount of €2,457 k recorded in the caption “Guarantee deposits and guarantees received” includes €2,145 k relating to Petrogal’s liability as of 31 December 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 €178,515 k recorded in the caption “Loans – associates, affiliates and related companies” refers to the following:

In March 2012, Winland International Petroleum, S.A.R.L., granted loans amounting to US$188,173,000 under the form of shareholders loans to 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 December 2016 the amount of €8,669 k is recognised under the caption “Interest”, regarding loans obtained concerning related companies (Notes 8 and 28).

The amount of €1,205 k in the caption “Loans – other shareholders”, recorded as non-current payable, is related to a loan payable to EDP Cogeração, S.A. related to shareholder 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;

Government investment grants are recognised as income over the useful life of the assets. The amount to be recognised in future periods amounts to €7,492 k (Note 13). The change noted is mainly related to the change in the consolidation perimeter as mentioned in Note 3.2.

The caption “Non-current tangible and intangible assets suppliers” essentially refers to surface rights.

Land use rights presented in the Galp financial statements represent exclusive use rights over such land. These rights grant the same legal rights and obligations attributed to the owners of the land (in particular, the rights to build and use) over a given period of time, as contractually established.

The most relevant land use rights relate to the Sines refinery, in Portugal, with an initial period of 30 years, and being continuously extended by option of Galp, which is accounted for as intangible assets by the net book value of €50,983 k. Regarding Spain, several land surface rights recognized as intangible assets present the net book value of €24,023 k.

The information regarding the maturity of the liabilities for the land surface rights is detailed as follows:

< 1 year	5,832
> 1 year and < 5 years	22,086
> 5 years	45,229
Total	**73,147**
Interests (Amortized cost)	6,048
Net amount	**67,099**

Considering the maturity of the land surface rights and the conditions for renewal of such rights, they are similar to a financial lease.

25. Provisions

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

unit: €k

Captions	Initial balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in the consolidation perimeter	Ending balance
2016								
Lawsuits	29,179	297	(12,874)	(492)	98	4,564	(429)	20,343
Financial investments (Note 4)	4,115	35	(331)	-	-	186	-	4,005
Taxes	33,405	1,516	-	(4,735)	-	968	-	31,154
Environment	2,208	1,475	-	(229)	-	-	-	3,454
Abandonment of blocks	128,795	47,264	(40,597)	-	-	3,598	-	139,060
Other risks and charges	231,060	41,926	1,388	(10,393)	(98)	(1,107)	(31,305)	231,471
	428,762	**92,513**	**(52,414)**	**(15,849)**	**-**	**8,209**	**(31,734)**	**429,487**
2015								
Lawsuits	11,252	27,472	(1,496)	(5,113)	-	(2,936)	-	29,179
Financial investments (Note 4)	3,954	184	-	-	-	(23)	-	4,115
Taxes	21,238	10,892	-	-	-	1,275	-	33,405
Environment	2,021	450	-	(263)	-	-	-	2,208
Abandonment of blocks	111,360	21,538	(12,665)	(4,058)	-	12,620	-	128,795
Other risks and charges	34,715	196,788	-	(113)	-	(270)	(60)	231,060
	184,540	**257,324**	**(14,161)**	**(9,547)**	**-**	**10,666**	**(60)**	**428,762**

The increase in provisions, net of the decreases, in the year ended 31 December 2016 were as follows:

unit: €k

	2016	2015
Capitalisation of abandonment blocks provision costs	19,866	8,873
Energy sector extraordinary contribution - CESE I	28,402	28,531
Provisions (Note 6)	(10,422)	16,682
Future liability - disposal of Galp Gás Natural Distribuição, SGPS, S.A. (Note 3,1 d))	7,476	-
Energy sector extraordinary contribution - CESE II	4,274	157,820
Estimate for additional payments of IRP - Oil income tax (Angola)	754	10,365
Results from investments in associates and joint ventures (Note 4)	(296)	184
Estimate for additional payments of special participation tax in Brazil	(9,955)	20,708
	40,099	**243,163**

Lawsuits

The provision for current lawsuits amounts to €20,343 k and includes mainly: an amount of €4,180 k relating to a liability for fines imposed by the Competition Authority relating to contracts with distributors in the LPG business; the amount of €2,204 k related to liabilities for the offsetting of subsoil levies and an amount of €11,147 k related to the provision of the estimate for payment of an additional amount of the special participation tax in Brazil. The amount of €4,565 k included in the heading Adjustments corresponds to translation differences arising from the translation from the functional currency to the Group reporting currency (EUR) mainly from this provision. The amount of €429 k in the heading Changes in the consolidation perimeter corresponds to the disposal of part of the share capital of Galp Gás Natural Distribuição. Galp has no longer the full control over the Galp Gás Natural Distribuição Group, and the entities which comprise it are considered as joint ventures.

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 €31,154 k includes mainly:

i) €22,581 k of additional liquidations of Petroleum Income Tax (“IRP”) (Note 9); and

ii) €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).

The increase of the tax provision amounting to €1,516 k corresponds mainly to the additional liquidation of Petroleum Income Tax “IRP” in Angola amounting to €754 k and provision for the subsidiary Galp Swaziland (PTY) Limited, in the amount of €762 k referring to the agreement with tax entities in the dispatch process for previous years.

Utilization of the provision in the amount of €4,735 k corresponds mainly to the amount of €3,377 k for payment, under the PERES programme, of a dispute with the tax authority related to a disposal.

Environmental issues

The amount of €3,454 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.

The amount of €1,475 k recognised in increases corresponds to €1,100 k for soil decontamination in the Matosinhos “ETAR” and €375 k for the soil decontamination and gutters in “FUT” in Oporto.

The amount of €229 k recognised in Utilisation corresponds to €18 k for soil decontamination in the Sines refinary and €211 k for decontamination in Matosinhos.

Abandonment of blocks

The amount of €139,060 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 year ended were as follows:

unit: €k

	Initial balance	Increases	NPV interests increase	Decreases	Exchange differences (Cta's) (a)	Exchange differences (P/L) (b)	Ending balance
Blocks in Brazil							
- Lula and Gaspeline	24,328	25,553	816	-	6,249	(6,233)	50,713
- Andorinha	618	-	19	(796)	159	-	-
- Rabo Branco	704	-	10	-	181	(552)	343
- Iracema	18,371	8,327	626	-	4,719	(3,668)	28,375
	44,021	**33,880**	**1,471**	**(796)**	**11,308**	**(10,453)**	**79,431**
Blocks in Angola							
- Block 1	1,209	6,028	-	-	-	-	7,237
- Block 14 - Kuito	15,949	-	468	(4,378)	523	-	12,562
- Block 14 - BBLT	14,406	-	421	(17,948)	473	-	(2,648)
- Block 14 - TL	51,321	3,249	1,688	(17,475)	1,685	-	40,468
- Block 14 - K	1,889	-	59	-	62	-	2,010
	84,774	**9,277**	**2,636**	**(39,801)**	**2,743**	**-**	**59,629**
Total	**128,795**	**43,157**	**4,107**	**(40,597)**	**14,051**	**(10,453)**	**139,060**

(a) Exchange differences resulting from conversion of the functional currency to the Group 's currency (EUR) 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 December 2016 the caption "Provisions – other risks and charges", amounting to €231,471 k, mainly comprises:

i) €7,476 k for the provision related to potential compensation to the buyer of 22.5% in GGND in case the CESE I tax becomes due;

ii) €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;

iii) €52,342 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.

As this law is being challenged, the Group decided to record the total value of the liability amounting to €81,429 k under the "Provisions" caption, having reflected the amount of €29,087 k in the caption Changes in the consolidation perimeter. The total value of the liability on 31 December 2015 amounted to €53,027 k. In the year ended 31 December 2016, the provision was reinforced by €28,402 k, and recognised in the income statement under the caption "Energy sector extraordinary contribution";

iv) €162,094 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 LNG sourcing contracts which are on a take-or-pay basis. Resulting from the respective Law and Order, Galp recorded a total payable amount of €156,156 k, to be paid in instalments of €52,052k in May of each of the years 2015, 2016 and 2017, respectively, and accrued the amount of €5,938 k related to interests.

As it is challenging the law, Galp group has accounted for the total value of the liability amounting to €162,094 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 year ended 31 December 2016, the Group recognised in the income statement under the caption Energy sector extraordinary contribution the amount of €27,645 k and the current and non-current captions "Other receivables - Deferred costs" amount to €21,740 k and €85,923 k, respectively (Note 14).

In the year ended 31 December 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 "Fondo Nacional de Eficiência Energética (FNEE)", in relation to the Group companies headquartered in Spain.

v) €1,844 k to cover the impairment of the assets of the affiliate Moçamgalp Agroenergias de Moçambique, S.A.; and

The amount of €31,305 k in Changes in the consolidation perimeter includes the amount of €29,087 k referring to CESE I as stated in the paragraph iii) and the amount of €2,218 k for facing the 2012 debits issued by the Lisbon Port Administration, for the occupancy of the Cabo Ruivo land property claimed by the Company. The change in the consolidation perimeter results from the loss in full control of the Galp Gás Natural Distribuição Group, being the companies which integrate it accounted for as joint ventures (Note 3).

26. Trade payables

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

unit: €k

Captions	December 2016	December 2015
Trade payables - current accounts	363,288	367,891
Trade payables - pending invoices	487,124	288,455
	850,412	656,346

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

27. Other financial instruments – financial derivatives

The Group may use 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 activities.

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 of exercise 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".

The fair value of financial derivatives is level 2, and was determined by external and independent financial 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.

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

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 December 2016 and 31 December 2015 are detailed as follows:

unit: €k

	Fair value as at December 2016					Fair value as at December 2016				
	Assets		Liabilities		Equity (Note 20)	Assets		Liabilities		Equity
	Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current	
Commodities financial derivatives										
Swaps (Nota 17)	18,922	2,246	(16,055)	(1,222)	1,169	4,458	1,041	(29,091)	(2,498)	-
Options	-	-	-	-	-	-	-	-	-	-
Futures (Note 18)	4,001	-	-	-	5,055	4,241	-	-	-	(1,134)
	14,220	**7,263**	**(4,191)**	**(331)**	**(1,766)**	**8,699**	**1,041**	**(29,091)**	**(2,498)**	**(1,134)**
Commodities financial derivatives										
Swaps (Nota 17)	-	-	(1,001)	-	-	-	-	(277)	-	-
Options	31	-	-	-	-	-	-	(103)	-	-
Futures (Note 18)	-	-	-	-	-	-	-	-	-	-
	31	**-**	**(1,001)**	**-**	**-**	**-**	**-**	**(380)**	**-**	**-**
	22,954	**2,246**	**(17,056)**	**(1,222)**	**6,224**	**8,699**	**1,041**	**(29,471)**	**(2,498)**	**(1,134)**

The MTM (Mark-to-Market) of the derivative financial liabilities amounts to €18,278 k. Of this amount, €17,056 k are classified as current liabilities and will be realised over one year. The amount presented in non-current liabilities, amounting to €1,222 k will be realised over the period of two years (meaning, in 2018).

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

unit: €k

	31 December 2016				31 December 2015			
	Income statement			Equity (Note 20)	Income statement			Equity
	Potential (MTM)	Real	MTM+Real	Potential (MTM)	Potential (MTM)	Real	MTM+Real	Potential (MTM)
Commodities financial derivatives								
Swaps	29,639	(13,554)	16,084	1,509	(18,021)	(87,294)	(105,315)	-
Swaps - Fair value hedge	(22,834)	-	(22,834)	-	2,712	-	2,712	-
Options	-	-	-	-	-	-	-	-
Futures	671	(34,224)	(33,553)	5,844	2,481	28,022	30,504	(1,134)
	7,476	**(47,778)**	**(40,303)**	**7,353**	**(12,828)**	**(59,272)**	**(72,099)**	**(1,134)**
Currency financial derivatives								
Non-deliverable Forwards	(724)	(9,895)	(10,619)	-	(512)	2,359	1,848	-
Forwards	134	437	571	-	418	(4,773)	(4,355)	-
Currency Interest Rate Swaps	-	-	-	-	(3,209)	21,916	18,707	-
	(590)	**(9,458)**	**(10,048)**	**-**	**(3,303)**	**19,502**	**16,200**	**-**
	6,886	**(57,236)**	**(50,351)**	**7,353**	**(16,131)**	**(39,770)**	**(55,899)**	**(1,134)**

Note: MTM - variation of the Mark-to-Market from January until the reporting date; Real - value of closed positions.

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 (2015) and Commodities derivatives, in the positive amount of €7,476 k, as shown in the following table:

unit: €k

	December 2016	December 2015
Income on financial instruments		
Commodities financial derivatives		
Swaps	6,805	(15,309)
Options	-	-
Futures	671	2,481
Currency financial derivatives		
Currency Interest Rate Swaps (Interest)	-	50
Other trading operations	9,916	2
	17,392	**(12,776)**

The realised value of financial derivatives recognised in the "Cost of sales" caption amounts to negative €47,778 k comprising financial derivatives over commodities (Note 6).

In relation to the CIRS derivatives, the MTM related to the exchange difference is recognized in the caption Exchange Gains (Losses), and the remaining, related to interest, is recognized in the caption Results from financial instruments in the income statement.

The amount related to Trading operations is mainly related to a contango operation, in the amount of €9,330 k.

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

unit: €k

Fair value changes in equity	December 2016	December 2015
Group companies (Note 20)	7,353	(1,134)
	7,353	**(1,134)**
Associates and joint ventures (Note 20)	(223)	(42)
	7,130	**(1,176)**

Financial derivatives open positions have the following nominal values per maturity:

unit: €k

		31 December 2016		31 December 2015	
			Maturity		Maturity
		< 1 year	> 1 year	< 1 year	> 1 year
Commodities financial derivatives					
Swaps	Buy	129,438	13,650	88,161	13,895
	Sell	141,708	21,274	77,204	10,256
Options	Buy	-	-	661	477
	Sell	-	-	587	432
Futures	Buy	75,696	1,844	98,618	7,980
	Sell	5,681	-	47,742	-
Currency financial derivatives					
Non-deliverable Forwards	Buy	27,363	-	29,887	-
	Sell	-	-	-	-
Swaps	Buy	41,054	-	-	-
	Sell	44,352	-	29,204	-
		81,810	**(5,780)**	**62,590**	**11,664**

Note: Equivalent nominal value in thousand Euro.

Galp 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, the income statement shows, under the MTM caption, the negative amount of €22,834 k, through the caption Other financial instruments, related to the fair value hedge and in Equity, under the caption Hedging reserves, the positive amount of €7,353 k relating to cash flow hedge. The cash flow hedges reflected in Equity, whose positions are closed, are reclassified to income for the year. The amount of closed hedging instruments amounts to negative €16,615 k, and was recognized under the heading Cost of Sale, together with the items covered.

Galp trades financial instruments denominated as futures. Given their high liquidity, as they are exchange-traded, 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 exchange-traded, subject to a Clearing House, gains and losses are continuously recorded in the income statement.

28. Related parties

Balances and transactions with related parties in 2016 and 2015, respectively, were as follows:

Receivables

2016 unit: €k

		Non-current		Current			
	Total related parties	Loans granted (Note 14)	Other receivables (Note 14)	Trade receivables	Loans granted (Note 14)	Other receivables (Note 14)	Accruals and deferrals
Associates							
Galp IPG Matola Terminal Lda.	8,127	6,280	-	814	-	1,033	-
IPG Galp Beira Terminal Lda.	7,975	6,156	-	794	-	1,025	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	3,630	-	-	3,447	-	183	-
Energin - Sociedade de Produção de Eletricidade e Calor, S.A.	2,888	2,753	-	-	-	135	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	2,090	-	-	379	-	1,621	90
Gasoduto Extremadura, S.A.	1,407	-	-	-	-	-	1,407
Gasoducto Al-Andalus, S.A.	1,056	-	-	-	-	-	1,056
EMPL - Europe-Maghreb Pipeline, Ltd.	553	-	-	(3)	-	-	556
Terparque - Armazenagem de Combustíveis, Lda.	215	-	-	215	-	-	-
Tagusgás Propano, S.A.	40	-	-	40	-	-	-
C.L.C. Guiné-Bissau - Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	38	-	-	11	-	27	-
Aero Serviços, S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários	2	-	-	1	-	1	-
	28,021	**15,189**	**-**	**5,698**	**-**	**4,025**	**3,109**
Joint ventures							
Ventinveste, S.A.	22,257	22,196	-	28	-	-	33
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	10,248	-	-	278	-	9,931	39
Lusitaniagás - Companhia de Gás do Centro, S.A.	3,310	-	-	181	-	3,094	35
Galp Gás Natural Distribuição, S.A.	2,241	-	-	578	-	1,427	236

2016 unit: €k

	Total related parties	Non-current		Current			
		Loans granted (Note14)	Other receivables (Note14)	Trade receivables	Loans granted (Note14)	Other receivables (Note14)	Accruals and deferrals
Belém Bioenergia Brasil, S.A.	976	-	-	528	-	448	-
Parque Eólico da Penha da Gardunha, Lda.	901	900	-	-	-	-	1
C.L.C. - Companhia Logística de Combustíveis, S.A.	888	-	-	(279)	-	688	479
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	664	-	-	22	-	545	97
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	295	-	-	25	-	212	58
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	287	-	-	129	-	53	105
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	263	-	-	17	-	210	36
Beiragás - Companhia de Gás das Beiras, S.A.	209	-	-	56	-	-	153
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	204	-	-	111	-	62	31
Sigás - Armazenagem de Gás, A.C.E.	148	-	-	48	-	92	8
PERGÁS - Armazenamento de Gás, A.C.E.	22	-	-	22	-	-	-
Moçamgalp Agroenergias de Moçambique, S.A.	7	-	-	7	-	-	-
Parque Eólico do Douro Sul, S.A.	5	-	-	2	-	-	3
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
Tupi, B.V.	1	-	-	1	-	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	(15)	-	-	(18)	-	3	-
	42,912	**23,096**	**-**	**1,736**	**-**	**16,766**	**1,314**
Assets held for sale and other related parties							
Tip Top Energy, S.A.R.L.	610,318	-	-	-	610,003	-	315
Adene - Agência para a Energia, S.A.	102	90	-	1	-	11	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	37	-	-	37	-	-	-
PME Ventures	2	-	-	2	-	-	-
Portugal Ventures	1	-	-	1	-	-	-
	610,460	**90**	**-**	**41**	**610,003**	**11**	**315**
	681,393	**38,375**	**-**	**7,475**	**610,003**	**20,802**	**4,738**

2015 unit: €k

	Total related parties	Non-current		Current			
		Loans granted (Note 14)	Other receivables (Note 14)	Trade receivables	Loans granted (Note 14)	Other receivables (Note 14)	Accruals and deferrals
Associates							
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	8,019	5,008	-	722	-	2,187	102
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	7,460	-	-	7,460	-	-	-
Energin - Sociedade de Produção de Eletricidade e Calor, S.A.	2,850	2,753	-	-	-	50	47
IPG Galp Beira Terminal, Lda.	1,831	-	-	839	-	992	-
Galp IPG Matola Terminal, Lda.	1,798	-	-	799	-	999	-
Gasoduto Extremadura, S.A.	1,339	-	-	-	-	-	1,339
Gasoducto Al-Andalus, S.A.	1,054	-	-	-	-	-	1,054
EMPL - Europe-Maghreb Pipeline, Ltd.	738	-	-	(3)	-	-	741
Terparque - Armazenagem de Combustíveis, Lda.	222	-	-	222	-	-	-
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda.	41	-	-	19	-	22	-
Tagusgás Propano, S.A.	36	-	-	36	-	-	-
Aero Serviços, S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários	15	-	-	3	-	12	-
	25,403	**7,761**	**-**	**10,097**	**-**	**4,262**	**3,283**
Joint ventures							
Ventinveste, S.A.	21,592	21,546	-	17	-	-	29
C.L.C. - Companhia Logística de Combustíveis, S.A.	1,240	-	-	121	-	311	808
Parque Eólico da Penha da Gardunha, Lda.	875	874	-	-	-	-	1
Belem Bioenergia Brasil, S.A.	773	-	-	325	-	448	-
Moçamgalp Agroenergias de Moçambique, S.A.	624	-	-	9	-	615	-
Sigás - Armazenagem de Gás, A.C.E.	175	-	-	55	-	112	8
Caiageste - Gestão de Áreas de Serviço, Lda.	89	-	-	71	-	18	-
Parque Eólico do Douro Sul, S.A.	13	-	-	13	-	-	-
Parque Eólico do Pinhal Oeste, S.A.	3	-	-	3	-	-	-
Parque Eólico da Serra do Oeste, S.A.	3	-	-	3	-	-	-
Parque Eólico de Vale do Chão, S.A.	3	-	-	3	-	-	-
Parque Eólico do Planalto, S.A.	2	-	-	2	-	-	-
Parque Eólico do Cabeço Norte, S.A.	1	-	-	1	-	-	-
Parque Eólico de Vale Grande, S.A.	1	-	-	1	-	-	-
Parque Eólico de Torrinheiras, S.A.	1	-	-	1	-	-	-
Âncora Wind - Energia Eólica, S.A.	1	-	-	1	-	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	1	-	-	-	-	1	-
Tupi, B.V.	1	-	-	1	-	-	-
	25,398	**22,420**	**-**	**627**	**-**	**1,505**	**846**

Assets held for sale and other related parties							
Tip Top Energy, S.A.R.L.	723,165		-	-	722,936	-	229
Adene - Agência para a Energia, S.A.	92	90	-	1	-	1	-
ADEPORTO Agência de Energia do Porto	90	-	90	-	-	-	-
Cooperativa de Habitação da Petrogal, CRL	53	-	-	-	-	53	-
SABA - Sociedade Abastecedora de Aeronaves, Lda.	24	-	-	24	-	-	-
Portugal Ventures	1	-	-	1	-	-	-
PME Ventures	1	-	-	1	-	-	-
	723,426	**90**	**90**	**27**	**722,936**	**54**	**229**
	774,227	**30,271**	**90**	**10,751**	**722,936**	**5,821**	**4,358**

Current and non-current loans granted to associates, joint ventures and related companies as of 31 December 2016 refers essentially to loans granted to the following entities:

unit: €k

	Current assets - Loans granted (Note 14)	Non-current assets - Loans granted (Note 14)	Interests related to loans granted (Note 8)
Energin - Sociedade de Produção de Eletricidade e Calor, S.A.	-	2,753	39
Parque Eólico da Penha da Gardunha, Lda.	-	900	25
Ventinveste, S.A.	-	22,196	649
by Galp Gas & Power,SGPS, S.A.	**-**	**25,849**	**713**
Galp IPG Matola Terminal, Lda.	-	6,280	-
IPG Galp Beira Terminal, Lda.	-	6,156	-
by Petrogal Moçambique, Lda.	**-**	**12,436**	**-**
Tip Top Energy, S.A.R.L.	610,003	-	5,446
by Galp Sinopec Brazil Services, B.V.	**610,003**	**-**	**5,446**
	610,003	**38,285**	**6,159**

In February 2012, Sinopec (through Winland Energy Petroleum, S.A.R.L.) subscribed and paid a capital increase corresponding to 30% of the share capital of Galp Sinopec Brazil Services, B.V. The funds from this capital increase will be used to finance the E&P projects in Brazil.

It was then decided that part of the funds arising from the capital increase would be lent to shareholders (70% Galp, 30% Sinopec) as the expenditures to be made in Brazil were not immediately necessary.

In March 2012, the parties signed a "Loan Facility Agreement", by which they established that part of the funds resulting for the capital increase would be lent to the shareholders, being the reimbursement plan related to the Brazil E&P Capex needs until March 2016 (4 years). However, as the loan balances have reduced less than expected, resulting from a more efficient investment level, exploration cost reduction, Galp and the partner agreed in June 2015 to extend that deadline to September 2017.

Consequently, Galp and Sinopec agreed to amend the terms of the final reimbursement clause established in the Loan Facility Agreement from March 2016 to September 2017. In view of the foregoing and with the aim of giving greater flexibility to the management of the agreement, the parties further agree that the Loan Facility Agreement would be renewed from March 2016 for successive periods of 3 months until September 2017, and either party may notify the remainder that it does not intend to renew, and that notification should be made with at least 180 days before the next renewal.

Regarding the credit risk of the balance, Sinopec has a rating of A + (S&P) and Aa3 (Moody's). Neither Sinopec require Galp nor Galp Sinopec is entitled to any guarantee from Sinopec. The loan agreement follows an unsecured loan format.

The loan that Galp Sinopec Brazil Services B.V. granted to Sinopec on March 28, 2012, is remunerated at a 3-month LIBOR interest rate, plus a spread, reaching maturity in September 2017.

The movement in the Loans granted to Sinopec since the execution of the agreement up to the year ended 31 December, 2016 is as follows:

	USD	Exchange rate 31/12/2015	unit: €k
Loan 28/03/2012	1,228,626,253.42	1,0541	1,165,569
Interest capitalisation	69,398,831.28	1,0541	65,837
Received interests	(61,012,962.89)	1,0541	(57,882)
Reimbursements	(594,007,500.00)	1,0541	(563,521)
Other receivables (Note 14)	**643,004,621.81**	**1,0541**	**610,003**

At year ended 31 December, 2016, interest on loans granted to related companies amounted to €5,446 k (Notes 8 and 14).

The remaining loans granted bear interest at market rates and do not have a defined repayment term.

Payables

2016							unit: €k
		Non-current		Current			
	Total related parties	Loans obtained (Note 24)	Other payables (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associates							
EMPL - Europe-Maghreb Pipeline, Ltd.	6,885	-	-	-	6,885	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	431	-	-	-	276	2	153
Terparque - Armazenagem de Combustíveis, Lda.	91	-	-	-	91	-	-
Aero Serviços, S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários	54	-	-	-	-	54	-
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda.	35	-	-	-	-	35	-
	7,496	**-**	**-**	**-**	**7,252**	**91**	**153**
Joint ventures							
C.L.C. - Companhia Logística de Combustíveis, S.A.	53,114	-	-	-	52,419	-	695
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	11,119	-	-	-	2,354	542	8,223
Lusitaniagás - Companhia de Gás do Centro, S.A.	9,628	-	-	-	778	154	8,696
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	2,603	-	-	-	394	91	2,118
Beiragás - Companhia de Gás das Beiras, S.A.	806	-	-	-	194	96	516
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	455	-	-	-	33	75	347

2016							unit: €k
		Non-current		Current			
	Total related parties	Loans obtained (Note 24)	Other payables (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	271	-	-	-	25	128	118
Asa - Abastecimento e Serviços de Aviação, Lda.	196	-	-	-	196	-	-
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	188	-	-	-	54	46	88
Sigás - Armazenagem de Gás, A.C.E.	113	-	-	-	113	-	-
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	77	-	-	-	7	37	33
Galp Gás Natural Distribuição, S.A.	34	-	-	-	-	34	-
Moçamgalp Agroenergias de Moçambique, S.A.	5	-	-	-	5	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	1	-	-	-	1	-	-
	78,610	**-**	**-**	**-**	**56,573**	**1,203**	**20,834**
Assets held for sale and other related parties							
Winland International Petroleum, S.A.R.L. (W.I.P.)	190,419	178,515	-	-	-	5,449	6,455
Fundação Galp Energia	3	-	-	-	-	3	-
Amorim Energia, B.V.	121	-	121	-	-	-	-
Other entities	711	-	-	365	-	346	-
	191,254	**178,515**	**121**	**365**	**-**	**5,798**	**6,455**
	277,360	**178,515**	**121**	**365**	**63,825**	**7,092**	**27,442**

The amount of €178,515 k recorded in the medium and long term to be paid to Winland International Petroleum, S.A.R.L. (WIP) relates to shareholder loans obtained by the subsidiary Petrogal Brasil, S.A. (Note 24), which bear interest at market rate and have defined 10-year reimbursement plan.

2015							unit: €k
		Non-current		Current			
	Total related parties	Loans obtained (Note 24)	Other payables (Note 24)	Loans obtained (Note 24)	Trade payables	Other payables (Note 24)	Accruals and deferrals
Associates							
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	1,266	-	-	-	1,019	-	247
EMPL - Europe-Maghreb Pipeline, Ltd.	899	-	-	-	899	-	-
C.L.C. Guiné-Bissau - Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	133	-	-	-	-	133	-
Aero Serviços, S.A.R.L. - Sociedade Abastecimento de Serviços Aeroportuários	23	-	-	-	-	23	-
Terparque - Armazenagem de Combustíveis, Lda.	12	-	-	-	12	-	-
	2,333	**-**	**-**	**-**	**1,930**	**156**	**247**
Joint ventures							
C.L.C. - Companhia Logística de Combustíveis, S.A.	45,538	-	-	-	45,538	-	-
Sigás - Armazenagem de Gás, A.C.E.	387	-	-	-	151	-	236
Moçamgalp Agroenergias de Moçambique, S.A.	5	-	-	-	5	-	-
	45,930	-	-	-	45,694	-	236
Assets held for sale and other related parties							
Winland International Petroleum, S.A.R.L. (W.I.P.)	181,620	172,842	-	-	-	3,151	5,627
Amorim Energia, B.V.	271	-	121	-	-	-	150
SABA - Sociedade Abastecedora de Aeronaves, Lda.	40	-	-	-	40	-	-
Other entities	710	-	-	365	-	345	-
	182,641	**172,842**	**121**	**365**	**40**	**3,496**	**5,777**
	230,904	**172,842**	**121**	**365**	**47,664**	**3,652**	**6,260**

Income tax

Current income tax payable includes the amounts calculated through the tax consolidation regime for groups of companies receivable by Galp Energia, SGPS, S.A. and is as follows:

unit: €k

	Income tax (Note 9)
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	9,925
Lusitaniagás - Companhia de Gás do Centro, S.A.	3,094
Galp Gás Natural Distribuição, S.A.	1,349
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	545
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	212
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	210
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	62
to Galp Energia, SGPS, S.A.	**15,397**

Transactions

2016 — unit: €k

	Purchases	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associates					
Terparque - Armazenagem de Combustíveis, Lda.	-	1,903	(750)	-	-
EMPL - Europe-Maghreb Pipeline, Ltd.	76,909	-	(580)	-	-
Tagusgás Propano, S.A.	-	-	(262)	-	-
Gasoduto Extremadura, S.A.	-	-	(68)	-	-
Galp IPG Matola Terminal, Lda.	-	-	(14)	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	-	(14)	-	-
C.L.C. Guiné-Bissau - Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	-	-	(7)	-	-
Gasoducto Al-Andalus, S.A.	-	-	(2)	-	-
Energin - Sociedade de Produção de Eletricidade e Calor, S.A.	-	-	-	-	(39)
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	-	4,761	5	-	(306)
	76,909	**6,664**	**(1,692)**	**-**	**(345)**
Joint ventures					
C.L.C. - Companhia Logística de Combustíveis, S.A.	-	15,540	(3,818)	-	-
Sigás - Armazenagem de Gás, A.C.E.	-	921	(1,476)	-	-
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	-	8,198	(677)	-	-
Galp Gás Natural Distribuição, S.A.	-	-	(554)	-	-
Lusitaniagás - Companhia de Gás do Centro, S.A.	-	6,060	(454)	-	-
Beiragás - Companhia de Gás das Beiras, S.A.	-	1,032	(313)	-	-
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	-	2,392	(287)	-	-
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	-	297	(252)	-	-

2016					unit: €k
	Purchases	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Belem Bioenergia Brasil, S.A.	-	-	(150)	-	-
PERGÁS - Armazenamento de Gás, A.C.E.	-	532	(144)	-	-
Ventinveste, S.A.	-	-	(142)	-	(649)
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	-	190	(124)	-	-
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	-	161	(89)	-	-
Parque Eólico do Douro Sul, S.A.	-	-	(80)	-	-
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	-	43	(50)	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	-	9	(49)	-	-
Parque Eólico de Vale do Chão, S.A.	-	-	(10)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	-	(9)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	-	(7)	-	-
Parque Eólico do Planalto, S.A.	-	-	(4)	-	-
Parque Eólico de Vale Grande, S.A.	-	-	(3)	-	-
Âncora Wind - Energia Eólica, S.A.	-	10	(2)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	-	1,758	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	-	(25)
	-	**37,143**	**(8,694)**	**-**	**(674)**
Assets held for sale and other related parties					
SABA - Sociedade Abastecedora de Aeronaves, Lda.	-	656	(369)	-	-
Fundação Galp Energia	-	-	(33)	-	-
Portugal Ventures	-	-	(23)	-	-
PME Ventures	-	-	(10)	-	-
Adene - Agência para a Energia, S.A.	-	(2)	(9)	-	-
Tip Top Energy, S.A.R.L.	-	-	-	-	(5,446)
ADEPORTO Agência de Energia do Porto	-	6	-	-	-
Winland International Petroleum, S.A.R.L. (W.I.P.)	-	-	-	8,669	-
Amorim Energia, B.V.	-	18	-	-	-
	-	**678**	**(444)**	**8,669**	**(5,446)**
	76,909	**44,485**	**(10,830)**	**8,669**	**(6,465)**

2015 unit: €k

	Purchases	Operating costs	Operating income	Financial costs (Note 8)	Financial income (Note 8)
Associates					
Galp IPG Matola Terminal, Lda.	-	-	(799)	-	-
IPG Galp Beira Terminal, Lda.	-	-	(794)	-	-
Terparque - Armazenagem de Combustíveis, Lda.	-	1,788	(745)	-	-
EMPL - Europe-Maghreb Pipeline, Ltd.	70,385	-	(522)	-	-
Gasoduto Extremadura, S.A.	-	-	(448)	-	-
Gasoducto Al-Andalus, S.A.	-	-	(378)	-	-
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	-	5,047	(93)	-	(341)
Tagusgás Propano, S.A.	-	-	(91)	-	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	-	-	(52)	-	-
Energin - Sociedade de Produção de Eletricidade e Calor, S.A.	-	-	-	-	(45)
	70,385	**6,835**	**(3,922)**	**-**	**(386)**
Joint ventures					
C.L.C. - Companhia Logística de Combustíveis, S.A.	-	14,813	(1,606)	-	-
Sigás - Armazenagem de Gás, A.C.E.	-	1,131	(1,295)	-	-
Belem Bioenergia Brasil, S.A.	-	-	(288)	-	-
Caiageste - Gestão de Áreas de Serviço, Lda.	-	30	(277)	-	-
Ventinveste, S.A.	-	-	(135)	-	(672)
Parque Eólico do Douro Sul, S.A.	-	-	(61)	-	-
Parque Eólico do Pinhal Oeste, S.A.	-	-	(21)	-	-
Parque Eólico da Serra do Oeste, S.A.	-	-	(17)	-	-
Parque Eólico de Vale do Chão, S.A.	-	-	(10)	-	-
Parque Eólico do Planalto, S.A.	-	-	(9)	-	-
Parque Eólico de Vale Grande, S.A.	-	-	(3)	-	-
Parque Eólico do Cabeço Norte, S.A.	-	-	(1)	-	-
Parque Eólico de Torrinheiras, S.A.	-	-	(1)	-	-
Âncora Wind - Energia Eólica, S.A.	-	-	(1)	-	-
Asa - Abastecimento e Serviços de Aviação, Lda.	-	1,531	-	-	-
Parque Eólico da Penha da Gardunha, Lda.	-	-	-	-	(27)
	-	**17,505**	**(3,725)**	**-**	**(699)**
Assets held for sale and other related parties					
SABA - Sociedade Abastecedora de Aeronaves, Lda.	-	499	(148)	-	-
Fundação Galp Energia	-	-	(45)	-	-
Portugal Ventures	-	-	(24)	-	-
Adene - Agência para a Energia, S.A.	-	-	(11)	-	-
PME Ventures	-	-	(9)	-	-
Amorim Energia, B.V.	-	520	-	-	-
Tip Top Energy, S.A.R.L.	-	-	-	-	(4,084)
Winland International Petroleum, S.A.R.L. (W.I.P.)	-	-	-	7,898	-
	-	**1,019**	**(237)**	**7,898**	**(4,084)**
	70,385	**25,359**	**(7,884)**	**7,898**	**(5,169)**

29. Remuneration of the board

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

unit: €k

	December 2016						December 2015					
	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
Board members of Galp Energia SGPS												
Executive management	3,518	762	277	(836)	(69)	3,652	3,832	807	297	2,848	58	7,842
Non-executive management	546	-	-	-	-	546	530	-	-	-	-	530
Audit Board	92	-	-	-	-	92	79	-	-	-	-	79
Board of the General Meeting	4	-	-	-	-	4	4	-	-	-	-	4
	4,160	762	277	(836)	(69)	4,294	4,445	807	297	2,848	58	8,455
Board members of subsidiaries												
Executive management	1,223	-	-	(35)	-	1,188	1,506	-	-	-	28	1,534
Board of the General Meeting	51	-	-	-	-	51	10	-	-	-	-	10
	1,274	-	-	(35)	-	1,239	1,516	-	-	-	28	1,544
	5,434	762	277	(871)	(69)	5,533	5,961	807	297	2,848	86	9,999

Of the amounts of €5,533 k and €9,999 k, recorded in the year ended 31 December 2016 and 2015 respectively, €5,627 k and €9,480 k were recorded as employee costs (Note 6) and €(94) k and €519 k were recorded as external supplies and services.

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

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.

The variable remuneration of the Board of directors who exercise executive functions has a maximum limit of 60% of total annual fixed remuneration and includes an annual and a three-year variable components. The variable remuneration depends on the performance evaluation carried out by the Remuneration Committee based on specific, measurable and predefined criteria (economic, financial and operational) that contribute 65% to the definition of the amount of the applicable annual and three-year variable remuneration, corresponding the remaining 35% to the result of a qualitative evaluation by the Remuneration Committee of the activity developed by the executive directors in the relevant period, as the case may be.

The payment of 50% of the triennial component of the remuneration is deferred for three years, considering successive and overlapping triennia. Each year the evaluation of the previous year is carried out by the Remuneration Committee, which establishes a provisional value for the purposes of accrual. At the end of each three-year period, the Remuneration Committee shall carry out a quantitative and qualitative evaluation of the three-year period for the payment of variable remuneration, if the objectives are met. The deferred effective value of the three-year variable remuneration depends, on the one hand, on the fulfillment of the overall objectives for the three-year period in question, and on the other hand, on the qualitative assessment by the Remuneration Committee, so that at the end of the triennium in question, it may be reduced or increased in accordance with their assessment.

In the Galp Annual Report the amount presented differs from the amount recognised as expense in the year, as it is presented on cash flow basis, as shown in the following reconciliation:

unit: €k

	Galp Annual Report 2016						Variation in accruals/deferrals for the year				Other costs not included in Galp Annual Report			Note 29 of the Notes to the Financial Statements December 2016					
	Salary	Pension plans	Allowances for rent, travel expenses and others	Variable remuneration	Other charges and adjustments	Total	Fixed remuneration	Variable remuneration	Other charges and adjustments	Total	Fixed remuneration	Variable remuneration	Total	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
Board members of Galp Energia SGPS																			
Executive management	3,466	762	277	952	42	5,499	52	(1,788)	(111)	(1,847)	-	-	-	3,518	762	277	(836)	(69)	3,652
Non-executive management	546	-	-	-	-	546	-	-	-	-	-	-	-	546	-	-	-	-	546
Audit Board	92	-	-	-	-	92	-	-	-	-	-	-	-	92	-	-	-	-	92
Board of the General Meeting	4	-	-	-	-	4	-	-	-	-	-	-	-	4	-	-	-	-	4
	4,108	762	-	952	42	6,141	52	(1,788)	(111)	(1,847)	-	-	-	4,160	762	277	(836)	(69)	4,294
Board members of subsidiaries																			
Executive management	-	-	-	-	-	-	-	-	-	-	1,223	(35)	1,188	1,223	-	-	(35)	-	1,188
Board of the General Meeting	-	-	-	-	-	-	-	-	-	-	51	-	-	51	-	-	-	-	51
	4,108	762	-	952	42	6,141	52	(1,788)	(111)	(1,847)	1,274	(35)	1,188	5,434	762	277	(871)	(69)	5,533

In the accrual variation, the amount of €52 k in the Fixed Remuneration corresponds to the adjustment over the payment of Holidays and Christmas allowance, the amount of €(1,788) k related to the adjustment to the management bonuses and long-term incentive for previous years and the accrual in the amount of €(111) k in the caption "Other charges and adjustments" corresponding to the annulment of charges from previous years.

The remunerations disclosed in the Galp Annual Report include the pluri-annual bonuses paid in 2016 for the three-year period 2013-2016. These bonuses are included in the "Variable Remuneration" column, only for the Executive President and Executive Director who finished their mandate in April 2016.

30. Dividends

In accordance with the deliberation of the General Meeting of Shareholders held on 5 May 2016, dividends amounting to €343,907 k relating to 2015 net income and retained earnings, have been distributed and paid, of which anticipated dividends of €171,954 k on 24 September 2015 and the remaining €171,953 k on 27 May 2016.

Additionally the Board of Directors approved the payment of an interim dividend related to the 2017 fiscal year amounting to €206,344 k, which were paid on 26 September 2016.

In the year ended 31 December 2016 dividends amounting to €9,112 k were paid by subsidiaries of the Galp group to minority shareholders (Note 21 b).

As such, during the year ended 31 December 2016, the Group paid dividends amounting to €387,409 k.

31. Oil and gas reserves (unaudited)

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.

Reserves considered by Galp for accounting purposes are as follows:

unit: €k

Volume (in kboe)	1P Reserves	2P Reserves	3P Reserves	Contingent Resources 1C	Contingent Resources 2C	Contingent Resources 3C	Prospective Resources (mean risked)
Africa	7,247	30,255	20,007	127,978	469,711	1,144,953	1,116,916
Latin America	266,844	368,824	233,727	172,511	850,391	1,847,788	829,744
Rest of the World	-	-	-	-	-	-	711,260
Total	**274,091**	**399,079**	**253,734**	**300,489**	**1,320,102**	**2,992,741**	**2,657,920**

Proven Reserves (1P)

Those quantities of oil, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable reserves (2P)

Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proven Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proven plus Probable Reserves (2P or PP). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible reserves (3P)

Those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proven plus Probable plus Possible (3P or PPP) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Contingent resources

Contingent resources are those quantities of oil that are potentially recoverable from known accumulations but which are not currently considered to be recoverable, for several reasons, for example, those related to the maturity of the project (the discovery needs more evaluations to support the development plan), technological issues (it is necessary to develop and test new technology to commercially explore the quantities) and market issues (the sales contracts are not yet in force or it is necessary to install infrastructures to deliver the product to the customers). The 2C contingent resources are those calculated based on the best estimate, whereas the 3C contingent resources correspond to the high estimate, reflecting therefore, a higher uncertainty level. Quantities classified as contingent resources cannot be considered reserves. The definition of these reserves are in the Glossary at the end of the current Annual Report.

32. Financial risk management

Risk Management

Galp is exposed to several types of market risks (price risk, exchange rate risk and interest rate risk) inherent to the oil and natural gas industries, which affect the Group's financial results. The main market risks result from fluctuation of the crude oil price, its derivatives and the exchange rate.

Galp discloses in the Management Report a chapter on Risk Management and the main risks to which the Group is exposed including operating risks, not mentioned in this document.

Market risks

a) Commodities price risk

Due to the nature of its business, Galp is exposed to the risk of volatility of the international price of crude oil, of its derivatives and of natural gas and electricity. The frequent fluctuations in the price of crude oil and refined products generate uncertainty and have a significant impact on operating results.

The Company partially controls this risk through the derivatives market for oil and natural gas, to protect the refining margin from adverse market changes.

In respect of the natural gas and electricity activities, the Group partially controls this risk through the establishment of natural gas and electricity purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

b) Exchange rate risk

The US dollar is the currency used as reference price in the oil and natural gas markets. Since Galp prepares its financial statements in Euros, this factor, among others, exposes its operations to exchange rate risk. Given that the operating margin is mainly related to US dollars, the Company is exposed to fluctuations in exchange rates, which can contribute positively or negatively to income and margins.

Since this is a currency risk associated to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the statement of financial position and cash flows. The level of exposure of cash flows and especially the statement of financial position is a function of the price levels of oil and natural gas.

As a result of the above, Galp controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The purpose of exchange rate risk management is to limit the uncertainty resulting from variations in exchange rates. Hedging debits and credits based on market speculation is not permitted. As of 31 December 2016, Galp held derivatives to hedge exchange rate risk (Note 27).

c) Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to bank loans bearing interests. The purpose of managing interest rate risk is to reduce the volatility of financial costs in the income statement. The interest rate risk management policy aims to reduce exposure to variable rates fixing interest rate risk on loans, using simple derivatives such as swaps.

As at 31 December 2016 Galp did not hold interest rate derivatives traded by its subsidiaries.

Sensitivity analysis performed to market risks resulting from financial instruments, as required by IFRS 13

The analysis prepared by the Group in accordance with IFRS 7 and IFRS 13 is intended to illustrate the sensitivity of profit before taxes and of equity to potential variations in the Brent or natural gas and electricity prices, exchange rates and interest rates of financial instruments, as defined in IAS 32, such as financial assets and liabilities and financial derivatives reflected on the statement of financial position as of 31 December 2016 and 2015. The financial instruments affected by the above mentioned market risks include Trade receivables, Other receivables, Trade payables, Other payables, Loans, Cash and Financial derivatives. When cash flow hedges are applied, fair value is recorded in the equity caption "Hedging reserves" only if it is shown that the hedge is efficient.

There may be financial instruments with more than one market risk, in which case the sensitivity analysis is performed for each variable at a time, the others remaining constant, therefore ignoring any correlation between them, which is unlikely to occur.

Sensitivity analyses do not include the impact of current or deferred taxes, which could reduce the presented variations, depending on the tax laws in the various geographic areas where the Group operates, as well as fiscal conditions for each company.

Foreign currency investments were not included in the analysis as the Group does not record them at fair value as defined in IAS 39.

Fluctuations of monetary balances in foreign currencies may directly affect the caption "Translation reserves" included in Equity in Galp group's consolidated financial statements, if those monetary balances are stated in the same functional currency of the individual company under analysis.

Therefore, the sensitivity analysis is illustrative and does not represent actual current loss or gain, or other current variations in equity.

The following assumptions were considered in the sensitivity analysis of exchange rates:

- exchange rate variation of +/- 10%.

The sensitivity analysis includes significant balances in foreign currency relating to Trade receivables, Other receivables, Trade payables, Other payables, Loans, Financial derivatives and Cash.

The sensitivity analysis performed on exchange rates, presented in the statement of financial position, is as follows:

unit: €k

		2016					2015				
			Income statement		Equity			Income statement		Equity	
		Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests	Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests
Investments - Depreciation/ (appreciation) of x% of the EUR versus USD	+10%	657,753	7,500	-	55,391	2,885	1,493,714	530	-	144,131	4,711
	-10%		(7,500)	-	(55,391)	(2,885)		(530)	-	(144,131)	(4,711)
Investments - Depreciation/ (appreciation)of x% of the BRL versus USD and versus EUR (a)	+10%	62,522	3,893	1,669	(4,377)	(1,876)	30,562	2,493	1,068	(2,139)	(917)
	-10%		(3,893)	(1,669)	4,377	1,876		(2,493)	(1,068)	2,139	917
Loans - Depreciation/ (appreciation) of x% of the EUR versus USD	+10%	209,767	15,000	-	(20,977)	-	265,730	-	-	(26,573)	-
	-10%		(15,000)	-	20,977	-		-	-	26,573	-
Derivatives - Depreciation/ (appreciation) of x% of the EUR versis USD (a)	+10%	9,778	(978)	-	-	-	15,375	(1,538)	-	-	-
	-10%		978	-	-	-		1,538	-	-	-
Trade payables - Depreciation/ (appreciation)of x% of the EUR versus USD	+10%	63,701	(6,364)	-	(4)	(2)	132,880	(13,288)	-	-	-
	-10%		6,364	-	4	2		13,288	-	-	-
Trade receivables - Depreciation/ (appreciation) of x% of the EUR versus USD	+10%	680,716	7,071	-	42,700	18,300	791,000	6,343	889	6,840	2,932
	-10%		(7,071)	-	(42,700)	(18,300)		(6,343)	(889)	(6,840)	(2,932)
Trade payables - Depreciation/ (appreciation)of x% of the BRL versus USD and versus EUR (b)	+10%	188,713	-	-	(12,532)	(5,371)	172,683	-	-	(12,088)	(5,180)
	-10%		-	-	12,532	5,371		-	-	12,088	5,180

(a) Includes derivatives drawn in USD. Exposure over exchange rate variability of Mark-to-Market.
(b) Includes 10% variation in the exchange rate of BRL to USD, and 10% variation in the exchange rate of USD to EUR.

The following assumptions were considered in the commodities price sensitivity analysis:

- price variation of +/- 10% of the price of the commodity;
- correlation between market risks was ignored;
- a sensitivity analysis was made for balances relating to financial derivatives over commodities.

The effect of changes in the proven oil reserves as a result of changes in the Brent price was not calculated.

Commodity “Brent Futures” were not considered in the sensitivity analysis performed on the commodity price derivatives, as these have monthly maturity.

A summary of the sensitivity analysis for the commodities price reflected on the statement of financial position is presented below:

unit: €k

		2016					2015				
			Income statement		Equity			Income statement		Equity	
		Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests	Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests
Variation in the price of the underlying derivatives on natural gas commodities (a)	+10%	12,361	-	-	-	-	(10,486)	172	-	-	-
	-10%		-	-	-	-		(172)	-	-	-
Variation in the price of the underlying derivatives on oil commodities	+10%	(9,212)	(9,354)	-	-	-	(16,475)	6,101	-	-	-
	-10%		9,354	-	-	-		(6,101)	-	-	-
Variation in the price of the underlying derivatives on other commodities	+10%	5,161	427	-	-	-	5,111	584	-	-	-
	-10%		(427)	-	-	-		(584)	-	-	-

(a) Excludes impacts of derivatives classified as fair value hedge and cash flow hedge

The following assumptions were considered in the interest rate sensitivity analysis:

- parallel shift of 0.5% in the time structure of interest rates;
- analysis of interest rate risk includes Sinopec accounts receivable, variable interest rate loans and interest rate financial derivative;
- the income before taxes is affected by the interest rate risk sensitivity analysis, except for interest rate financial derivatives classified as cash flow hedges, in which the sensitivity analysis, if within the required efficiency parameters, affects Equity.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

unit: €k

		2016					2015				
			Income statement		Equity			Income statement		Equity	
		Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests	Exposure amount	Attributable to shareholders	Non-controlling interests	Attributable to shareholders	Non-controlling interests
Loans-parallel shift in interest rate	+0.5%	2,811,746	(6,795)	(27)	-	-	3,490,216	(10,325)	(63)	-	-
	-0.5%		6,795	27	-	-		10,325	63	-	-
Applications-parallel shift in interest rate (a)	+0.5%	1,472,881	5,716	1,075	-	-	1,616,690	6,939	224	-	-
	-0.5%		(5,716)	(1,075)	-	-		(6,939)	(224)	-	-

(a) Includes outstanding balances with entity Tip Top (Sinopec).

The analysis was not affected by interest rate derivatives as the referred derivatives were not noted in its subsidiaries, but only in the associates and joint ventures.

Liquidity risk

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

Galp finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans and bonds. The Group has access to credit amounts that are not fully used but that are at its disposal. These credits can cover all loans that are repayable in 12 months. The available short term lines of credit that are not being used, amount to 1.2 billion Euros as of 31 December 2016, and 1.2 billion Euros as of 31 December 2015, and are sufficient to meet any immediate demand. In addition to these credits, the Group has approximately 1 billion Euros of cash and cash equivalents, as stated in the statement of financial position, as of 31 December 2016, and 1.1 billion Euros as of 31 December 2015 which combined with the credit facilities amounts to 2.2 billion Euros of liquidity as of 31 December 2016, and 2.3 billion Euros as of 31 December 2015, respectively.

Credit risk

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

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

Insurance Claim Risk

Galp has insurance contracts in place to reduce its exposure to various risks resulting from insurance claims that may occur during the pursuit of its activities, as follows:

- property insurance - covering risks of Material Damages, Machinery Breakdown, Loss on Exploration and Construction;
- general liability insurance - covering risks of general activity (onshore), risks related to maritime activities (offshore), aviation risks, environmental risks and management risks (Directors & Officers);
- people insurance - covering risks of work accidents, personal accidents, life and health;
- financial Insurance - covering credit risk, collateral and theft;
- transportation Insurance - covering all risks related to cargo and hull;
- other insurances - covering vehicles, travel, etc.

33. Contingent assets and liabilities

Contingent assets

Regarding the contract termination process related to the construction of the "Sacor II" ship and following the decision of the arbitration court, the manufacturer was ordered to pay the sum of €3,904 k (€2,886 k plus interest). On 3 April 2013, the Insolvency Administrator filed for closure and liquidation of the manufacturing company. As of 31 December 2016, the effective liquidation from the sale of the assets is pending. Due to uncertainty regarding the amount receivable resulting from liquidation, the amount receivable has not recorded in the financial statements for the year ended 31 December 2016.

Contingent liabilities

As of 31 December 2016, the Company and its subsidiaries had the following contingent liabilities:

i) As of 31 December 2016 legal proceeding concerning the licensing process for the Sines combined cycle natural gas power plant has been filed by Endesa Generación Portugal, S.A. against the Ministry of Economy and Innovation, against the best interests of Galp Power, SGPS, S.A. Galp Power, SGPS, S.A. has requested the impeachment of this lawsuit. The Board of Directors, supported by its legal advisors, believes that no liabilities will result from this process.

ii) A legal proceeding which was brought against the Group by a subcontractor in relation to the construction of "Sacor II" ship amounting to a total of €2,274 k, is currently suspended at the Lisbon Maritime Court, due to declaration of insolvency by the manufacturer on 6 February 2013. The Board of Directors, supported by its legal advisors believes that it is not possible to determine the responsibilities that may arise to the subsidiary Sacor Marítima S.A. as a result of that process, but considers the chances of a condemnation to be reduced.

iii) additional Corporate Income Tax and Personal Income Tax assessments amounting to €35,962 k for which provisions of €22,581 k and €7,394 k, respectively, were booked (Note 9 and 25).

iv) related with the agreement celebrated with Matosinhos Municipality Council as of 14 June 2013, there may arise some liabilities associated with the decontamination process of the soils, before the final disposal of the plots to the Matosinhos Municipality Council. To this date, the Company has no information to enable it to estimate the amount of such liabilities since the necessary studies and assessments have not yet been prepared.

Other financial commitments

The Group's financial commitments not included in the statement of financial position as of 31 December 2016 are:

i) €26,226 k related to purchase orders of tangible assets that have not yet been received;

ii) Galp Gas & Power, SGPS, S.A., previously named GDP – Gás de Portugal, SGPS, S.A., as shareholder of Ventiveste, S.A. has the commitment and responsibility under the contract and other agreements made with DGEG to fully comply and on a timely basis with 1/3 of the obligations of the wind farm project, consisting of the promotion, construction and operation of the Wind Farms.

The contractual obligations are safeguarded by an autonomous, unconditional first demand bank guarantee amounting to €11,628 k and by a pledge given by the shareholders, Galp Gas & Power, SGPS, S.A., Martifer SGPS S.A. and Martifer Renewables, SGPS, S.A. divided in equal parts, corresponding to approximately 10% of the total Direct Investment, amounting to €23,255 k. The amount of the guarantee will be reduced each semester based on the contracted investment in the preceding semester;

iii) Galp group has bank loans that in some cases have covenants that can, if triggered by banks, lead to early repayment of the borrowed amounts. As of 31 December 2016, the Medium/Long term debt amounted to 2.6 billion Euros. From this amount, the contracts with covenants correspond to 0.3 billion Euros. The existing covenants are designed essentially to ensure compliance with financial ratios that monitor the financial position of the Company, including its ability to service debt. The Total Net Debt to consolidated EBITDA ratio is the most frequently used and as at 31 December 2016 was 1.4x in accordance with the methodology stated in the contracts. The ratio stipulated in the contracts, is in general of 3.5 – 3.75 x EBITDA; and

iv) Galp group has non-current contracts with Gas suppliers and Gas clients, which guarantee a minimum of acquisitions and sales, guaranteeing a good operational performance.

The valued contractual commitments are presented below:

unit: €k	2017	2018	2019	2020	2021	Post-2021
Natural gas purchases	1,109,384	1,123,198	1,195,267	1,197,515	676,979	2,548,782

These amounts refer to contractual commitments to purchase natural gas under long-term contracts with take or pay clauses negotiated and held for own use. These contracts are normally made for 20-25 years, require a minimum purchase quantity and are subject to price revision mechanisms indexed to international oil/gas quotes. The amounts were calculated based on the natural gas prices on December 31, 2016. The contractual purchase commitments updated at a WACC rate of 8.2% represent about €5.6 bn.

unit: €k	2017	2018	2019	2020	2021	Post-2021
Natural gas purchases	747,395	569,231	315,603	315,603	157,204	353,710

These amounts refer to contractual commitments for the sale of natural gas under medium and long-term contracts with negotiated take or pay clauses. The amounts were calculated based on the natural gas prices on 31 December 2016. The contractual sales commitments updated at a WACC rate of 8.2% represent approximately €2 bn.

Guarantees granted

As of 31 December 2016, responsibilities with guarantees granted amounted to €286,540 k and included essentially the following:

i) guarantees, mainly undated, amounting to €57,866 k in benefit of the Tax Administration;

ii) guarantees issued, undated, amounting to €30,000 k in benefit of EDP – Distribuição, to guarantee contractual access to networks operated by EDP Distribuição, in order for the Group to supply electricity in the Portuguese market;

iii) guarantees amounting to €7,062 k in benefit of ENMC-Entidade Nacional para o Mercado de Combustíveis, E.P.E.. In January 2015 Galp was notified by the Competition Authority to make a payment of €9.2 m due to fines resulting from gas containers competition issues. Galp considered the fine to be groundless and appealed legally. On 4 January 2016 the Competition Court reduced the fine applied by 55%. Galp does not agree with the condemnation which was grounded on a pure formality and, therefore appealed this decision. However a provision has been recognised amounting to €4,180 k relating to the responsibilities for fines applied by the Competition Authority (Note 25);

iv) guarantees issued for one year, amounting to €12,459 k in benefit of Oil Insurance, Ltd;

v) guarantees, mostly undated, amounting to €2,575 k in benefit of the General Directorate for Customs ("Direção Geral das Alfândegas")

vi) guarantee, undated, of €5,000 k given to the Portuguese State for the obligations and duties resulting from the Concession of underground storage of natural gas public service allocated by the Portuguese State to Transgás Armazenagem, S.A.;

vii) guarantees, undated, amounting to €4,834 k in benefit of the Sines Port Authority;

viii) guarantees of €1,267 k in benefit of "Instituto de Estradas de Portugal" based on paragraph a) of article 15º of the Law-decree 13/71 of 23/01, to licence the installation of natural gas conducts, parallels and road crossings;

ix) guarantee, undated, amounting to €288 k in benefit of EDP - Energias de Portugal, S.A. to guarantee diesel supply to thermoelectric stations of the Islands of Santa Maria, S. Miguel, Terceira, Faial, Pico and Flores;

x) guarantee, undated, amounting to €27,409 k in benefit of several entities to support access contracts to the natural gas distribution networks;

xi) guarantee of €1,256 k (reaching maturity at March 2017), and of €15 k (reaching maturity at July 2017) in benefit of T.I.G. (Transport et Infrastructures Gaz France) and to G.R.D.F. (Gaz Réseau Distribution France), respectively, to guarantee contractual usage of the natural gas transportation infrastructure in France;

xii) guarantee issued, undated, amounting to €4,700 k to REN- Atlântico, S.A to guarantee contractual usage of LNG (Liquefied Natural Gas) infrastructure;

xiii) guarantee issued, undated, amounting to €7,979 k to REN- Gasodutos, S.A to guarantee the National transport network use contract;

xiv) guarantee, undated, amounting to €2,176 k to REN-Armazenagem, S.A. to ensure the fulfilment of the underground storage use contract;

xv) guarantee issued, valid until 31 March 2024, amounting to €1,650 k to REN-Rede Elétrica Nacional, SA, to ensure financial commitments of the market agent resulting from the implementation of the Global Management System procedures manual;

xvi) as of 31 December 2016, bank guarantees were issued, for an average period of two years, amounting to €6,721 k (BRL 23,055 k) to Agência Nacional do Petróleo, Gás Natural e Biocombustíveis ("ANP") resulting from a contractual imposition of the Concession Contract signed between the Brazilian Government and the block partners in Brazil in which the Company participates, where they commit to invest in seismic acquisitions and drilling wells during the exploration period. The amount of guarantees corresponds to the responsibility of the Company according to its percentage of participations in the consortium;

xvii) Galp celebrated a contract with Petróleo Brasileiro, S.A. – Petrobras, for the sale of natural gas for the concession area BM-S-11, in the Lula field, in the Santos basin, for a period of 23 years, by which Petrogal Brasil will sell the gas produced in the development modules of the Lula Pilot and Lula NE. To guarantee the gas supply contract, a guarantee was provided by Galp to Petrobras, which as at 31 December 2016 amounts to €98,662 k ($104,000 k); and

xviii) as of 31 December 2016, there were also other guarantees amounting to €8,772 k in benefit of third parties as guarantee of fulfilment of obligations occurring from signed contracts between the parties.

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

The book value and fair value of the financial assets and liabilities are detailed in the table below:

unit: €k

	2016		2015	
Financial position captions	**Book value**	**Fair value**	**Book value**	**Fair value**
Assets				
Financial assets available for sale	2,735	a)	2,487	a)
Trade receivables	1,042,151	1,042,151	829,042	829,042
Loans to Sinopec	610,003	610,003	722,936	722,936
Other receivables	801,349	801,349	875,109	875,109
Other financial investments	45,355	45,355	28,888	28,888
Cash and cash equivalents	1,033,498	1,033,498	1,130,606	1,130,606
Liabilities				
Bank loans	1,220,181	1,220,181	1,398,207	1,398,207
Bonds	1,682,511	1,742,966	2,153,865	2,183,970
Other financial instruments	18,278	18,278	31,969	31,969
Trade payables	850,412	850,412	656,346	656,346
Other payables	1,189,084	1,189,084	1,395,620	1,395,620

a) Due to difficulties in calculating the fair value of the Financial assets held for sale (comprising unlisted equity instruments), these are recognised at the acquisition cost, as referred in note 2.2 c) and 2.17 a).

The fair value of the bonds was measured based on observable market inputs, thus the classification of the fair value hierarchy was Level 2.

Please refer to the fair value hierarchy for financial derivatives disclosed in note 2.18.

The book value of the captions Trade receivables, Other receivables/payables and Trade payables are equivalent to its fair value.

35. Information on environmental matters

The main challenges facing refining operations are the compliance with the objectives of reducing greenhouse gas emissions as defined in the Kyoto Protocol, the reduction of the proportion of Sulphur in fuel consumed in the facilities and increasing energy efficiency.

During 2013, Galp group was informed by the Portuguese Environmental Agency, by means of publication of the National Allocation Table for the period 2013-2020, of the definitive emission licences to be granted to the following facilities:

Company	Petrogal		Additional Petrogal	Carriço
Facility	**Sines refinery**	**Matosinhos refinery**	**Matosinhos refinery**	**Cogeneration**
2013	1,187,801	494,967	504,322	65,341
2014	1,167,170	486,370	495,547	64,204
2015	1,146,296	477,672	486,772	63,067
2016	1,125,205	468,883	477,996	61,930
2017	1,103,886	460,000	469,221	60,793
2018	1,082,361	451,030	460,446	59,656
2019	1,060,567	441,948	451,671	58,519
2020	1,038,697	432,834	442,896	57,382
Total by facility	**8,911,983**	**3,713,704**	**3,788,871**	**490,892**

The following tables present the facilities currently operated by the Group, its annual emission licences – EUAs, as well as the quantities of greenhouse gases (t/CO_2) per installation/company:

EUAs

Company	Facilities	EUA Licenses held t/CO_2 on 31/12/2015	Free licenses attributed t/CO_2	Licenses t/CO_2 used	Licenses t/CO_2 transferred	Licenses t/CO_2 purchased	Licenses t/CO_2 sold	EUA Licenses held t/CO_2 on 31/12/2016
Petrogal	Sines refinery	2,322,624	1,603,201	(2,547,397)	224,773	942,000	-	2,545,201
	Matosinhos refinery	1,156,391	468,883	(920,632)	(224,773)	413,066	-	892,935
		3,479,015	**2,072,084**	**(3,468,029)**	**-**	**1,355,066**	**-**	**3,438,136**
Carriço Cogeração	Cogeneration	28,114	-	(28,049)	-	-	-	65
		28,114	**-**	**(28,049)**	**-**	**-**	**-**	**65**
		3,507,129	**2,072,084**	**(3,496,078)**	**-**	**1,355,066**	**-**	**3,438,201**

(a) Licences granted includes (according to the National Allocation Table for the period 2013-2020) for the upgrade project of the Sines refinery the calculation of the amount of 477.996 t/CO_2. for 2016.

As the entity Carriço Cogeração is dormant, no CO_2 licences will be allocated to it.

Held certificates

Company	Facility	EUA Licenses held t/CO_2 on 31/12/2016	CO_2 emissions up to December 2016 (a)	Excess/(Insufficiency) of licenses and certificates
Petrogal	Sines refinery	2,545,201	2,544,407	794
	Matosinhos refinery	892,935	893,729	(794)
		3,438,136	**3,438,136**	**-**
Carriço Cogeração	Cogeneration	65	-	65
		65	**-**	**65**
		3,438,201	**3,438,136**	**65**

(a) Subject to environmental audits

Galp holds in its portfolio CO_2 Futures on CO_2, maturing in December 2017, which represents 650 t/CO_2.

Due to the acquisition, in prior years, of licences which serve to meet the obligations with CO_2 emissions, the subsidiary Petrogal recognised as cost in the year the amount of €7,561 k (Note 6).

As of 31 December 2016, the pro-forma values of greenhouse gas emissions were below assigned and acquired licences. Thus, no accruals were made to the additional costs mentioned above.

36. Subsequent events

There are no subsequent events of note.

37. Approval of the financial statements

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

However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law in place in Portugal. The Board of Directors believes that these financial statements reflect in a true and fair manner the Group's operations, financial performance and cash flows.

THE ACCOUNTANT:

Carlos Alberto Nunes Barata

THE BOARD OF DIRECTORS:

Chairman:
Paula Fernanda Ramos Amorim

Vice-Chairmen:
Carlos Gomes da Silva
Miguel Athayde Marques

Members:
Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Marta Cláudia Ramos Amorim Barroca de Oliveira
Raquel Rute da Costa David Vunge
Carlos Manuel Costa Pina
Francisco Vahia de Castro Teixeira Rêgo
Jorge Manuel Seabra de Freitas
José Carlos da Silva Costa
Pedro Carmona de Oliveira Ricardo
João Tiago Cunha Belém da Câmara Pestana
Rui Paulo da Costa Cunha e Silva Gonçalves
Luis Manuel Pego Todo Bom
Diogo Mendonça Rodrigues Tavares
Joaquim José Borges Gouveia

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.

8.2.

Supplementary oil and gas information (unaudited)

The following information is presented in accordance with Extractive Activities – Oil & Gas (Topic 932) of the Financial Accounting Standards Board (FASB).

Operating income from exploration and production (E&P) activities

Operating income from exploration and production activities by geography, for the years 2016, 2015 and 2014 are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2016				
Consolidated total contribution				
Sales	105,512	705,409	-	810,921
Production costs	(27,870)	(95,754)	-	(123,625)
Royalties	-	(70,749)	-	(70,749)
Other operating costs	(25,076)	(66,528)	60	(91,543)
Exploration costs	-	(29,318)	(48)	(29,366)
Depreciation, amortisation and provisions	(245,341)	(275,043)	-	(520,384)
Operating income before tax for the E&P activities	**(192,775)**	**168,017**	**12**	**(24,747)**
Income tax	(7,543)	(147,958)	(4)	(155,505)
Operating income for the E&P activities	**(200,318)**	**20,058**	**8**	**(180,251)**
31 December 2015				
Consolidated total contribution				
Sales	110,991	507,094	-	618,085
Production costs	(35,586)	(71,969)	-	(107,555)
Royalties	-	(49,777)	-	(49,777)
Other operating costs	(4,885)	(62,015)	(1)	(66,901)
Exploration costs	(17,232)	(55,310)	41	(72,500)
Depreciation, amortisation and provisions	(151,053)	(164,522)	-	(315,575)
Operating income before tax for the E&P activities	**(97,765)**	**103,501**	**40**	**5,777**
Income tax	(2,349)	(92,475)	10	(94,814)
Operating income for the E&P activities	**(100,114)**	**11,027**	**50**	**(89,037)**
31 December 2014				
Consolidated total contribution				
Sales	193,201	465,837	-	659,039
Production costs	(42,137)	(41,530)	-	(83,667)
Royalties	-	(52,188)	-	(52,188)
Other operating costs	(2,293)	(72,579)	(18)	(74,890)
Exploration costs	(75,289)	(28,070)	(623)	(103,982)
Depreciation, amortisation and provisions	(88,697)	(63,107)	-	(151,803)
Operating income before tax for the E&P activities	**(15,215)**	**208,363**	**(641)**	**192,507**
Income tax	(49,077)	(120,501)	(27)	(169,605)
Operating income for the E&P activities	**(64,292)**	**87,862**	**(668)**	**22,902**

Production costs include direct production costs associated with blocks which are currently in production. This caption is presented net of income related to leasing of production equipment, registered in companies that are not fully consolidated in the Group. Such income was: €42,328 k in 2016, €32,283 k in 2015 and €16,223 k in 2014.

Other operating costs include overhead costs pertaining to areas directly related to exploration and production activities. It excludes general corporate overhead costs related to Group companies, in accordance with FASB Topic 932, and includes costs recorded in companies which are not fully consolidated for the amount of €8,717 k in 2016, €7,159 k in 2015 and €21,161 k in 2014.

Exploration costs correspond to exploration impairments, namely costs of dry wells or asset impairments following the decision to relinquish exploration licenses, in accordance with the accounting policy described in Note 2.3 Tangible Assets from the Notes to the consolidated financial statements.

Amortisation, depreciation and provisions include costs recorded in companies that are not fully consolidated and which amounted to €96,565 k in 2016, €8,597 k in 2015 and €3,526 k in 2014. The 2016 increase is driven by impairments related to the termination of contracts for the construction of the replicants FPSO hulls in Brazil.

Operating income does not include corporate and financial costs, in accordance with FASB Topic 932.

The caption "Income taxes" includes: oil tax payable in Africa, the Special Participation Tax (SPT) applicable in Brazil, and income tax in accordance with the applicable tax laws applicable in each country. The amount of income tax has been adjusted to exclude corporate and financial costs that were excluded from operating income.

Capital expenditure in E&P activities

Capitalised costs during the year that represent expenditures made in E&P activities by geography, for the years 2016, 2015 and 2014 are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2016				
Consolidated total contributions				
Acquisitions without proven reserves	-	-	-	-
Exploration	10,319	27,425	(700)	37,044
Development	255,257	746,717	-	1,001,974
Total incurred in the period	**265,576**	**774,142**	**(700)**	**1,039,017**
31 December 2015				
Consolidated total contributions				
Acquisitions without proven reserves	-	-	-	-
Exploration	14,145	72,846	6,879	93,870
Development	303,558	705,469	-	1,009,027
Total incurred in the period	**317,703**	**778,314**	**6,879**	**1,102,896**
31 December 2014				
Consolidated total contributions				
Acquisitions without proven reserves	-	-	-	-
Exploration	134,949	113,163	3,155	251,266
Development	161,794	585,109	-	746,903
Total incurred in the period	**296,743**	**698,272**	**3,155**	**998,169**

Amounts in the caption “Development” include assets which are related to transport and production equipment for block BM-S-11 in Brazil, recorded in companies consolidated by the equity method, for the amount of €167,062 k in 2016, €213,928 k in 2015 and €255,948 k in 2014.

Investments are stated in the Galp group’s functional currency. For companies where the functional currency is not the Euro, assets were recorded at the corresponding exchange rate at the end of the year, in accordance with the accounting policy defined in paragraph 2.12 of the Notes to the consolidated financial statements, namely in Brazil, at the exchange rate of 3.4305 EUR:BRL and companies in Africa, at the exchange rate of 1.0541 EUR:USD.

Capitalised interests were not included in capital expenditure.

Cumulative investments in E&P activities

Cumulative investments include total expenditure in the acquisition of proven or unproven reserves and in exploration and development activities of blocks in which Galp holds a stake.

Cumulative costs are fully capitalised in accordance with Note 2.3 Tangible Assets from the Notes to the consolidated financial statements. Dry wells are recognised as costs and included in the table below, as are impairments. Relinquished blocks are written-off from assets, and consequently, are not included in this information.

Cumulative investments in E&P activities which are reflected in Galp group’s financial position are as follows:

unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2016				
Consolidated total contributions				
Assets with proven reserves				
Fixed assets	1,260,992	1,654,878	-	2,915,870
Work-in-progress	61,638	1,512,181	-	1,573,819
Assets without proven reserves	1,175,317	468,240	62,396	1,705,954
Support equipment	9,711	5,350	39	15,100
Gross cumulative investment	**2,507,658**	**3,640,649**	**62,436**	**6,210,742**
Cumulative amortisations, depreciations and impairments	(1,364,328)	(513,867)	(12,470)	(1,890,665)
Net cumulative investments	**1,143,330**	**3,126,782**	**49,966**	**4,320,077**
31 December 2015				
Consolidated total contributions				
Assets with proven reserves				
Fixed assets	1,181,999	812,503	-	1,994,502
Work-in-progress	83,314	1,178,631	-	1,261,945
Assets without proven reserves	993,675	392,039	63,096	1,448,810
Support equipment	7,829	4,595	-	12,424
Gross cumulative investment	**2,266,817**	**2,387,768**	**63,096**	**4,717,681**
Cumulative amortisations, depreciations and impairments	(1,164,176)	(224,935)	(12,421)	(1,401,532)
Net cumulative investments	**1,102,641**	**2,162,834**	**50,675**	**3,316,150**

unit: €k (cont.)	Africa	Latin America	Rest of the world	Total
31 December 2014				
Consolidated total contributions				
Assets with proven reserves				
Fixed assets	1,114,835	621,059	-	1,735,894
Work-in-progress	121,555	910,845	-	1,032,399
Assets without proven reserves	648,296	461,309	56,217	1,165,821
Support equipment	6,397	9,184	-	15,580
Gross cumulative investment	**1,891,082**	**2,002,396**	**56,217**	**3,949,695**
Cumulative amortisations, depreciations and impairments	(1,007,582)	(172,732)	(13,384)	(1,193,698)
Net cumulative investments	**883,500**	**1,829,664**	**42,833**	**2,755,997**

Investments were classified in accordance to the following assumptions:

1) Assets with Proven Reserves (PR or 1P): assets related to fields which hold proven reserves at the end of each year.
   I) Assets with PR – Fixed: assets related with fields which hold proven reserves at the end of each year, already producing and subject to depreciation;
   II) Assets with PR – Work-in-progress: assets related with fields with proven reserves at the end of each year, which are not yet in production.
2) Assets without PR: assets related with fields without proven reserves, at the end of each year.
3) Support equipment: basic and administrative equipment allocated to E&P activities.

Amounts in the following captions include assets related to transport and production equipment for block BM-S-11 in Brazil, accounted for in companies which were consolidated through the equity method. Under "Fixed assets with Proven Reserves" it is accounted €419,056 k in 2016, €255,736 k in 2015 and €119,127 k in 2014. Under "Work in progress", it is accounted €647,651 k in 2016, €542,601 k in 2015 and €376,814 k in 2014. Under "Cumulative amortisations, depreciations and impairments" it is recorded €60,554 k in 2016, €17,063 k in 2015 and €7,443 k in 2014.

In the table above, cumulative investments are stated in the Galp group's functional currency. Regarding companies for which functional currency is not the Euro, assets were updated taking into account the corresponding exchange rate at the end of the year, in accordance with the accounting policy defined in paragraph 2.12 of Notes to the consolidated financial statements, namely in Brazil, at the exchange rate of 3.4305 EUR:BRL and companies in Africa, at the exchange rate of 1.0541 EUR:USD.

Oil and gas reserves

Total proven reserves (1P) on 31 December 2016, 2015 and 2014 which are presented in the tables below, include developed and undeveloped proven reserves, and were used for depreciation of tangible assets and recognition of provisions for abandonment costs, based in the Unit of Production (UOP) method. These reserves were determined by an independent entity, whose methodology is in accordance with the PMRS, approved in March 2007 by the SPE, the WPC, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The reference price used to determine the Company's net entitlement reserves, which are those to be developed as per the agreements signed within the E&P business, was $43.69/bbl, $52.46/bbl and $98.95/bbl and corresponds to the average market price of Brent for 2016, 2015 and 2014, respectively.

Reserves associated with blocks in Brazil correspond to 100% of the stake held by Petrogal Brasil in those blocks, since this company is consolidated in the Galp group through the full consolidation method.

The impacts of PSA (price effect and/or change in recoverable costs) in reserves associated with this type of agreements are reflected in the caption "Revisions of previous estimates".

Oil reserves (1P proven reserves)

unit: kbbl	Africa	Latin America	Total
			2016
Reserves on 31 December 2015	**8,409**	**228,164**	**236,573**
Developed	7,075	47,455	54,530
Undeveloped	1,334	180,709	182,043
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	1,509	18,647	20,156
Production	(2,671)	(19,213)	(21,884)
Reserves on 31 December 2016	**7,247**	**227,598**	**234,845**
Developed	5,915	72,531	78,446
Undeveloped	1,332	155,068	156,400
			2015
Reserves on 31 December 2014	**7,817**	**195,549**	**203,366**
Developed	6,426	37,210	43,636
Undeveloped	1,391	158,339	159,730
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	3,164	44,569	47,733
Production	(2,572)	(11,954)	(14,526)
Reserves on 31 December 2015	**8,409**	**228,164**	**236,573**
Developed	7,075	47,455	54,530
Undeveloped	1,334	180,709	182,043
			2014
Reserves on 31 December 2013	**8,814**	**146,930**	**155,744**
Developed	7,124	19,294	26,418
Undeveloped	1,690	127,636	129,326
Extensions and discoveries	59	-	59
Acquisitions and sales	-	-	-
Revisions of previous estimates	1,580	54,476	56,056
Production	(2,636)	(5,857)	(8,493)
Reserves on 31 December 2014	**7,817**	**195,549**	**203,366**
Developed	6,426	37,210	43,636
Undeveloped	1,391	158,339	159,730

Gas reserves (proven reserves 1P)

Gas reserves are presented in millions of cubic feet (mmscf), with one barrel of oil equivalent corresponding to 6,000 cubic feet of gas.

unit: mmscf	Africa	Latin America	Total
			2016
Reserves on 31 December 2015	**-**	**236,250**	**236,250**
Developed	-	52,501	52,501
Undeveloped	-	183,749	183,749
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	10,855	10,855
Production	-	(11,631)	(11,631)
Reserves on 31 December 2016		**235,474**	**235,474**
Developed		68,579	68,579
Undeveloped	-	166,896	166,896
			2015
Reserves on 31 December 2014	**-**	**174,008**	**174,008**
Developed	-	27,941	27,941
Undeveloped	-	146,067	146,067
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	68,966	68,966
Production	-	(6,724)	(6,724)
Reserves on 31 December 2015		**236,250**	**236,250**
Developed		52,501	52,501
Undeveloped	-	183,749	183,749
			2014
Reserves on 31 December 2013	**-**	**130,935**	**130,935**
Developed	-	21,081	21,081
Undeveloped	-	109,854	109,854
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	46,517	46,517
Production	-	(3,444)	(3,444)
Reserves on 31 December 2014		**174,008**	**174,008**
Developed		27,941	27,941
Undeveloped	-	146,067	146,067

Standard measure of discounted future net cash flows

The standard measure of discounted future cash flows have been prepared by DeGolyer and MacNaughton in accordance with the requirements of Topic 932 of FASB and correspond to an economic translation of the 1P PR presented in the previous section.

The estimated future cash inflows represent future revenues associated with production of proven reserves calculated by applying the average market price of Brent during 2016: $43.69/bbl.

Future production costs correspond to the estimates of future production costs associated with proven reserves.

Future royalties are estimated considering production revenue. Applicable only in Latin America and correspond to 10% of sales.

Future development and future abandonment costs correspond to the estimated costs for the development of proven reserves (drilling and installation of production platforms), as well as the estimated costs of field abandonment.

Future income taxes include estimates of oil tax payable in Africa calculated according to the existing PSA; SPT (applicable to blocks in Brazil) and income taxes, according to tax laws in each country.

The cash flows were calculated in U.S. dollars and translated into Euros at the average exchange rate of 2016 (1.1069 EUR:USD).

unit: €k	Africa	Latin America	Total
31 December 2016			
Future cash inflows	286,055	9,234,291	9,520,346
Future production costs	(118,910)	(2,301,421)	(2,420,332)
Future royalties	-	(1,015,674)	(1,015,674)
Future development and abandonment costs	(63,466)	(977,956)	(1,041,422)
Future net cash flow before tax	**103,679**	**4,939,239**	**5,042,918**
Future income tax	(25,547)	(2,788,110)	(2,813,657)
Future net cash flows	**78,132**	**2,151,129**	**2,229,261**
Discount factor (10%)	(14,643)	(1,126,047)	(1,140,689)
Standard measure of discounted future cash flows on 31 December 2016	**63,489**	**1,025,083**	**1,088,572**

8.3.

Galp report payments to governments in 2016

1. Introduction

Galp believes that values such as accountability and good governance are reinforced by supporting the concept of transparency in revenue flows from oil and gas activities. It allows citizens to access the information they need to hold Public Administrations (concept defined in 5. Public Administrations) accountable for the way they use funds received through taxes and other agreements.

As a member of the Extractive Industries Transparency Initiative (EITI), since 2010, Galp works with Public Administrations, non-governmental organizations and international agencies to increase transparency, disclosure and accountability of Payments (defined in 7. Payments) made to Public Administrations.

In addition to the Payments stated in this Report, Galp contributes to the economies of the countries in which it operates as an outcome of other activities on the side of the Extractive Activity (concept defined below) by making payments to Public Administrations - for example in relation to the transporting, trading, manufacturing and marketing of products derived from oil and gas. Additionally, Galp contributes to the economies of the countries in which it operates, creating employment opportunities, purchasing products and services from local suppliers and undertaking social investment activities.

2. Subject

This Report provides an overview of the Payments to Public Administrations made by Galp, and its subsidiary undertakings (herein together referred to as "Galp"), covering the full year of 2016 whenever such companies do so as a result of their activities of exploration, prospection, discovery, development and extraction of oil, natural gas deposits or other materials (herein referred to as "extractive activities").

3. Legislation

This Report is prepared in compliance with the provisions of article 245-B of the Portuguese Securities Code and its contents follow the provisions of chapter 10 of the Directive 2013/34/EU transposed to Portuguese law under the Decree-Law n. 98/2015 (herein together referred to as the applicable "Legislation").

4. Reporting entities

This Report includes payments to Public Administrations made by Galp. Excluded from this Report are the payments made by entities over which Galp has joint control and payments made by entities/joint ventures over which Galp has no operatorship.

5. Public Administrations

For the purpose of this Report, Public Administrations include any national, regional or local authority of a European Union member State or of a third country, and includes a department, agency or entity that is a subsidiary thereof, which includes a national oil company.

6. Project

Payments are reported at project level except that payments that are not attributable to a specific project are reported at entity level.

Project is defined as a set of operational activities which are governed by a single contract, license, lease, concession or similar legal agreement, and forms the basis for payment liabilities to a Public Administration. If such agreements are substantially interconnected, those agreements are to be treated as a single project.

For a fully integrated Project which does not have an interim contractual cut off point where a value can be ascribed separately to the extractive activities and to other processing activities, payments to Public Administrations are disclosed in full.

7. Payments

For the purpose of this Report, a Payment is an amount paid in cash or in kind under the following forms:

Production Entitlements

Include the host government's share of production in the reporting period, derived from projects operated by Galp. This includes the government's share as a sovereign entity or through its participation as an equity or interest holder in projects within its sovereign jurisdiction (home country). Production Entitlements arising from activities or interests outside of its home country are excluded.

For the year ended December 31, 2016, there were no production entitlement in projects Operated by Galp.

Taxes

Taxes paid by Galp on its income, profits or production (which include oil income tax in Angola or Corporate Income Tax and Special Participation Tax in Brazil), including those settled by a Public Administration on behalf of Galp under a tax-paid concession. Payments are reported net of refunds. Excluded from this report are the Taxes on transactions and on consumption (including but not limited to Value Added Taxes), personal income taxes, sales taxes, and property taxes.

Royalties

These are payments for the rights to extract oil and gas resources, typically set at a percentage of revenue less any deductions that may be taken.

Bonuses

These are usually paid upon signing an agreement or a contract, when a commercial discovery of oil and gas is declared, or production has commenced or reached a milestone.

License fees, rental fees, entry fees and other considerations for licenses and/or concessions

Taxes and other Fees paid as consideration for acquiring a license for gaining access to an area where extractive activities are performed. Excluded from this report are any Administrative government fees that are not specifically related to extractive activities, or to access to extractive resources.

Infrastructure improvements

Payments which relate to the construction of infrastructure not substantially dedicated to the use of extractive activities.

8. Other provisions

Operatorship

When Galp makes a Payment directly to a Public Administration arising from a Project, the full amount paid is disclosed, even where Galp, as operator, is proportionally reimbursed by its non-operating venture partners through a billing process (cash-call).

Cash and in-kind payments

Payments are reported on a cash basis meaning that they are reported in the period in which they are paid, as opposed to being reported on an accruals basis (which would mean that they would be reported in the period for which the liabilities arise).

Materiality level

This report includes all payment types to Public Administrations, either on a single payment basis or as part of a series of related payments, provided that such are above €100,000.

Exchange rate

For the purposes of this Report, Payments made in currencies other than Euro are translated based on the foreign exchange rate at the annual average rate.

Summary Report (in thousand Euros)

	Production entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure improvements	Total
Angola	-	11,434	-	-	-	-	11,434
Brazil	-	83,965	79,526	-	172	-	163,663
East Timor	-	-	-	-	-	-	-
Mozambique	-	-	-	-	-	-	-
Namibia	-	-	-	-	244	-	244
Portugal	-	-	-	-	-	-	-
São Tomé and Príncipe	-	-	-	-	-	-	-
TOTAL	**-**	**95,399**	**79,526**	**-**	**416**	**-**	**175,341**

Report by Country: Angola

Public Administrations Report (in thousand Euros)

	Production entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure improvements	Total
Public Administrations							
Financial Ministry	-	11,434	-	-	-	-	11,434
TOTAL	**-**	**11,434**	**-**	**-**	**-**	**-**	**11,434**

Project Report (in thousand Euros)

	Production entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure improvements	Total
Projects							
Block 14	-	10,507	-	-	-	-	10,507
Block 14k	-	927	-	-	-	-	927
TOTAL	**-**	**11,434**	**-**	**-**	**-**	**-**	**11,434**

Report by Country: Brazil

Public Administrations Report (in thousand Euros)

	Production entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure improvements	Total
Public Administrations							
Revenue		10,484	79,526				90,010
Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (Brazilian energy sector regulator)	-	73,480	-	-	172	-	73,652
TOTAL	**-**	**83,964**	**79,526**	**-**	**172**	**-**	**163,662**

Project Report (in thousand Euros)

	Production entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure improvements	Total
Entity level payment							
Petrogal Brasil. S.A.	-	10,484	-	-	-	-	10,484
Galp Energia. S.A.	-	-	-	-	-	-	-
Projects							
Block BM-S-11	-	73,480	79,074	-	-	-	152,554
Block POT-T-394	-	-	-	-	1	-	1
Block POT-T-440	-	-	-	-	3	-	3
Block POT-T478	-	-	-	-	22	-	22
Block POT-T479	-	-	310	-	-	-	310
Block SEAL-T-412	-	-	-	-	28	-	28
Block SEAL-T-429	-	-	143	-	13	-	156
Block PN-T-136	-	-	-	-	53	-	53
Block PN-T-182	-	-	-	-	52	-	52
TOTAL	**-**	**83,964**	**79,527**	**-**	**172**	**-**	**163,663**

Report by Country: Namibia

Public Administrations Report (in thousand Euros)

	Production entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure improvements	Total
Public Administrations							
Ministry of Mines and Energy	-	-	-	-	244	-	244
TOTAL	**-**	**-**	**-**	**-**	**244**	**-**	**244**

Project Report (in thousand Euros)

	Production entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure improvements	Total
Entity level payment							
Windhoek PEL 23 B.V. - Branch	-	-	-	-	-	-	-
Windhoek PEL 28 B.V. - Branch	-	-	-	-	-	-	-
Projects							
PEL 83 (Blocks 2212A & 2112B)	-	-	-	-	125	-	125
PEL 84 (Blocks 2813A & 2814B)	-	-	-	-	119	-	119
TOTAL	**-**	**-**	**-**	**-**	**244**	**-**	**244**

8.4.

Reports and opinions of the Audit Board and the Statutory Auditor

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Galp Energia S.G.P.S., S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2016 (which shows total assets of Euro 12,439,145 thousand and total shareholders' equity attributable to the shareholders of Euro 4,980,471 thousand including a net profit of Euro 179,097 thousand), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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

Key audit matters

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

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matters	*Summary of the Audit Approach*
Impairment of non-current assets for the Upstream business *Disclosures related to non-current assets for the Upstream business are presented in notes* 2.5 and 12 of the Consolidated financial statements. The upstream asset portfolio is mainly concentrated in oil blocks in Angola, Brazil and Mozambique. The referred investments, net of impairment losses, in the statement of financial position as at December 31, 2016 amount to Euro 5,162,028 thousand (2015: Euro 3,992,445 thousand). The analysis of the recoverable amount of the upstream assets is performed based on a discounted cash flows model, which is highly subjective due to, amongst other factors, the evaluation of oil reserves (estimated based on evaluations performed by external experts, who have extensive experience in this market in which the Group operates), estimated future prices for oil and gas, estimates of operational expenses and investments necessary for the exploration of the estimated reserves by the operator consortium of each block and definition of the discount rate to be applied. The relevance of this matter in our audit is related with the unpredictability associated with the outcome of the significant estimates, and to the fact that any change on the assumptions can result on a significant change in the financial statements. The decrease in current and future oil and gas prices, under the present market conditions, is putting additional pressure in the valuation of the upstream assets, having a significant effect on the financial statements of the Group, as evidenced by the impairments recognized in upstream assets for the past two years, as disclosed in Note 12 of the notes to the consolidated financial statements, either by the decrease in sales price itself, or by its impact on operating decisions (delays in *First oil*, abandonment/on hold decisions due to the low profitability). As a result of the impairment testing performed by the management, impairment losses were recognized in the amount of Euro 192,301 thousand in upstream non-current assets.	The audit approach to this key audit matter consisted of: - assessing management's assumptions considered in the impairment testing, having defined the following as the most significant: recoverable reserves/volumes and investments necessary for the recovery of those volumes, estimated future oil and gas prices and discount rates considered to reflect the time impact of the future cash flows.; - understanding and assessing the controls, designed and operated by management, for monitoring the recoverable amount of the upstream assets; - assessing the methodology considered by the management to calculate the recoverable amount of the assets allocated to each cash generating unit, to determine its compliance with the accounting policies in place and its consistent application; - in terms of reserves, we assessed the consistency of the recoverable volumes considered by the management with the independent expert report prepared as of December 31, 2016, and discussed with management the evolution of the referred reserves compared with previous reports, taking into account the production model of the blocks and the discoveries noted. In this respect, we assessed the competence and objectivity of the expert; -corroborated estimates of future cash flows and challenged the management as to whether these were appropriate in light of future price assumptions (market forward prices) and the investment/cost budgets approved by each block consortium. We performed sensitivity analyses over main inputs to the cash flow models. - assessment over the specific inputs related to the determination of the discount rate, including the assessment of the risk-free rate and geographic risks, as well as the cost of capital/financing of the Group. These inputs were also compared with the rates considered in the international markets in which the Group operates. We also assessed the adequacy of the disclosures associated with the impairment losses recognized in the consolidated financial statements, considering the requirements of the applicable accounting standard.

Key Audit Matters	*Summary of the Audit Approach*
Recoverable amount of non-current assets in Spain	
Disclosures related to non-current assets in Spain are presented in notes 2, 9, 11 and 12 of the Consolidated financial statements. As at December 31, 2016, the amount of the non-current assets recognized in the consolidated financial statements of the Galp Group, related to the distribution network of refined products in Spain, amounts to Euro 445,018 thousand (Tangible fixed assets: Euro 285,252 thousand; Intangible assets: Euro 81,726 thousand; Deferred tax assets: Euro 78,040 thousand). In accordance with IAS 36 – Impairment of assets, the management should perform an impairment annual assessment and evaluate if impairment indicators exist related to the carrying amount of the goodwill, as well as for the remaining non-current assets, whenever impairment indicators are noted. The carrying amount of the cash generating unit is compared with the recoverable amount, which is the higher between the value in use and the fair value less costs to sell. The retail network of refined products in Spain has been considered by the management as a single cash generating unit. As at December 31, 2016, the Group has determined the recoverable amount of its cash generating units (CGU) through the value in use. Additionally, the management assesses the recoverability of the deferred tax assets related to the cash generating unit, considering the estimates of future taxable income, in accordance with IAS 12 – Income taxes. The relevance of this matter in our audit is related with the complexity and high level of judgment over the impairment model. The calculation of the recoverable amount requires the use of estimates and assumptions by the management, which depend on economic and market estimates, namely related to future cash-flows, growth rates in the perpetuity and discount rates to be used. As a result of the impairment testing performed by the management, impairment losses were recognized in the amount of Euro 48,817 thousand for the non-current assets related to the retail network of refined products in Spain (Goodwill).	We have assessed the impairment testing, based on discounted future cash-flows model, considering the following audit procedures: - assessing the mathematical accuracy of the model; - comparison of the future cash-flows considered in the impairment testing with the budget plan approved by the Executive Committee; - benchmarking the reasonableness of the future cash-flow estimates, by comparison with the historical performance; - assessing the adequacy of the discount rate considered; - performing sensitivity analysis, by changing the relevant assumptions; and - assessing the estimates and judgments approved by the management, underlying the relevant assumptions supporting the model. For assessing the recoverability of deferred tax assets, we have compared the future taxable income estimates with the cash-flow estimates referred above, assessed the mathematical accuracy of the calculation and assessed the adequacy of the tax rate considered. We also assessed the adequacy of the disclosures associated with the impairment testing and deferred taxes presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.

Key Audit Matters	*Summary of the Audit Approach*
Litigation and tax contingencies	
Disclosures related to litigation and tax contingencies are presented in notes 2, 9, 25 and 33 of the Consolidated financial statements. The dimension and structure of the Galp Group and the dispersion of its operational activity, originates an increase in the complexity of the tax recognition in the financial statement of the Group. As a consequence, the Group has several pending tax matters, namely those resulting from tax inspections in Portugal, and Petroleum Income tax in Angola, recognizing provisions whenever the Group considers that a negative outcome is probable, in accordance with the IAS 37. The assessment of the outcome probability is supported by the legal consultants and tax advisors of the Group, as well as by the management judgment in relation to these matters. As at December 31, 2016 the tax provisions recognized in the consolidated financial statements amounted to Euro 245,590 thousand (2015: Euro 215,165 thousand). The relevance of this matter in our audit is related with the complexity and high level of judgment over the corresponding tax matters, as well as the unpredictability associated with the respective outcome.	The audit procedures performed included: - obtaining the detailed listing of the pending tax contingencies and legal actions, categorized by outcome probability; - understanding tax and legal contingency processes; - obtaining and analysing the replies to the confirmation letters sent to external lawyers; - inquiry of the Management and of the tax and legal Directors of the Group over the estimates and judgments considered. We also assessed the adequacy of the disclosures presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.
Galp Gás Natural Distribuição, S.A. (GGND) sale operation	
Disclosures related to GGND sale operation are presented in notes 3 and 4 of the Consolidated financial statements. As at July 27, 2016 the Group, through its subsidiary Galp Gas & Power, SGPS, S.A., reached an agreement with the Consortium headed by Marubeni Corporation for the establishment of a partnership in the Group' regulated natural gas infrastructure business. This agreement considered the acquisition by the Consortium of 22.5% of the share capital of Galp Gás Natural Distribuição, S.A. (GGND), and the sharing of certain governance rights within the joint venture, which leaded to the loss of control by the Galp Group. After completion of the transaction, on October 2016, the GGND sub-group ceased to fully consolidate in the Galp Group, and the entities comprising the sub-group are recognized as joint ventures and accounted for in the consolidated financial statements by the equity method.	Our audit procedures were focused on the analysis of the loss of control by the Galp Group, and corresponding accounting impacts in the consolidated financial statements as at December 31, 2016. Therefore, we have analysed the shareholders agreements signed, to evaluate the existence of "substantive" sharing control articles versus "protective" non-controlling interests' articles, amongst others. We have analysed the shares purchase and sale agreement and the fulfillment of the preceding conditions to the effectiveness of the referred contract. Additionally, we have assessed the accounting impacts resulting from the loss of control by the Galp Group, namely:

Key Audit Matters	Summary of the Audit Approach
The relevance of this matter in our audit is related with the high complexity over the analysis of the conditions determining the existence of control over the entity versus shared control and/or significant influence, as well as the corresponding impact of the transaction in the consolidated financial statements as at December 31, 2016, when comparing with the previous period.	- assessing the deconsolidation process of the Galp Gás Natural Distribuição, S.A. sub-group; - assessing the appropriateness of the equity method accounting; and - recalculation of the gain resulting from the sale process of 22.5% of the share capital of the Company. We also assessed the adequacy of the disclosures presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

the assessment of

e) the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

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

Report on other legal and regulatory requirements

Director's report

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

Corporate governance report

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

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

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

a) We were first appointed auditors of Galp Energia S.G.P.S., S.A. in the Shareholders' General Meeting of April 16, 2015 for the period from 2015 to 2018, preceded by a contract for providing auditing services for the years 2011 to 2014 (including);

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud;

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of April 10, 2017;

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

e) In addition to the services disclosed in the Directors' report we inform that, besides the audit services, the following additional services, permitted by law and regulation in force, were provided by us to the Group:

Other assurance services

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

Other non-assurance services

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

April 10, 2017

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

António Joaquim Brochado Correia, R.O.C.

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

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

I. Introduction

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

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

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

The main duties of the Audit Board stemming from applicable legislation and the respective regulation, refer to the following key areas:

a) permanently monitoring the Company's activities, monitoring compliance with the law and articles of association, and overseeing the Company's management;

b) monitoring compliance with accounting policies and practices, as well as the preparation and disclosure of financial information, and supervising the audit of the accounts included in the Company's accounting documents;

c) monitoring the effectiveness of the risk-management and internal-control systems, annually assessing with the Executive Committee the internal-control and audit procedures and any issues raised about the accounting practices adopted by the Company, addressing to that Committee such recommendations as it may deem fit;

d) overseeing the adoption by the Company of the principles and policies for the identification and management of the key risks of a financial and operational nature related to the Company's business, and monitoring and performing adequate and timely control and disclosure of such risks;

e) receiving reports of irregularities made by shareholders, Company employees or others;

f) proposing to the general shareholders meeting the appointment of the Statutory Auditor and monitoring its independence, notably as regards the provision of additional services;

g) appointing or dismissing the Company's External Auditor and assessing its activity each year through a critical appraisal of the reports and documentation that it draws up in the performance of its duties.

II. Activity performed by the Audit Board concerning the financial year 2016

During 2016 the Audit Board held 13 (thirteen) meetings and implemented several measures within the scope of its duties, of which the following are highlighted:

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

Ongoing monitoring of the Company during 2016 was undertaken, in particular, through meetings with the heads of Galp's corporate centre, most regularly the Internal Auditing, the Risk Management and the Legal & Governance.

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

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

During 2016, the Audit Board also monitored Galp Energia's corporate governance system and its compliance with legal and statutory requirements, as well as legislative and regulatory developments in the field of corporate governance, in particular those issued by the CMVM, including recommendations relevant to the performance of its duties, having accompanied the process of corporate governance improvement.

Also within the context of monitoring corporate governance matters, the Audit Board has reviewed the corporate governance report for 2016, and confirmed that the report includes the information required by article 245-A of the Portuguese Securities Code and by the CMVM regulation no. 4/2013.

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

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

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

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

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

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

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

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

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

4. Supervision of the activity of the Internal Auditing division

The Audit Board has supervised the activity of the Internal Auditing division during 2016 through regular monitoring of the implementation of the respective annual plan of activities for the assessment of the risks of the processes and systems of the business units and of the conclusions as to how risks are managed and resources allocated, having received from the division periodic reports of the audits.

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

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

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

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

During 2016 the Audit Board assessed the activity of the External Auditor, having monitored its activity on a regular basis, in particular through critical appraisal of the reports and documentation that it produced in the performance of its duties.

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

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

6. Company business with related parties

During 2016 there were no related-party transactions subject to the prior opinion of the Audit Board under "Regulation applicable to related-party Galp group's transactions".

7. Reporting irregularities

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

With the entry into force of the new Galp Energia Code of Ethics and Conduct on 18 December 2015, the Procedure on Reporting Irregularities was revised and renamed to Communication Procedure Irregularities - Ethics Line, and the Committee of Ethics and Conduct was created. Their role, among others, is to carry out the reception and processing of information reported under Communication Procedure Irregularities in force in Galp and affiliated companies, respecting the alleged irregularities or breaches of the Code of Ethics or the rules that develop or that deal with the matters listed in it, in the fields of accounting, internal accounting controls, auditing, fight against corruption and banking and financial crime.

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

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

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

Lisbon, 6 April, 2017

Daniel Bessa

Gracinda Raposo

Pedro Antunes de Almeida

Report and opinion of the Audit Board

Dear shareholders,

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

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

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

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

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

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

a) the management report includes a fair view of the business development and of the position of the Company and other companies included in the consolidation perimeter, highlighting in a clear manner the most significant aspects of their business, as well as a description of the main risks Galp and the other companies included in the consolidation perimeter are exposed to in their operations;

b) the individual and consolidated financial statements and their corresponding notes allow for an adequate understanding of the Company's financial position and results, as well as that of the subsidiaries which are included in the consolidation perimeter;

c) the accounting principles and the metrical criteria used follow the IFRS, as adopted by the EU, and are adequate as to guarantee an appropriate representation of both the Company's and the other companies' included in the consolidation perimeter assets and results;

d) the corporate governance chapter of the management report regarding the year of 2016 includes all the information required by article 245-A of the Portuguese Securities Code.

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

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

Lisbon, 6 April, 2017

Daniel Bessa

Gracinda Raposo

Pedro Antunes de Almeida

8.5.

Independent Limited Assurance Report

pwc

Independent Limited Assurance Report

(Free translation from the original in Portuguese)

To the Board of Directors,

Introduction

1. We were engaged by the Board of Directors of Galp Energia, SGPS, S.A. to perform a limited assurance engagement on the sustainability information, available on the Galp Annual Reports and Accounts 2016 ("Report"), relating to 2016, prepared by the Company for the purpose of communicating its sustainability performance in the reference year.

Responsibilities

2. It is the responsibility of the Board of Directors to prepare the contents of the Report and to disclose the performance data, in accordance with the Global Reporting Initiative guidelines (version G4) and with the instructions and criteria disclosed in the Report, and the maintenance of an appropriate system of internal control to enable the adequately preparation of the mentioned information.

3. Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Scope

4. The work performed was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether sustainability performance data, for the year 2016, included in the Report, are free from material misstatement.

For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;
(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
(iii) Testing the efficiency of process and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned;
(iv) Confirming, through visits to sites, that operational units follow the instructions on collection, consolidation, validation and reporting of performance indicators;
(v) Execution of substantive procedures, on a sampling basis, in order to collect sufficient evidence to validate reported information;

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
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Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

(vi) Comparison of technical data related to greenhouse gas emissions and primary energy consumption validated by the independent assurer under the European Emission Trading Scheme;
(vii) Comparison of financial and economic data with those audited by PwC;
(viii) Validation of the material themes included in the Report based on the materiality principle of standard AA1000APS and G4, through the comparison of the Report's content with the content of peer companies' Sustainable Reports;
(ix) Verification of the alignment of the non-financial performance quantitative indicators with the requirements of the Global Reporting Initiative Guidelines, version 4.

5. We apply the International Standard on Quality Control 1 and accordingly we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

6. We comply with the Independence and ethical requirements of the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA) and of the Code of Ethics issued by the Order of Statutory Auditors.

7. The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

8. We believe that the procedures performed provide an acceptable basis for our conclusion

Conclusions

9. Based on the work performed, nothing has come to our attention that causes us to believe that the Galp's sustainability performance data, for the year 2016, included in the Report, were not prepared, in all material respects, in accordance with Global Reporting Initiative Guidelines, version 4, and with the instructions and criteria disclosed in the Report.

Lisbon, April 10, 2017

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

António Joaquim Brochado Correia, R.O.C.

(This is a translation, not to be signed)

8.6.

Statements of compliance by the Board of Directors and Audit Board

Statement of compliance by the members of Board of Directors

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

Lisbon, 7 April 2017

The Board of Directors

Chairman:
Paula Amorim

Vice-Chairmen:
Miguel Athayde Marques
Carlos Gomes da Silva

Members:
Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Marta Amorim
Raquel Vunge
Carlos Costa Pina
Francisco Rêgo
Jorge Seabra de Freitas
José Carlos da Silva Costa
Pedro Ricardo
Tiago Câmara Pestana
Rui Paulo da Costa Cunha e Silva Gonçalves
Luis Todo Bom
Diogo Tavares
Joaquim Borges Gouveia

Statement of compliance by the members of Audit Board

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

Lisbon, 6 April 2017

Daniel Bessa
Chairman

Gracinda Raposo
Member

Pedro Antunes de Almeida
Member

8.7.

Compulsory statements

1. Corporate bodies

The composition of the governing bodies of Galp for the mandate under way for 2015-2018, is as follows:

Board of the General Shareholders

Chairman:
Daniel Proença de Carvalho

Vice-Chairman:
Victor Manuel Pereira Dias

Secretary:
Maria Helena Claro Goldschmidt

Board of Directors

Chairman:
Paula Fernanda Ramos Amorim

Vice-Chairmen:
Miguel Athayde Marques
Carlos Nuno Gomes da Silva

Members:
Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Marta Cláudia Ramos Amorim Barroca de Oliveira
Raquel Rute da Costa David Vunge
Carlos Manuel Costa Pina
Francisco Vahia de Castro Teixeira Rêgo
Jorge Manuel Seabra de Freitas
José Carlos da Silva Costa
Pedro Carmona de Oliveira Ricardo
João Tiago Cunha Belém da Câmara Pestana
Rui Paulo da Costa Cunha e Silva Gonçalves
Luis Manuel Pego Todo Bom
Diogo Mendonça Rodrigues Tavares
Joaquim José Borges Gouveia

Executive Committee

Chairman:
Carlos Gomes da Silva (CEO)

Members:
Filipe Crisóstomo Silva (CFO)
Thore E. Kristiansen
Carlos da Silva Costa
Tiago Câmara Pestana
Pedro Ricardo
Carlos Costa Pina

Company Secretary

Standing:
Rui de Oliveira Neves

Alternate:
Maria Helena Claro Goldschmidt

Audit Board

Chairman:
Daniel Bessa Fernandes Coelho

Member:
Gracinda Augusta Figueiras Raposo

Member:
Pedro Antunes de Almeida

Alternate:
Amável Alberto Freixo Calhau

Statutory Auditor

Standing:
PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. represented by António Joaquim Brochado Correia, or by Ana Maria Ávila de Oliveira Lopes Bertão

Alternate:
José Manuel Henriques Bernardo

Remuneration Committee

Chairman:
Amorim Energia, B.V.

Member:
Jorge Armindo Carvalho Teixeira

Member:
Joaquim Alberto Hierro Lopes

2. Treasury shares

Galp holds no treasury shares.

During the fiscal year of 2016, Galp did not acquire or sell any treasury shares.

3. Information on the holdings of the members of the management and supervisory bodies on 31 December 2016

		Period from 1 January to 31 December 2016						
		Purchase			Disposal			
	Total shares on 31.12.2015	Date	No. of shares	Value (€/share)	Date	No. of shares	Value (€/share)	Total shares on 31.12.2016
Members of the Board of Directors								
Paula Amorim*	-							-
Miguel Athayde Marques	1,800							1,800
Carlos Gomes da Silva	2,410							2,410
Filipe Crisóstemo Silva	10,000							10,000
Thore E. Kristiansen	-							-
Sérgio Gabrielli Azevedo	-							-
Abdul Magid Osman	-							-
Marta Amorim*	19,263[1]							19,26[1]
Raquel Vunge	-							-
Carlos Costa Pina	-							-
Francisco Rêgo*	17,680							17,680
Jorge Seabra de Freitas*	-							-
José Carlos da Silva Costa	275							275
Pedro Ricardo	5,230							5,230
Tiago Câmara Pestana	-							-
Rui Paulo Gonçalves*	-							-
Luís Manuel Todo Bom	-							-
Diogo Tavares	2,940							2,940
Joaquim José Borges Gouveia	-							-
Members of the Audit Board								
Daniel Bessa	-							-
Gracinda Raposo	-							-
Pedro Antunes de Almeida	5							5
Amavél Calhau	-							-
Statutory Auditor								
PricewaterhouseCoopers & Associados, Lda	-							-
José Manuel Bernardo	-							-

*For the effects of art. 447, par. 2, sub-par. d) of the Commercial Companies' Code, it is hereby provided that Amorim Energia B.V., in which the mentioned director also exercises administrative functions, is the holder of 276,472,161 Galp Energia shares.

[1] On the date of co-opting (14.10.2016).

On 31 December 2016, none of the members of the Board of Directors held any bonds issued by the Company.

On 31 December 2016, the Chairman of the Audit Board held bonds issued by Galp Energia, SGPS, S.A. at a rate of 4.125% and maturing on 25.01.2019,
and had performed no transiction during 2016.

4. Company Directors' business

During the fiscal year of 2016, no authorisations were requested from the members of the Board of Directors of Galp, for doing business with the Company or with companies that are in an ownership or a group relationship with the Company.

5. Exercising of other activities by the Directors

During the fiscal year of 2016, none of the directors of Galp exercised any temporary or permanent functions under a labour, subordinate or autonomous agreement, in the Company or with companies that are in an ownership or group relationship with the Company.

The employment agreement of director José Carlos da Silva Costa with Galp Energia, S.A., a company within the group, has remained suspended since he was first nominated as a member of the Board of Directors of Galp on 23 November, 2012.

On the date upon which the director Pedro Carmona de Oliveira Ricardo was nominated (16 April, 2015), the employment agreement that he entered into with Galp Gás Natural, S.A., a company that is in an ownership or group relationship with Galp, was suspended.

6. Creditors' positions in relation to related parties companies

See note 28 of the Appendix to the financial statements of the individual accounts of Galp.

8.8.

Biographies of the members of the Board of Directors and Audit Committee

Board of Directors

Paula Amorim

Paula Ramos Amorim was born in Porto, Portugal, and is 46 years old. She has been a member of Galp's Board of Directors since April 2012 and Chairman since October 2016.

She also serves as Vice-Chairman of Amorim Holding II, SGPS, S.A., a company from the Américo Amorim Group. She joined the Américo Amorim Group in 1992, and since then she has occupied a range of Directorial roles. She has also been involved in Amorim Fashion since 2005, a company she is the sole shareholder of. In December 2010, she created Amorim Luxury – SGPS, S.A., to expand and diversify her business interests, particularly to become the representative of the Gucci brand in Portugal through the company Amorim Five, Lda.

Paula Ramos Amorim attended the Real Estate Management course at the Escola Superior de Atividades Imobiliárias.

Carlos Gomes da Silva

Carlos Gomes da Silva was born in Porto, Portugal, and is 50 years old. He has been a member of Galp's Board of Directors since 2007 and vice-president and president of the Executive Committee since April 2015.

He is a professional with 27 years of experience in different industries, in particular oil & gas. He joined Galp Energia/Petrogal early in the 1990's, where he played several managerial roles leading the areas of refining operations, supply & trading, planning & control and strategy.

From 2001, and for six years, he served in the beverages industry (at Unicer, a Carlsberg group company) as Head of M&A and Strategy and subsequently as Executive Director (for the supply chain, retail and human resources). He returned to the oil & gas industry in 2007 to serve as Board Member in Galp Energia, having served in several executive roles since 2008 as Executive Director namely for marketing oil, gas & power, trading oil & gas and corporate divisions (procurement, marketing, human resources, legal, corporate governance and compliance).

Carlos Gomes da Silva holds a Degree in Electrical Engineering and Computer Science by the School of Engineering of the Porto University and an MBA by ESADE/IEP (Barcelona).

Miguel Athayde Marques

Miguel Athayde Marques was born in Lisbon, Portugal, and is 61 years old. He has been an independent member of Galp's Board of Directors since November 2012 and vice-chairman since October 2016.

He is also Vice-rector at Universidade Católica Portuguesa and Professor at Faculty of Economics and Management Católica Lisbon School of Business & Economics, responsible for the areas of Corporate Governance and International Business. He has been an independent non-executive director of Brisa, Concessão Rodoviária, S.A., since December 2010, and Chairman of the Audit Board of Caixa Banco de Investimento, S.A., since January 2012.

Before joining Galp he was Chairman of the Board of Directors of Euronext Lisbon S.A. and Interbolsa, S.A. and executive Director of Euronext N.V. (Amsterdam), between January 2005 and June 2010. During this period, he was non-executive director of Euronext Amsterdam, Euronext Brussels and Euronext Paris. Between April 2007 and June 2010, he was a member of the Management Committee of the New York Stock Exchange. He was also executive director of Caixa Geral de Depósitos (between 2000 and 2004) and of Jerónimo Martins (between 1996 and 2000). Before that he was Chairman of the Board of Directors of AICEP.

Miguel Athayde Marques holds a degree, with distinction, in Business Administration and Management from Universidade Católica Portuguesa and a Doctorate in Business Management, from the University of Glasgow, School of Financial Studies.

Filipe Crisóstomo Silva

Filipe Crisóstomo Silva was born in Lisbon, Portugal, and is 52 years old. He has been a member of the Board of Directors and Chief Financial Officer (CFO) of Galp since July 2012.

Before joining Galp he was responsible, since 1999, for the investment banking areas of Deutsche Bank in Portugal and since 2008 was also president of the Deutsche Bank directorate in Portugal (Chief Country Officer).

Filipe Crisóstomo Silva is a graduate in economics and financial management and holds a Masters in financial management, both from the Catholic University of America, Washington D.C.

Thore E. Kristiansen

Thore E. Kristiansen was born in Stavanger, Norway, and is 55 years old. He has been a member of Galp's Board of Directors and of the Executive Committee since October 2014 and is responsible for Galp's E&P business unit.

He was senior Vice-Chairman of Statoil for South America and Chairman of Statoil Brazil from January 2013 until he joined Galp. He was at Statoil for over 25 years, with responsibilities in the areas of distribution of oil products, trading and business negotiation in Norway, UK, Denmark and Germany, in the area of exploration and production, with a special focus on Norway, sub-Saharan Africa and South America, and also corporate functions, particularly in finance and M&A, such as Investor Relations Officer. He was also Chairman of Statoil Germany and Statoil Venezuela.

Thore E. Kristiansen holds a degree in Management from the Norwegian School of Management and a Masters in Petroleum Engineering from the University of Stavanger, Norway.

Sérgio Gabrielli de Azevedo

Sérgio Gabrielli de Azevedo was born in Salvador, Brazil, and is 67 years old. He has been an independent member of Galp's Board of Directors since July 2012.

He was secretary of planning of the State Government of Bahia between March 2012 and December 2014 and was a non-executive member of the Board of Directors of Itausa S.A. until March 2015. Before joining Galp he was a member of the Board of Directors and CEO of Petrobras between July 2005 and February 2012. He was also CFO and director of investor relations of Petrobras between 2003 and 2005.

He was also a member of the Boards of Directors of Desenbahia – State Development Agency of Bahia and of CAR – Companhia de Desenvolvimento e Ação Regional.

Sérgio Gabrielli de Azevedo holds a degree and Masters in Economics from the Universidade Federal da Bahia and a doctorate in Economics from Boston University. He was a visiting researcher at the London School of Economics and Political Science in 2000.

Abdul Magid Osman

Abdul Magid Osman was born in Maputo, Mozambique, and is 72 years old. He has been an independent member of Galp's Board of Directors since July 2012.

He is also founder and Chairman of the BIOFUND Foundation (biodiversity protection) since 2011, Chairman of the Board of Directors of Épsilon Investimento since 2007 and is Chairman of the Board of Directors and of the Executive Committee of Tchuma Cooperativa de Crédito e de Poupança.

Before joining Galp he was Minister of Finance from 1986 to 1991 and Minister of Mineral Resources of Mozambique between 1979 and 1983. He was a non-executive director of Mercantile Bank, in South Africa, from 2002 to 2007 and Chairman of the Board of Directors and of the Executive Committee of BCI - Banco Comercial de Investimentos.

He was Director of the Management, Development and Governance Division in the United Nations Development Programme (UNDP), managing the programme with projects in over 60 countries.

Abdul Magid Osman has a degree in Economic and Financial Sciences from the Instituto Superior de Economia of Lisbon.

Marta Amorim

Marta Amorim was born in Porto, Portugal, and is 45 years old. She has been a member of Galp's Board of Directors since October 2016.

She currently serves as Vice-Chairman of the Américo Amorim Group and is a member of the Board of Directors of Amorim Energia B.V.

Marta Amorim holds a degree in Business Administration and Management from the Universidade Católica Portuguesa and has several years of experience in the banking sector, namely in Banco Nacional de Crédito (currently named Banco Popular).

Raquel Vunge

Raquel Vunge was born in Luanda, Angola, and is 49 years old. She has been a member of Galp's Board of Directors since October 2014.

She is also a Member of the Board of Directors of Banco Comercial Português and Caixa Angola. In recent years, she has also been member of the Board of Directors and CFO of Sonangol EP and held other responsibilities in Sonangol EP from 1997, as Director of Finance between 2010 and 2012, Head of the Central Treasury from 2001 to 2010 and Accounts Analyst in the Accounting and Finance Department until 2001.

Raquel Vunge holds a degree in Management from the Lisbon Instituto Superior de Gestão (School of Management).

Carlos Costa Pina

Carlos Costa Pina was born in Lisbon, Portugal, and is 46 years old. He has been a member of Galp's Board of Directors and Executive Committee since April 2012, and he is responsible for corporate services and the New Energy business area.

Previously he worked in Technology, Media and Telecommunications, real estate and services companies in the Ongoing group (Portugal and Brazil). He was Secretary of State for Treasury and Finance in the XVII and XVIII Portuguese Constitutional Governments (2005-2011) and therefore occupied roles in several international financial institutions. He has also been a director at CMVM (Portuguese Securities Market Regulator) (2000-2005), a member of the Advisory Board of the Insurance Institute of Portugal (2001-2005) and a lawyer with his own legal practice, particularly in oil exploration and production (1994-1998). He was also a lecturer in the Lisbon Law School where he is preparing his doctorate.

Carlos Costa Pina is the author of numerous published works and holds a degree in Law and a Masters in Legal and Business Sciences from the School of Law, University of Lisbon.

Francisco Rêgo

Francisco Rêgo was born in Porto, Portugal, and is 44 years old. He has been a member of the Board of Directors since April 2015.

He has been a Director of Amorim Holding II and other companies in the Américo Amorim group since 2004. From 2002 to 2004 he was in the Commercial Department of SODESA, S.A., an electricity trading company. From 1997 to 2002 he was at ECOCICLO, an Energy Engineering, Audit and Consulting company.

Francisco Rêgo graduated in Mechanical Engineering at the School of Engineering of Porto University and completed an Advanced Postgraduate course in Quantitative Management Methods at the School of Management from Porto University.

Jorge Seabra de Freitas

Jorge Seabra de Freitas was born in Porto, Portugal, and is 57 years old. He has been a member of Galp's Board of Directors since November 2012.

He has also been a director of Amorim Holding II since August 2011 and a director of Grupo Arcotêxteis, S.A., since March 2009. Before joining Galp, he was Chairman of the Board of Directors of Coelima Indústrias Têxteis, S.A., between January 1992 and May 2011.

Jorge Seabra Freitas holds a degree in Economics from the Porto School of Economics, aa well as in the International Executive Programme and Competitive Strategy, both from INSEAD.

José Carlos da Silva Costa

José Carlos da Silva Costa was born in Porto, Portugal, and is 53 years old. He has been a member of Galp's Board of Directors since November 2012 and a member of the Executive Committee since December 2012, and is responsible for various corporate services and for the Sourcing, Refining and Planning business.

With over two decades of experience in Procurement, Supply Chain and Project Management, he is Chief Operating Officer (COO) of Refining and Trading Oil, after several leadership roles in the Company, namely as CCO in the 2012-2014 period, whilst member of the Executive Committee. Currently, in the capacity of CCO, he is responsible for the corporate services of Engineering, Project Management and Procurement. His professional experience also includes the automotive and tourism industries.

José Carlos da Silva Costa holds a degree in Chemical Engineering from the Porto Instituto Superior de Engenharia (School of Engineering) and specialised training in Quality Management, Information Systems and Innovation.

Pedro Ricardo

Pedro Carmona de Oliveira Ricardo was born in Lisbon, Portugal, and is 52 years old. He has been a member of Galp's Board of Directors and Executive Committee since April 2015, and is responsible for the Gas&Power business unit.

He joined Transgás, the company that introduced natural gas to Portugal, in 1994, where he was the head of natural gas Procurement and Sales. In 1998 he was appointed Executive Director of Transgás, responsible for supplies, engineering and operation and maintenance. Between 2002 and 2005 he was executive director of GDP Distribuição, Galp group's sub-holding company in the gas distribution sector, and executive director of some of the natural gas distribution companies.

Pedro Ricardo holds a degree in Chemical Engineering from the Instituto Superior Técnico in Lisbon and holds an MBA from Universidade Nova de Lisboa.

Tiago Câmara Pestana

Tiago Câmara Pestana was born in Porto, Portugal, and is 52 years old. He has been a member of Galp's Board of Directors and of the Executive Committee since April 2015, and he is responsible for the Iberian and International Oil Marketing.

Before joining Galp, he had mainly occupied roles in the food distribution field. Between 1999 and 2014, he was the CEO of Dia Portugal Supermercados. Prior to that, he was executive director of Lojas de Conveniência Extra, executive director of the Jumbo Portugal and Spain hypermarkets network, executive director of the Pão de Açúcar group, Portugal, where he was responsible for the management of the Minipreço chain, between 1998 and 1999.

Tiago Câmara Pestana holds a degree in Aeronautical Engineering from the University of Salford (Manchester, UK) and a Masters in Administrative and Industrial Sciences from City University (London, UK).

Rui Paulo Gonçalves

Rui Paulo da Costa Cunha e Silva Gonçalves was born in Porto, Portugal, and is 49 years old. He has been a member of Galp's Board of Directors since May 2008.

He has also been a director and General Manager of Amorim – Investimentos Energéticos, SGPS, S.A. since December 2007. He is Chairman of the Board of the General Shareholders Meeting of Amorim Holding II, SGPS, S.A. Before joining Galp, he practised Law in Porto and was visiting Lecturer at the Portuguese Institute of Administration and Marketing (IPAM) on the degree course and on various post-graduate courses between 2004 and 2007. He was legal adviser to the Unicer Group from 2002 and 2007 and, at the same time, Deputy Director of the Legal Office of the same group. He was also Chairman of the Board of the General Shareholders Meeting of Banco BIC Português, S.A. between 2008 and 2012.

Rui Paulo Gonçalves has a post-graduate degree in Management for law graduates from the School of Economic and Business Sciences of the Universidade Católica and a Degree in Law from the Law School of the same university.

Luís Todo Bom

Luís Manuel Pego Todo Bom was born in Luanda, Angola, and is 68 years old. He has been an independent member of Galp's Board of Directors since November 2012.

He is also non-executive Chairman of Multitel Angola, non-executive director of Onyria Internacional (Onyria group), Scutvias and AutoEstradas XXI (Globalvia group) and visiting associate lecture at ISCTE.

Before joining Galp, he was non-executive director of Taguspark between 2010 and 2012, non-executive director of Chamartín Imobiliária, SGPS, S.A. between 2007 and 2009, non-executive director of Companhia de Seguros Sagres, S.A., between 2003 and 2009 and non-executive director of Amorim Imobiliária, SGPS, S.A., between 2002 and 2007. He was Chairman of the Board of AITECOEIRAS between 2008 and 2012 and a member of the MRG Group's Strategy Board between 2009 and 2012. He was Inspector-general and Chairman of the Advisory Board of the Portugal Telecom group and also a non-executive director of Inotec Angola – Ambiente, Energia e Comunicações, S.A.

Luís Todo Bom has a degree in Chemical-Industrial Engineering from the Instituto Superior Técnico and a MBA from the Universidade Nova de Lisboa/Wharton School of Pennsylvania. He attended the Stanford Executive Program and the Executive Program on Strategy Organisation at Stanford University. He also attended the DBA – Doctor of Business Administration Programme at the University of Cranfield and ISCTE.

Diogo Tavares

Diogo Rodrigues Tavares was born in Montijo, Portugal, and is 71 years old. He has been a member of Galp's Board of Directors since April 2012.

Before joining Galp he was advisor to the Chairman of Amorim Holding II, SGPS, S.A. between 2006 and 2011, director of that same company between 2011 and 2013, and also non-executive director at Galp, S.A. between 2006 and 2008. He was President of UNIRISCO, the first venture capital company in Portugal and, among other positions, he was Vice-Chairman of IAPMEI, Vice-Chairman of the Tourism Institute of Portugal, Director of IFADAP, Director of IPE-CAPITAL, Vice-Chairman of ICEP and Chairman of Urbimeta, S.A. Sociedade Imobiliária.

Diogo Tavares holds a degree in Mechanical Engineering from the Instituto Superior Técnico and is a graduate of the Advanced Business Management Programme (IAESE/Harvard Business School).

Joaquim Borges Gouveia

Joaquim Borges Gouveia was born in Porto, Portugal, and is 66 years old. He is an independent member of Galp's Board of Directors since May 2008.

He has been Professor of the Department of Economics, Industrial Management and Engineering at the Universidade de Aveiro since 2001 and is also director and coordinator of several departments at the Universidade de Aveiro. He was coordinator of GOVCOPP - Governance, Competitiveness and Public Policy – a research unit of the Research Institute of the Universidade de Aveiro, between 2009 and 2011, and director of the master's course in Sustainable Energy Systems, between 2007 and 2011. He was Chairman of the Board of RNAE – National Network of Energy and Environment Agencies.

Joaquim Borges Gouveia holds a degree in Electrical Engineering from the School of Engineering of Porto, in 1973 and a doctorate in electrical and computer engineering, also from the School of Engineering of Porto, in 1983. He is an associate lecturer in Electrical and Computer Engineering at the Engineering School of the Universidade do Porto.

Audit Board

Daniel Bessa

Daniel Bessa was born in Porto, Portugal, and is 68 years old. He is Chairman of Galp's Audit Board since 5 October 2006.

He was Chairman of the Board of Porto Business School between 2000 and 2009. He has held posts in teaching (Faculty of Economics and Faculty of Engineering of the Universidade do Porto and at Porto Business School), in the management of education units (Faculty of Economics and Vice-Chancellor's office, Universidade do Porto, and School of Technology and Management of the Instituto Politécnico de Viana do Castelo). He was director of Finibanco and Finibanco Holding, non-executive director of CELBI – Celulose Beira Industrial, of Efacec Capital and INPARSA – Indústrias e Participações, a member of the General and Supervisory Board of BCP – Banco Comercial Português, S.A., Chairman of the Audit Board of SPGM, and external employee of the Sonae group. He was general manager of COTEC Portugal – Business Association for Innovation from 2009 to 2015. He was also a director of AICEP and Chairman of the Advisory Board of IGFCSS – Institute for the Management of Social Security Capitalisation Funds.

Daniel Bessa holds a degree in Economics, from Universidade do Porto, and a doctorate in Economics, from Universidade Técnica de Lisboa.

Gracinda Raposo

Gracinda Raposo was born in Arraiolos, Portugal, and she is 63 years old. She is member of Galp's Audit Board since 30 May 2008.

She is Director of ECS Capital – Private Equity and Distress Funds Management Firm. Between 2007 and 2009 she was advisor to the Board of Directors of the Santander Group. Between 2004 and 2006, she was also a Director of Caixa Geral de Depósitos and non-executive Director of Caixa BI, among other functions. Gracinda Raposo was also a member of the Audit Board of Banco BIC Portugal until 2013.

She has a degree in management from ISCTE and a Master's degree in operational management from the University of Georgetown, Minneapolis, USA.

Pedro Antunes de Almeida

Pedro Antunes de Almeida was born in Lisbo, Portugal, and is 67 years old. He is member of Galp's Audit Board since 23 November 2012.

From 2006 to 2015, Pedro Antunes de Almeida was Consultant for Economic and Business Affairs to the President of the Portuguese Republic.

As an independent business consultant in the tourism industry, he was Chairman of the Board of Directors of ICEP, Chairman of the Executive Committee of ENATUR – Pousadas de Portugal, Secretary of State for Tourism (XV Government) and Ambassador of Portugal to the World Tourism Organisation. Between 2011 and 2012 he was Secretary of the Board of Galp's General Shareholders Meeting.

Pedro Antunes de Almeida has a degree in Economics and Sociology from the Universidade Nova de Lisboa, with a post-graduate qualification in European Economic Studies, from the Universidade Católica Portuguesa, a course on Public Relations, Marketing and Publicity, from the Graduate School of Media, Lisbon, and the Course for National Defence Auditors from the National Defence Institute.

Amável Calhau

Amável Alberto Freixo Calhau was born in Setúbal, Portugal, and he is 78 years old. He is deputy member of Galp's Audit Board since 5 October 2006.

He is Statutory Auditor and has been a Managing Partner of Amável Calhau, Ribeiro da Cunha e Associados – Sociedade de Revisores Oficiais de Contas since 1981. He was an Accountant and Auditor for an auditing company between 1970 and 1979 and has been an individual Statutory Auditor since 1980.

Amável Alberto Freixo Calhau is an accounting expert from the Army Pupils' Military Institute and an individual Statutory Auditor.

8.9.

Positions held in other companies by the Members of the Board of Directors and Audit Board

Inside Galp group*

	Executive members						
	Carlos Gomes da Silva	Filipe Silva	Thore Kristiansen	Carlos Silva	Tiago Câmara Pestana	Pedro Ricardo	Carlos Costa Pina
CLC - Companhia Logística de Combustíveis, S.A.				CBD			
Enerfuel, S.A.							CBD
Europe-Maghreb Pipeline, Ltd						D	
Galp Alentejo E&P, S.A.		D	CBD				
Galp Bioenergy B.V.	D	D					D
Galp E&P Brazil B.V.	D	D	D				
Galp East Africa B.V.		D	D				
Galp Energia Brasil, S.A.	CBD	D	D	D			D
Galp Energia E&P B.V.	D	D	D	D	D	D	D
Galp Energia España, SAU	CBD			D	D	D	
Galp Energia Overseas B.V.	D	D	D				
Galp Energia Overseas Block 14 B.V.		D	D				
Galp Energia Overseas Block 32 B.V.		D	D				
Galp Energia Overseas Block 33 B.V.		D	D				
Galp Energia Overseas LNG, B.V.		D				D	
Galp Energia Portugal Holdings B.V.	D	D	D				
Galp Energia Rovuma B.V.	D	D	D				
Galp Energia São Tomé e Príncipe, Limitada		M	M				
Galp Energia, S.A.	CBD	D	D	D	D	D	D
Galp Exploração e Produção (Timor-Leste), S.A.	CBD	D	D	D	D	D	D
Galp Exploração e Produção Petrolífera, S.A.	CBD	D	D	D	D	D	D
Galp Gambia, Limited					D		
Galp Gas & Power, SGPS, S.A.	CBD	D	D	D	D	D	D
Galp Gás Natural, S.A.						CBD	
Galp Gás Natural Distribuição, S.A.						CBD	
Galp Marketing International, S.A.					CBD		
Galp Power, S.A.						CBD	
Galp Sinopec Brazil Services B.V.	D	D	D	D		D	
Galp Swaziland, Limited					D		
GALPEK, LDA.				CMB			
Gasoducto Al-Andalus, S.A.						D	
Gasoducto de Extremadura, S.A.						D	
GDP - Gás de Portugal, S.A.						CBD	
MIBGÁs, S.A.						D	
Metragaz - Societé pour la Construction de L'Exploitation Technique du Gazoduc Maghreb Europe						D	
Moçamgalp - Agroenergias de Moçambique, S.A.							CBD
Petrogal Angola, Lda.					CMB		
Petrogal Brasil B.V.		D	D				
Petrogal Brasil, S.A.	CBD	D	D	D		D	
Petrogal Guiné-Bissau, Lda.					CMB		
Petróleos de Portugal - Petrogal, S.A.	CBD	D	D	D	D	D	D
Tagus-RE, S.A.							CBD
Windhoek PEL 23 B.V.		D	D				
Windhoek PEL 24 B.V.		D	D				
Windhoek PEL 28 B.V.		D	D				

CBD - Chairman of the Board of Directors D - Director CMB - Chairman of the Management Board M - Manager

*For this purpose, all companies directly or indirectly afilliated by Galp are deemed included in the Galp group.

Non-executive members of the Board of Directors do not work in other companies from the Galp group.

Outside the Galp group*

Paula Amorim

In the Américo Amorim group

Chairman of the Board of Directors of Amorim Holding II, SGPS, S.A.

Chairman of the Board of Directors of Amorim Projetos, SGPS, S.A.

Vice-Chairman of the Board of Directors of Amorim Negócios, SGPS, S.A.

Vice-Chairman of the Board of Directors of Amorim Investimentos Energéticos, SGPS, S.A.

Vice-Chairman of the Board of Directors of ImoEuro, SGPS, S.A.

Vice-Chairman of the Board of Directors of Gaivina – Empreendimentos Turísticos e Imobiliários, S.A.

Vice-Chairman of the Board of Directors of Portal do Sol – Sociedade Imobiliária Amorim, S.A.

Director B of Amorim Energia, B.V.

Director B of of Power, Oil & Gas Investments, B.V.

Director B of Investmark Holdings, B.V.

Director of Amorim Holding Financeira Blocker I, Inc.

Director of Amorim/TFI, Inc.

Director of Tom Ford International, LLC

Member of the Board of Directors of Stockprice, SGPS, S.A.

Member of the Board of Directors of Alqueva Verde, S.A.

Member of the Board of Directors of Amorim e Alegre – Sociedade Imobiliária, S.A.

Manager of Sociedade Agro-florestal do Panasquinho, Lda.

Member of the Board of Directors of Warranties, SGPS, S.A.

Member of the Board of Directors of Great Prime, S.A.

In the Amorim Holding

Chairman of the Board of Directors of Amorim–Investimentos e Participações, SGPS, S.A.

In the Amorim Luxury Group

Sole Director of Amorim Luxury – SGPS, S.A.

Sole Director of Amorim Fashion, S.A.

Chairman of the Board of Directors of Amorim Guedes de Sousa, S.A.

Sole Director of Amorim Five, Lda.

Others

Chairman of the Board of Directors of Fundação Galp

Carlos Gomes da Silva

Chairman of the Board of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

Member of the Board of AEM – Association of Companies Issuing Listed Securities

Member of the General Board of COTEC Portugal – Business Association for Innovation

Chairman of the Audit Board – Forum for Competitiveness

Member of the Board of Directors of Fundação Galp

Vice-Chairman of EPIS – Association of Entrepreneurs for Social Inclusion

Miguel Athayde Marques

Vice-rector of Universidade Católica Portuguesa

Professor at the Universidade Católica Portuguesa, School of Economics and Business

Independent non-executive director of Brisa, Concessão Rodoviária, S.A.

Chairman of the Audit Board of Caixa Banco de Investimento, S.A.

Founder and Coordinator of Portugal Economy Probe

Chairman of the Association of Former Management and Economics Students of Universidade Católica Portuguesa

Member of the Scientific and Pedagogical Council of the Higher Institute of Bank Management (Portuguese Banking Association)

Member of the Advisory Board of Junior Achievement Young Enterprise Portugal

Member of the Advisory Board of GRACE (Group for Reflection and Support for Corporate Citizenship)

* For this purpose, all companies directly or indirectly afilliated by Galp are deemed included in the Galp group.

Filipe Crisóstomo Silva

Member of the Board of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training Member of the Board of Directors of Fundação Galp

Abdul Magid Osman

Chairman of the BIOFUND foundation (biodiversity protection)

Chairman of the Board of Directors of Épsilon Investimentos, S.A.

Chairman of the Board of Directors of Banco Único

Chairman of the Board of the General Shareholders Meeting of FDC - Fundação de Desenvolvimento Comunitário

Marta Amorim

In the Américo Amorim group

Member of the Board of Directors of Amorim Energia, B.V.

Vice-Chairman of the Board of Directors of Amorim Holding II, SGPS, S.A.

Chairman of the Board of Directors of Amorim Holding Financeira, SGPS, S.A.

Chairman of the Board of Directors of Solfim, SGPS, S.A.

Chairman of the Board of Directors of Amorim Financial, SGPS, S.A.

Director of Amorim Projectos, SGPS, S.A.

Vice-Chairman of the Board of Directors of I.I. – Investimentos Ibéricos, SGPS, S.A.

Director of Amorim Investimentos Energéticos, SGPS, S.A.

Chairman of the Board of Directors of Gevisar, SGPS, S.A.

Chairman of the Board of Directors of Financimgest – Sociedade de Consultoria de Gestão de Créditos, S.A.

Director of Sotomar – Empreendimentos Industriais e Imobiliários, S.A.

Director of Lusares – Sociedade Imobiliária, S.A.

Director of Portal do Sol – Sociedade Imobiliária Amorim, S.A.

Director of Warranties, SGPS, S.A.

Director of Great Prime, S.A.

Director of AGS – Moçambique, S.A.

Director of Agromoz – Agribusiness de Moçambique, S.A.

Director of Angola Real Estate Investments B.V.

Director of Topbreach Holding B.V.

Director of Amorim Financial Sector B.V.

Director of Amorim Aliança B.V.

Director of Amorim Energia B.V.

Director of Power Oil & Gas Investments B.V.

Director of Ligardis Holding B.V.

Director of Itacaré, B.V.

Director of Praia do Forte, B.V.

Director of Oil Investments B.V.

Director of Investmark Holdings, B.V.

Director of Amorim Investments II, S.A.

Director of Amorim Investments V, S.A.

Director of AHFB I, Inc.

Director of Amorim/TFI, Inc.

Substitute Adviser to the Banco Luso-Brasileiro, S.A.

Director of A.P.I. – Amorim Participações Internacionais, SGPS, S.A.

Director of Paisagem do Alqueva, S.A.

Director of S.S.A. – Sociedade de Serviços Agrícolas, S.A.

Director of IMOBIS – Empreendimentos Imobiliários Amorim, S.A.

Director of Mosteiro de Grijó – Empreendimentos Turísticos, S.A.

Raquel Vunge

Board member of Banco Comercial Português and Caixa Angola

Carlos Costa Pina

Chairman of the Scientific and Technological Council of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

Vice-Chairman of the Board of BCSD Portugal – Business Council for Sustainable Development

Member of the Board of AIPQR - Associação das Indústrias da Petroquímica, Química e Refinação (Association of Petrochemical, Chemical and Refining Industries)

Member of the Board of Directors of Fundação Portugal – África

Member of the General Board of IPCG – Portuguese Institute of Corporate Governance

Member of the General Board of EGP Porto Business School

Director of EPRA – European Petroleum Industry Association (FuelsEurope and Concawe)

Member of the Board of Founders of Fundação da Casa da Música

Chairman of the Board of the General Shareholders Meeting of APEEN – Portuguese Association for Energy Economics

Member of the Audit Board of IDEFF – Instituto de Direito Económico, Financeiro e Fiscal

Chairman of the Board of Auditors of Fundação Res Publica

Member of the Advisory Board of APDC – Associação Portuguesa para o Desenvolvimento das Comunicações

Francisco Rêgo

In the Américo Amorim group

Vice-Chairman of the Board of Directors of Amorim Holding II, SGPS, S.A.

Vice-Chairman of the Board of Directors of Amorim Holding Financeira, SGPS, S.A.

Director of Amorim Energia B.V.

Vice-Chairman of Solfim, SGPS, S.A.

Director of Amorim Financial, SGPS, S.A.

Director of Amorim Negócios, SGPS, S.A.

Director of Amorim Projectos, SGPS, S.A.

Director of Amorim Investimentos Energéticos, SGPS, S.A.

Director of Gevisar - SGPS, S.A.

Director of Financimgest – Sociedade de Consultoria e Gestão de Créditos, S.A.

Director of ImoEuro, SGPS, S.A.

Director of Gaivina – Empreendimentos Turísticos e Imobiliários, S.A.

Director of Portal do Sol – Sociedade Imobiliária Amorim, S.A.

Director of Vintage Prime, SGPS, S.A.

Director of Angola Real Estate Investments B.V.

Director of Topbreach Holding B.V.

Director of Amorim Financial Sector B.V.

Director of Amorim Aliança B.V.

Director of Amorim Energia B.V.

Director of Ligardis Holding B.V.

Director of Itacaré, B.V.

Director of Praia do Forte B.V.

Director of Oil Investments B.V.

Director of Amorim Investments II, S.A.

Director of Amorim Investments V, S.A.

Director of AHFB I, Inc.

Director of Amorim/TFI, Inc.

Substitute Director of the Banco Luso-Brasileiro, S.A.

Others

Chairman of the Board of Directors of Moreira, Gomes & Costas, S.A.

Director of Época Global, SGPS, S.A.

Director of Actual, SGPS, S.A.

Director of Cardan Grande Porto, S.A.

Manager of AVS – Agência de Viagens Sandinense, Lda.

Jorge Seabra de Freitas

In the Américo Amorim group

Director of Amorim Energia, B.V.

Member of the Board of Directors of Amorim Holding II, SGPS, S.A.

Member of the Board of Directors of Solfim, SGPS, S.A.

Member of the Board of Directors of Amorim Financial, SGPS, S.A.

Member of the Board of Directors of Amorim Holding Financeira, SGPS, S.A.

Member of the Board of Directors of Amorim Negócios, SGPS, S.A.

Member of the Board of Directors of Amorim Projetos, SGPS, S.A.

Member of the Board of Directors of II – Investimentos Ibéricos, SGPS, S.A.

Member of the Board of Directors of Financimgest – Sociedade de Consultoria de Gestão de Créditos, S.A.

Member of the Board of Directors of AGS – Moçambique, S.A.

Chairman of the Board of Directors of Agromoz – Agribusiness de Moçambique, S.A.

Director of Angola Real Estate Investments B.V.

Director of Topbreach Holding B.V.

Director of Amorim Financial Sector B.V.

Director of Amorim Aliança B.V.

Director of Power Oil & Gas Investments B.V.

Director of Ligardis Holding B.V.

Director of Itacaré, B.V.

Director of Praia do Forte B.V.

Director of Oil Investments B.V.

Director of Amorim Investments II, S.A.

Director of Amorim Investments V, S.A.

Director of AHFB I, Inc.

Director of Amorim/TFI, Inc.

Member of the Board of Directors of Sotomar – Empreendimentos Turísticos e Imobiliários, S.A.

Member of the Board of Directors of Porta do Sol – Sociedade Imobiliária Amorim, S.A.

Member of the Board of Directors of Lusares – Sociedade Imobiliária, S.A.

Others

Adviser to the Banco Luso-Brasileiro, S.A.

Member of the Board of Directors of Banco Único, SGPS, S.A.

José Carlos da Silva Costa

Member of the Scientific and Technological Council of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

Pedro Ricardo

Member of the Scientific and Technological Council of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

President of the Board of AGN – Portuguese Association of Natural Gas Companies

Tiago Câmara Pestana

Member of the Scientific and Technological Council of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

President of the Board of APETRO – Portuguese Association of Oil Companies

Rui Paulo Gonçalves

In the Américo Amorim group

Director and general manager of Amorim Investimentos Energéticos, SGPS, S.A.

Director of Amorim Energia, B.V.

Chairman of the Board of the General Shareholders Meeting of Amorim Holding II, SGPS, S.A.

Others

Vice-Chairman of the Board of the General Shareholders Meeting of Banco Único, S.A.

Luís Todo Bom

Managing partner of Terfran – Investimentos e Serviços, Lda.

Managing partner of Angopartners Investments Consulting, Lda.

Non-executive Chairman of the Board of Directors of Multitel Angola – Serviços de Telecomunicações, Lda.

Non-executive director of Onyria Internacional, S.A. (Onyria group)

Non-executive director of Scutvias – Autoestradas da Beira Interior, S.A. and Auto-Estradas XXI, S.A. (Globalvia group)

Visiting Associate Lecturer of ISCTE

Joaquim Borges Gouveia

Retired Professor of the Department of Economics, Industrial Management and Engineering of the Universidade de Aveiro

Chairman of the Board of APM – Portuguese Association of Management

Chairman of the General Shareholders Meeting of RNAE – National Network of Energy and Environment Agencies.

Chairman of the Board of Directors of ENERGAIA, Vila Nova de Gaia District Energy Agency

Member of the Board of Directors of ABAP/BIOCANT

Audit Board

Daniel Bessa

Chairman of the Audit Board of Fundação Galp

Chairman of the Audit Board of Sonae, SGPS, S.A.

Chairman of the Audit Board of Bial – Portela e Companhia, S.A.

Non-executive Chairman of Amorim Turismo, SGPS, S.A.

Non-executive Chairman of AEGI - Amorim Entertainment and Gaming International, SGPS, S.A.

Non-executive Chairman of Sociedade Figueira Praia, S.A.

Chairman of the Board of the General Shareholders Meeting of Nanium, S.A.

Member of the Board of Directors and of the Executive Committee of Fundação Bial

Member of the Investment Board of PVCI – Portuguese Venture Capital Initiative (undertaking with investment by BEI Group, through the EIF – European Investment Fund)

Gracinda Raposo

Member of the Audit Board of Fundação Galp

Non-executive Director of Tagusgás – Empresa de Gás do Vale do Tejo, S.A.

Director of ECS-Capital – Private Equity and Distress Funds Management Firm.

Pedro Antunes de Almeida

Member of the Audit Board of Fundação Galp

Chairman of the Audit Board of Fidelidade Seguros

Non-executive Chairman of the Board of Directors of Grupo NAU Hotels & Resorts

Amável Calhau

Substitute member of the Audit Board of Fundação Galp

8.10.

Biographies and positions held by the members of the Remuneration Committee

Jorge Armindo de Carvalho Teixeira

Biography

Jorge Armindo de Carvalho Teixeira is chairman of the Board of Directors of Amorim Turismo, SGSP, SA and associates and chairman of APC – the Portuguese Casinos Association.

He began his professional career in 1976 as Assistant Lecturer in the Porto Faculty of Economics, teaching Business Management and International Financial Management until 1992.

In 1982 he joined what is now the Amorim group as Chief Financial Officer and in 1987 was appointed Vice-Chairman of the Group, a position he held until 2000. In 1997, at the invitation of the Government, he was appointed Chairman of Portucel – Empresa de Celulose e Papel de Portugal, SGPS, S.A. and he also took the chair of all companies in which Portucel, SGPS, S.A. had investments until its privatisation.

Jorge Armindo de Carvalho Teixeira has a degree in Economics from the Faculty of Economics of Universidade do Porto.

Positions held at 31.12.2016

Member of the Board of Directors of Amorim – Entertainment e Gaming Internacional, SGPS, S.A.

Member of the Board of Directors of Amorim Turismo, SGPS, S.A.

Member of the Board of Directors of BLUE & GREEN – Serviços e Gestão, S.A.

Member of the Board of Directors of BLUE & GREEN II, S.A.

Member of the Board of Directors of CHT – Casino Hotel de Tróia, S.A.

Member of the Board of Directors of ELEVEN – Restauração e Catering, S.A.

Member of the Board of Directors of Estoril Sol, SGPS, S.A.

Member of the Board of Directors of Fozpatrimónio, S.A.

Member of the Board of Directors of Fundição do Alto da Lixa, S.A.

Member of the Board of Directors of Goldtur – Hotéis e Turismo, S.A.

Member of the Board of Directors of Grano Salis – Inv. Turísticos, Jogo e Lazer, S.A.

Member of the Board of Directors of Grano Salis II – Investimentos Turísticos e de Lazer, S.A.

Member of the Board of Directors of Hotel Turismo, S.A.R.L.

Member of the Board of Directors of Iberpartners – Gestão e Reestruturação de Empresas, S.A.

Member of the Board of Directors of Iberpartners Cafés, SGPS, S.A.

Member of the Board of Directors of Imofoz, S.A.

Member of the Board of Directors of Mobis – Hotéis de Moçambique, S.A.R.L.

Member of the Board of Directors of Notel – Empreendimentos Turísticos, S.A.R.L.

Member of the Board of Directors of Prifalésia – Construção e Gestão de Hotéis, S.A.

Member of the Board of Directors of SGGHM – Sociedade Geral de Hotéis de Moçambique, S.A.

Member of the Board of Directors of Sociedade Figueira Praia, S.A.

Member of the Board of Directors of SPIGH – Sociedade Portuguesa de Investimentos e Gestão Hoteleira, S.A.

Member of the Board of Directors of Troia Península Investimentos, SGPS, S.A.

Member of the Board of Directors of Turyleader, SGPS, S.A.

Member of the Executive Board of AHP – Hospitality Association of Portugal

Member of the Executive Board of ELO – Portuguese Association for Economic Development and Cooperation

Vice-Chairman of the Board of Directors of the CTP – Portuguese Confederation of Tourism

Chairman of the Audit Board of the APR – Portuguese Resorts Association

Joaquim Alberto Hierro Lopes

Biography

Joaquim Alberto Hierro Lopes is a member and managing partner of GED Partners and, at the same time, a member of the Board of Directors of the Fund Management Companies GED Eastern Fund II, GED Iberian B, GED Sur (CEO) and of the Board of Directors of several GED Fund subsidiaries, including Estudio Pereda4 Ingenieria, Nuceri International, Iconsa Engineering, in Spain and FASE – Estudos e Projectos Engenharia, SA and Serlima Services SA, in Portugal.

Before joining Galp, he was a Lecturer in Financial Mathematics and Management Accounting at the ISAG – Graduate School of Administration and Management; he was executive director of Norpedip/PME Capital – Sociedade Portuguesa de Capital de Risco, Chairman and Board Member of several companies, including FiberSensing, Altitude Software, Payshop, Cabelte, Bluepharma, TV Tel Grande Porto, Fibroplac., and participated in the launch and management of various investment funds. Between 2007 and 2014 he was a member of the Audit Board of Corticeira Amorim SGPS, S.A.

Joaquim Alberto Hierro Lopes completed a degree in Accounting and Administration at Porto Accounting and Business School, graduated in Mathematics at the Faculty of Sciences of the Universidade do Porto, and he completed a MBA at Porto Business School. He is Master in Business Management, also at the Universidade do Porto.

Positions held on 31.12.2016

Member of the Board of Directors of the GED Iberian B Fund

Member of the Board of Directors of the GED Eastern Fund II

Chairman of the Board of Directors of the GED Sur Fund

Member of the Investment Committees of all GED Funds

Chairman of the Board of Directors of ISAG – Graduate School of Administration and Management

8.11.

Glossary and abbreviations

Glossary

API density

Density expressed in API degrees, defined by the American Petroleum Institute by means of the following formula: API° = (141.5/g) – 131.5, where g is the density of the oil to 60 °F (15.6 °C). This is the formula that is internationally used to establish the density of crude oil. The greater the API density, the lighter the crude oil.

Atmospheric distillation

Distillation of crude oil effected under atmospheric pressure, from which oil product fractions are produced (light oil, heavy oil, diesel fuels, and heavy products, for example). After suitable treatment, these fractions are the components of the finished products.

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 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 $6.95/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.

CO_2

Carbon dioxide, colourless gas that is heavier than air, this being one of its natural components. Produced by certain natural processes, such as the carbon cycle, and by the complete burning contained in fossil fuels.

Cogeneration

Power generation technology that allows the combined production of heat and electricity. The advantage of cogeneration is the capacity it has to take double advantage of the heat produced by burning the fuel for the generation of thermal energy for the generation of electricity. This process allows the same installation to comply with the heat (hot water or steam) and electricity needs of both industrial clients and urban settlements. This system improves the energy efficiency of the generation process and reduces use of the fuel.

Complexity

The complexity of a refinery lies in its capacity to process crude oil and other raw materials and is measured by means of the complexity index, calculated separately by different organisations within the sector, such as energy sector consultants Solomon Associates and Nelson. A refinery's complexity index is calculated by attributing a complexity factor to each one of the refinery's units, which is based above all on the level of technology used in the construction of the unit, taking as a reference a crude oil primary distillation installation to which is attributed a complexity factor of 1.0.
The complexity index of each unit is calculated by the multiplication of the complexity factor with the unit's capacity. The complexity of a refinery is equivalent to the weighted average of the complexity index of each one of its units, including the distillation units. A refinery with a complexity index of 10.0 is considered to be 10 times more complex than a refinery equipped with just crude oil atmospheric distillation, for the same quality of processed product.

Condensates

Hydrocarbons that, when stored in the respective deposits, are found to be in a gaseous state, but which on the surface become liquids under normal pressure and temperature conditions. This essentially concerns pentane and other heavier products.

Contingent resources

These are quantities of oil that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of reasons. For example, maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan); technological issues (new technology needs to be developed and tested for commercial production); or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market).
2C contingent resources are those that are calculated based on the best estimate, while 3C resources correspond to the highest estimate, thus reflecting a larger level of uncertainty. Volumes that fall into this category cannot be referred to as reserves.

Conversion

Set of various treatments (catalytic or thermal) where the principal reaction is effected on the carbon connections, with this having the possibility of being more or less deep due to the conditions imposed. This process is typically associated with the conversion of fuel oils in lesser fractions (diesel fuels, gasoline and gases) and fuel oils that are more sophisticated from the perspective of their use. In a modern refinery, these processes have assumed a growing importance.

Cracking

Transformation through a breaking down of the hydrocarbon molecules in long chains, with the objective of obtaining hydrocarbon molecules in shorter chains, thus increasing the proportion of lighter and more volatile products. Distinguishing between thermal cracking and catalytic cracking. Thermal cracking is only caused by the actions of heat and pressure. Catalytic cracking uses catalysers that, at the same temperature, allow a deeper and more selective transformation of fractions that could be heavier.

Dated Brent

Price of shipments of Brent oil as announced by the price fixing agencies. This is the reference price for the vast majority of crude oils sold in Europe, Africa and the Middle East, and is one of the most important references for the prices on the spot market. Dated Brent oil is the light crude oil from the North Sea that, since July 2006, has included the Fortis and Oseberg branches. The crude mix has an average API density of approximately 38.9°.

Diesel

A mix of liquid hydrocarbons destined for feeding compression ignition engines (Diesel cycle). The behaviour of diesel fuel depends on the temperatures at which it is used.

Emissions

Release of gases into the atmosphere. Within the context of global climactic alterations, the gases released include gases capable of altering the climate – the so-called GGEs. A typical example is the release of CO_2 during the burning of fuels.

Direct emissions (A1)

These can be directly controlled by the Company and concern the emissions due to the consumption of fuel in its own installations: ovens, heat or steam generators, or the Organisation's cars.

Indirect emissions (A2)

These are a result of the Company's activities but which use another organisation's resources: use of grid, heat or steam electricity, produced at installations that are not the Company's.

Indirect emissions (A3)

Emissions due to the consumption of fuel in installations that are not the Company's: leased cars, planes, waste incineration, logistics activities or services.

Fuel oil

A mix of hydrocarbons destined for the production of heat in thermal installations. There are various types of fuel oil, due to its viscosity, which conditions their use.

Gasoline

Fuel for automobiles equipped with motors that use the Otto cycle. This should comply with precise specifications concerning its physical and chemical qualities, of which the most important is resistance to self-inflammation.

Hydrocracking

Process of cracking with the use of hydrogen and under the action of catalysts that allows the conversion of less valuable, high-boiling-point oil fractions into lighter, more valuable fractions. The hydrogen allows working at lower temperatures and greater selectivity and, therefore, produces better results.

The products from the reaction are saturated compounds, which provide them with important stability qualities.

ICE

The Intercontinental Exchange, Inc., or ICE, is a North-American company that operates virtual markets, in which futures contracts are transacted as well as OTC contracts on energy and commodities, and other financial derivatives products.

Jet fuel

Fuel for jet motors used in aviation.

Liquefied natural gas (LNG)

Natural gas that is changed into its liquid state to enable transportation. Liquefaction is performed by a reduction in the temperature of the gas, to atmospheric pressure, to amounts of less than -160ºC. The volume of the LNG is approximately 1/600 of the volume of natural gas.

Liquefied Petroleum Gas (LPG)

Gaseous hydrocarbons, under normal conditions of temperature and pressure, and liquids, by raising the pressure or reduction of temperature, which can legally be transported and stored. The most common are propane and butane.

Lubricants

Products obtained by mixing one or more base oils and additives. This process obeys specific formulas due to the use of the lubricant. The percentage of additives in the lubricating oils reaches 40%. The lubricating oils have three main uses: automobiles, industry and marine.

Naphtha

Oil product fraction that is located between gases and oil. This is also a raw material in the petrochemical industry, from which cracking provides a large variety of products.

This can also form part of the composition of engine gasoline (light naphtha) or, in the case of heavy naphtha, serve as a raw material for the production of reformate.

Natural Gas

Mix of light hydrocarbons found in the subsoil, in which methane is present at a percentage of more than 70% volume. The composition of natural gas may vary depending upon the field in which it is produced and the processes of production, conditioning, processing and transport.

Net entitlement production

The production percentage of the rights for the exploration and production of hydrocarbons in a concession following production-sharing agreements.

Prospective resources

Quantities of oil that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations through future development projects. The estimation of a prospect's resources is subject to both commercial and technological uncertainties. Risked mean estimate prospective resources have a higher implied recovery probability than unrisked mean estimate resources. The quantities classified as prospective resources cannot be classified as contingent resources or reserves.

Proven reserves (1P)

Under the definitions approved by the SPE and the WPC, proven reserves are those quantities of oil which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

The definition of current economic conditions should include relevant historical oil prices and associated costs. In general, reserves are considered proven if the commercial productivity of the reservoir is supported by actual production or formation tests. In this context, the term "proven" refers to the actual quantities of oil reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proven includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proven if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

Proven and probable reserves (2P)

2P reserves correspond to the sum of proven (1P) and probable reserves. Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproven reserves. Unproven reserves are based on geological or engineering data similar to those used in estimates of proven reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Probable reserves are those quantities of oil that, by analysis of geological and engineering data, have a lower probability of being recovered than the proven reserves, but higher than the possible reserves. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the 2P estimate.

Proven, probable and possible reserves (3P)

3P reserves correspond to the sum of proven, probable and possible reserves. Under the definition approved by the SPE and the WPC, possible reserves are a category of unproven reserves. Unproven reserves are based on geological or engineering data similar to those used in estimates of proven reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Possible reserves have a lower probability of being recovered than probable reserves. If probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

Refineries' utilisation rate

Ratio of the total quantity of crude processed oil in the crude oil distillation units in relation to these units' maximum processing capacities.

Refinery

The installation where the industrial processes designed to transfer the crude oil into products adapted to the needs of the consumers (fuels, lubricants, bitumen, etc.) or into raw materials for other so-called "second generation" industries (for example, the petrochemical industry).

Renewable energy

Energy that is available from permanent and natural energy conversion processes and is economically exploitable under present conditions or in the foreseeable future.

Replacement Cost (RC)

According to this method, 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, RCA items exclude 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 regular operational performance.

Seismic

Seismic acquisition involves the generation (source) and recording (receiver) of seismic data. A source, such as a vibrator unit, dynamite shot, or an air gun, generates acoustic or elastic waves that travel into the Earth, pass through strata with different seismic responses and filtering effects, and return to the surface to be recorded as seismic data. The receiver may include different configurations, including laying geophones or seismometers on the surface of the Earth or seafloor, pulling hydrophones behind a marine seismic vessel, suspending hydrophones vertically in the sea or placing geophones in a wellbore (as in a vertical seismic profile) to record the seismic signal.

Spot market

The name, relating to products such as oil, used to describe the international commerce of products shipped in single cargos, such as crude oil, the prices of which closely follow the respective demand and availability.

Storage facility

Installation used by principal and collector pipeline companies, producers of crude oil, and terminal operators (except refineries) for storage of crude oil and oil products.

Wind farm

Group of wind turbines for the production of electrical energy interlinked by a common network by means of a system of transformers, distribution lines and, usually, a substation. The functions of exploration, control and maintenance are normally centralised by means of a monitored IT system, which is complemented by visual inspections.

Wind power

Kinetic energy – that is, energy that is generated by movement that is obtained by displacement of the air, or in other words, wind. This can be converted into mechanical energy for the enactment of pumps, mills and electrical energy generators.

Working interest production

The production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Abbreviations and acronyms

AFI: accident frequency index
Amorim Energia: Amorim Energia, B.V.
ANP: Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (Brazilian energy sector regulator)
b.p.: Basis points
bbl: oil barrel
BBLT: Benguela, Belize, Lobito and Tomboco
bcm: billion cubic metres
Black Creek: Black Creek Investment Management Inc.
BlackRock: BlackRock, Inc.
bn: billion
BNY Mellon: The Bank of New York Mellon Corporation
boe: barrel of oil equivalent
BoD: Board of Directors
CEC: Ethics and Conduct Committee
CEO: Chief executive officer
CESE: Contribuicão Extraordinária sobre o Sector Energético; Portuguese Energy sector extraordinary contribution.
CFO: Chief financial officer
CGD: Caixa Geral de Depósitos, S.A.
CGU: cash generating unit
CI Investments: CI Investments, Inc.
CMVM: Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Regulator)
CNG: compressed natural gas
CNPC: China National Petroleum Corporation
CoEC: Code of Ethics and Conduct
CO_2: Carbon dioxide
CompeC: Advanced Course in Commercial Skills
CONCAWE: Conservation of Clean Air and Water in Europe
COOEC: Offshore Oil Engineering Co. Ltd
COSCO: China Ocean Shipping Company
COSO: Committee of Sponsoring Organisations of the Treadway Commission
CSC: Portuguese Commercial Companies Code
CTA: Cumulative Translation Adjustment
CVM: Portuguese Securities Code
D&P: Development and production
DeMac: DeGolyer and MacNaughton
DCF: Discounted Cash Flow
DP: Development plan
DJSI: Dow Jones Sustainability Index
DoC: Declaration of Commerciality
DST: drill stem test
E&P: Exploration & Production
Ebit: Earnings before interest and taxes
Ebitda: Earnings before interest, taxes, depreciation and amortisation
ECSI: European Costumer Satisfaction Index
EETS: European Emissions Trading Scheme
EIB: European Investment Bank
EII: energy intensity indicator
EITI: Extractive Industries Transparency Initiative
EL: Emissions licenses
EMPL: Europe-Maghreb Pipeline
EMTN: Euro Medium Term Note
EMV: Expected Monetary Value
EngIQ: Refining, Petrochemical and Chemical Engineering Doctorate Programme
ENH: Empresa Nacional de Hidrocarbonetos (National hydrocarbons company of Mozambique)
Eni: Eni, S.p.A.
ENMC: Portuguese National Entity for the Fuel Market
EQS: Environment, Quality and Safety
EQSE: Environment, Quality, Safety and Energy
EPCIC: Engineering, Procurement, Construction, Installation and Commissioning
EPC: Engineering, Procurement and Construction
ERSE: Entidade Reguladora dos Serviços Energéticos (Portuguese energy market regulator)
EUA: Emission UnitnAllowances
EUR (or €): Euro
EWT: Extended well test
FASB: Financial Accounting Standards Board
FCC: Fluid catalytic cracking
FEED: Front-End Engineering Design
FFB: fresh fruit bunches
FID: Final Investment Decision
FLNG: Floating, liquefied natural gas
FormAG: Advanced Management Training Course
FPSO #1: FPSO Cidade Angra dos Reis
FPSO #2: FPSO Cidade de Paraty
FPSO #3: FPSO Cidade de Mangaratiba
FPSO #4: FPSO Cidade de Itaguaí
FPSO #5: FPSO Cidade de Maricá
FPSO #6: FPSO Cidade de Saquarema
FPSO: Floating, production, storage and offloading
G&P: Gas & Power
Galp: Galp Energia, SGPS, S.A., Company, Group or Corporation
GeoER: Advanced Study Programme in Geoengineering of Reservoirs
GHG: greenhouse gases
GIIP: Gas initially in place
GVA: Galp Added Value
GWh: gigawatt-hour
GWT: Global Water Tool for Oil & Gas
HC: Hydrocracking
HSE: Health, Safety and the Environment.
IAS: International Accounting Standards
IASB: International Accounting StandardsBoard

IASC: International Accounting Standards Committee
IBAMA: Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (Brazilian Institute for the Environment and Natural Resources)
IBAT: Integrated Biodiversity Assessment Tool
ICE: Intercontinental Exchange
IFRS: International Financial Reporting Standards
IFRIC: International Financial Reporting Interpretation Committee
Integra: Integra Offshore
IPO: initial public offering
IRP: Imposto sobre o Rendimento do Petróleo (Oil tax payable in Angola)
ISIN: International securities identification number
ISO: International Organisation for Standardisation
ISP: Tax on oil products (Portugal)
IsPG: Instituto do Petróleo e Gás (Brazilian Institute of Oil and Gas)
JOA: Joint Operation Agreements
k: Thousand/thousands
kboepd: Thousand barrels of oil equivalent per day
kbpd: Thousand barrels of oil per day
km/km²/km³: kilometres / square kilometres / cubic kilometres
KRI: Key resources indicators
kton: thousand tonnes
LNG: Liquefied natural gas
LPG: Liquefied petroleum gas
LRO: Local risk officer
LTIFR: Lost time injury frequency rate
m: million
m³: Cubic metres
MIBEL: Iberian Electricity Market
mm³: million cubic metres
mmbbl: million barrels
mmboe: million barrels of oil equivalent
MoU: Memorandum of Understanding
MScEP: Masters in Petroleum Engineering
mmscf: million standard cubit feet
mton: million tonnes
MW: Megawatt
NE: North-east
NG: Natural gas
NGNDN: Natural Gas National Distribution Network
NGNS: Natural Gas National System
NGNTN: Gas National Transportation Network
NYSE: New York Stock Exchange
OECD: Organisation for Economic Cooperation and Development.
OHSAS: Occupational Health and Safety Assessment Services
OJEU: Official Journal of the European Union
OPEC: Organisation of Petroleum Exporting Countries
OTC: Over-The-Counter
p.p.: Percentage points
Parpública: Parpública – Participações Públicas, SGPS, S.A.
Petrobras: Petróleo Brasileiro, S.A.
Petrogal: Petróleos de Portugal – Petrogal, S.A.
PIA: Production Individualisation Agreement
P.O.S.: Probability of Success
PPSA: Pré-Sal Petróleo S.A.
PSA: Production Sharing Agreement
PSI-20: Portuguese stock market reference index
PSL: Past Service Liability
PwC: PricewaterhouseCoopers
R&D: Research & Development
R&M: Refining & Marketing
R&T: Research & Technology
RAB: Regulated Asset Base
RC: Replacement cost
RCA: Replacement cost adjusted
RCM: Reliability centred maintenance
RDA: Reservoir data acquisition
RLR: Last Resort Retailers
RLRW: Last Resort Wholesaler
ROC: Statutory Auditor
RRR: Reserves replacement ratio
Schroders: Schroders Plc
SDG: Sustainable Development Goal
SGPS: Sociedade Gestora de Participações Sociais (Holding company)
SIC: Standing Interpretation Committee
SME: medium-sized enterprises
SPE: Society of Petroleum Engineers
SROC: Firm of statutory auditors
SROI: Social Return on Investment
Standard Life: Standard Life Investments (Holdings) Limited
SXEP: STOXX Europe 600 Oil & Gas Index
$tC0_2e$: Tonnes of carbon dioxide equivalent
tcf: trillion cubic feet
TSR: Total Shareholder Return
TSU: Social Security contributions
UN: United Nations
UOP: Unit of Production method
USA: United States of America
USD (or $): United States Dollar
VAT: value-added tax
Ventinveste: Ventinveste, S.A.
VGO: Vacuum gas oil
VR: Vacuum Residue
WAG: Water alternating gas
WI: working interest
W.I.P.: Winland International Petroleum, S.A.R.L
WPC: World Petroleum Council

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EDITION

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energy creates energy

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