energy creates energy

galp

RESULTS AND CONSOLIDATED INFORMATION

NINE MONTHS 2017

November 2017
Investor Relations

TABLE OF CONTENTS

1. 9M17 highlights

- **Group RCA Ebitda increased €364 m YoY to €1,379 m**, supported by the performance of E&P and R&M, which more than offset the effect of the deconsolidation of the gas infrastructure business.
- **RCA Ebitda for E&P was €606 m**, up €345 m YoY supported by **production growth and higher oil and natural gas prices**.
- **Average working interest (WI) production reached 90.8 kboepd**, up 47% YoY, supported by the development of Lula and Iracema, in Brazil. During the first nine months of 2017, production benefited from the ramp-up of FPSOs Cidade de Maricá (#5) and Cidade de Saquarema (#6), and the start of production of FPSO P-66 (#7).
- Meanwhile, the Group's upstream division has reached a new milestone, with **Galp now producing over 100,000 boe per day**.
- **RCA Ebitda for R&M rose €167 m YoY to €639 m**, supported by **Galp's refining margin increase to $6.1/boe**, which reflected improved margins in the international market and gasoline exports to the USA.
- **RCA Ebitda for G&P business at €113 m**, with the increased volumes sold to direct clients offsetting the lower volumes sold in the trading segment.
- **Group RCA Ebit amounted to €775 m**, mainly following the Ebitda performance.
- **RCA net income was €416 m, up €55 m YoY, while IFRS net income increased to €397 m.** The inventory effect corresponded to €30 m, and non-recurring items were €48 m, mainly related to the tax on the energy sector in Portugal.
- **Capex totalled €638 m**, of which c.70% allocated to development activities in Brazil. It is also worth noting the start of the investment in the development of the Coral South project in Mozambique during the third quarter of 2017.
- **Post-dividend free cash flow was positive at €35 m**, despite the €423 m payment in dividends.
- Net debt on 30 September amounted to €1.5 billion (bn), considering the loan to Sinopec as cash and equivalents, with an implied **net debt to Ebitda RCA of 0.9x**.
- On October 27, **Galp, through Petrogal Brasil, acquired a 20% interest in the Carcará North area** in the 2nd Pre-Salt Production Sharing Bidding Round in Brazil. The consortium also comprises Statoil (operator) and ExxonMobil, with a stake of 40% each. The consortium offered a profit oil share of 67.12%. Additional commitments include the payment of a signature bonus of c.$186 m net to Petrogal Brasil. **Following the award, Petrogal Brasil has agreed with Statoil the acquisition of an additional 3% stake in BM-S-8**, for a total consideration of c.$114 m, including an upfront cash payment of c.$71 m.

2. Key figures

Financial data

€m (RCA)

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
Ebitda RCA	**1,015**	**1,379**	**364**	**36%**
Exploration & Production	262	606	345	n.m.
Refining & Marketing	471	639	167	36%
Gas & Power	260	113	(146)	(56%)
Ebit RCA	**534**	**775**	**242**	**45%**
Ebit IFRS	**322**	**799**	**477**	**n.m.**
Net income RCA	**361**	**416**	**55**	**15%**
Non-recurring items	(215)	(48)	167	77%
Inventory effect	(47)	30	77	n.m.
Net income IFRS	**99**	**397**	**298**	**n.m.**
Capex	**874**	**638**	**(236)**	**(27%)**
Post-dividend free cash flow	**(546)**	**35**	**581**	**n.m.**
Net debt including loan to Sinopec[1]	**1,631**	**1,455**	**(176)**	**(11%)**
Net debt to Ebitda RCA[2]	**1.4x**	**0.9x**	**-**	**-**

[1]Considering loan to Sinopec as cash. [2]As at 30 September 2017, ratio considers net debt including €512 m loan to Sinopec as cash, plus €159 m of Sinopec MLT shareholder loan to Petrogal Brasil and LTM Ebitda RCA of €1,776 m.

Operational data

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
Average working interest production (kboepd)	61.7	90.8	29.1	47%
Average net entitlement production (kboepd)	59.2	88.9	29.7	50%
Oil and gas average sale price (USD/boe)	33.9	44.4	10.6	31%
Raw materials processed (mmboe)	80.9	85.8	4.9	6%
Galp refining margin (USD/boe)	4.0	6.1	2.1	54%
Oil sales to direct clients (mton)	6.7	6.7	0.1	1%
NG sales to direct clients (mm^3)	2,732	3,265	533	20%
NG/LNG trading sales (mm^3)	2,471	2,184	(287)	(12%)

Market indicators

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
Average exchange rate (EUR:USD)	1.12	1.11	(0.00)	(0%)
Average exchange rate (EUR:BRL)	3.96	3.54	(0.42)	(11%)
Dated Brent price[1] (USD/bbl)	41.9	51.8	10.0	24%
Heavy-light crude price spread[1] (USD/bbl)	(2.2)	(1.4)	(0.8)	(35%)
U.K. NBP gas price[1] (USD/mmbtu)	4.3	5.4	1.1	24%
U.S. Henry Hub gas price[2] (USD/mmbtu)	2.3	3.1	0.7	30%
LNG Japan and Korea price[1] (USD/mmbtu)	5.1	6.3	1.2	23%
Benchmark refining margin[3] (USD/bbl)	2.8	4.5	1.6	58%
Iberian oil market[4] (mton)	46.5	47.3	0.8	1.6%
Iberian natural gas market[5] (mm^3)	22,809	25,754	2,946	12.9%

[1] Source: Platts. Urals NWE dated for heavy crude; dated Brent for light crude. [2] Source: Nymex.
[3] For a complete description of the method of calculating the benchmark refining margin see "Definitions".
[4] Source: APETRO for Portugal; CORES for Spain. [5] Source: Galp and Enagás.

3. Market environment

Dated Brent

During the first nine months of 2017, dated Brent averaged $51.8/bbl, up $10.0/bbl YoY. This resulted from declining global inventories, driven mainly by a positive performance by the world economy and the compliance with the OPEC production limitation agreement.

During the first nine months of 2017, the average price spread between Urals and dated Brent narrowed, from -$2.2/bbl YoY to -$1.4/bbl. The relative valuation of the Urals crude was due to the lower availability of this Russian crude, and similar quality crudes produced by members of OPEC, due to the agreed production limits.

Natural gas

The natural gas price in Europe (NBP) increased $1.1/mmbtu, to $5.4/mmbtu, during the first nine months of 2017, as a result of reduced inventories, as well as the definitive closure of the largest natural gas storage facility in the United Kingdom.

The natural gas reference price in the USA (Henry Hub) increased $0.7/mmbtu YoY to $3.1/mmbtu, due to lower natural gas production and inventories in the USA, as well as the development of new liquefied natural gas (LNG) export projects.

Refining margins

Benchmark refining margin was $4.5/bbl, up $1.6/bbl YoY, as a result of stronger distillate margins, namely diesel and gasoline.

During the first nine months of 2017, the diesel crack stood at $12.7/bbl, up $2.6/bbl YoY, supported by demand and impacted by the stoppage of a large refinery in Europe.

The gasoline crack was $12.4/bbl, up $1.6/bbl YoY, supported by demand and by outages in several refineries, particularly in the Gulf of Mexico.

Iberian market

The Iberian market for oil products totalled 47.3 million tonnes (mton), compared to 46.5 mton the previous year, impacted by higher demand for jet.

The Iberian natural gas market increased 12.9% YoY to 25,754 mm^3, supported by the increase in the electrical segment consumption, due to lower hydroelectric power generation.

Exploration & Production

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

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
Average working interest production[1] (kboepd)	**61.7**	**90.8**	**29.1**	**47%**
Oil production (kbpd)	57.8	79.2	21.4	37%
Average net entitlement production[1] (kboepd)	**59.2**	**88.9**	**29.7**	**50%**
Angola	7.5	6.2	(1.2)	(16%)
Brazil	51.7	82.7	31.0	60%
Oil and gas average sale price (USD/boe)	**33.9**	**44.4**	**10.6**	**31%**
Royalties[2] (USD/boe)	**3.5**	**4.4**	**1.0**	**27%**
Production costs (USD/boe)	**8.6**	**8.2**	**(0.4)**	**(5%)**
Depreciation & Amortisation[3] (USD/boe)	**14.7**	**13.3**	**(1.4)**	**(10%)**
Ebitda RCA	**262**	**606**	**345**	**n.m.**
Depreciation, Amortisation and Impairments[3]	215	290	76	35%
Exploration expenditures written-off[4]	-	22	22	n.m.
Provisions	(0)	-	0	n.m.
Ebit RCA	**48**	**295**	**247**	**n.m.**
Ebit IFRS	**(75)**	**293**	**368**	**n.m.**
Net Income from E&P Associates	**13**	**29**	**16**	**n.m.**

[1] Includes natural gas exported; excludes natural gas used or reinjected.
[2] Based on production in Brazil.
[3] Includes abandonment provisions and excludes exploration expenditures written-off.
[4] Effective from 1 January 2017, exploration expenses written-off are considered as recurring items.

Operations

During the first nine months of 2017, the average working interest production of oil and natural gas was 90.8 kboepd, of which 87% was oil production.

Production increased 47% YoY, on the back of the ramp-up of Brazilian FPSOs #5 and #6, and the start of production of FPSO #7, and despite several maintenance works in Lula and Iracema throughout the period.

Currently, a fleet of seven FPSOs is operating in Lula and Iracema, with six units producing close to full capacity and the seventh unit ramping-up.

Regarding the next unit to be allocated to Lula (FPSO #8), in the Lula North area, the topsides' integration works proceed in COOEC's shipyard, in China. Regarding the unit to develop the Lula Extreme South area (FPSO #9), integration works are ongoing in the Brasfels shipyard, in Brazil.

In Angola, WI production was 8.1 kbpd, down 19% YoY, due to the natural decline of the fields in block 14. In turn, net entitlement production decreased 16%, impacted by the cost recovery mechanism under the production sharing agreement.

In block 32, the two FPSO units to be allocated to the Kaombo area are being converted in Singapore, with the remaining development works ongoing.

The Group's total net entitlement production increased 50% YoY to 88.9 kboepd, following the growth of production coming from Brazil.

Results

Ebitda RCA amounted to €606 m, up €345 m YoY, mainly on the back of increased production and average sale prices of oil and natural gas, which reached $44.4/boe compared to $33.9/boe the year before.

Production costs increased €54 m YoY to €179 m, due to the higher number of operating units in Brazil. In unit terms and on a net entitlement basis, production costs were $8.2/boe.

Amortisation, depreciation charges and abandonment provisions amounted to €290 m, up €76 m YoY, reflecting production growth. On a net entitlement basis, unit depreciation charges were $13.3/boe in the period, compared to $14.7/boe the previous year.

The first nine months of 2017 were also impacted by the impairment during the second quarter of the year, related to an exploration write-off in Portugal, which amounted to €22 m.

RCA Ebit was €295 m, while IFRS Ebit totalled €293 m.

The contribution of associated companies related to the E&P activities was €29 m during the first nine months of 2017, following the contribution of the activities related with the Brazilian projects.

Refining & Marketing

€m (RCA, except otherwise stated)

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
Galp refining margin (USD/boe)	**4.0**	**6.1**	**2.1**	**54%**
Refining cash cost[1] (USD/boe)	**1.7**	**1.6**	**(0.1)**	**(5%)**
Impact of refining margin hedging[2] (USD/boe)	**0.1**	**(0.3)**	**(0.4)**	**n.m.**
Raw materials processed (mmboe)	**80.9**	**85.8**	**4.9**	**6%**
Crude processed (mmbbl)	73.6	77.1	3.5	5%
Total refined product sales (mton)	**13.2**	**14.0**	**0.8**	**6%**
Sales to direct clients (mton)	6.7	6.7	0.1	1%
Ebitda RCA	**471**	**639**	**167**	**36%**
Depreciation, Amortisation and Impairments	200	262	62	31%
Provisions	16	4	(11)	(73%)
Ebit RCA	**256**	**373**	**117**	**46%**
Ebit IFRS	**171**	**394**	**222**	**n.m.**
Net Income from R&M Associates	**(2)**	**8**	**10**	**n.m.**

[1] Excluding impact of refining margin hedging operations.
[2] Impact on Ebitda.

Operations

During the first nine months of 2017, 85.8 million barrels of raw materials (mmboe) were processed, a 6% increase YoY, as a result of planned outages at the Sines and Matosinhos units in 2016. Crude oil accounted for 90% of raw materials processed, of which 83% corresponded to medium and heavy crudes.

Middle distillates (diesel and jet) accounted for 47% of production, whereas gasoline corresponded to 22%. Consumption and losses accounted for 8% of raw materials processed.

Volumes sold to direct clients reached 6.7 mton, up 1% YoY, despite the lower exposure to low margin activities within Iberia. Volumes sold in Africa increased 15% YoY and accounted for 9% of total volumes sold to direct clients.

Results

Ebitda RCA for the R&M business increased €167 m to €639 m, supported by the market environment and by the refineries' operational availability.

Galp's refining margin stood at $6.1/boe, compared to $4.0/boe during the previous year. The spread to benchmark margin was $1.7/boe, as the Company benefited from gasoline exports to the United States, and high utilisation of the conversion units.

Refining cash costs stood at €127 m, in line YoY. In unit terms, cash costs were $1.6/boe.

The oil products marketing business benefited from the economic upturn in Iberia, with an emphasis on the increased demand in the retail segment and in some wholesale sub-segments such as aviation.

Depreciation charges and provisions totalled €266 m, up €51 m YoY, based on a revision of the useful life of certain refining assets at the end of 2016.

RCA Ebit was €373 m, while IFRS Ebit increased to €394 m. The inventory effect was €28 m.

Gas & Power

€m (RCA except otherwise stated)

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
NG/LNG total sales volumes (mm³)	**5,203**	**5,450**	**246**	**5%**
Sales to direct clients (mm³)	2,732	3,265	533	20%
Trading (mm³)	2,471	2,184	(287)	(12%)
Sales of electricity (GWh)	**3,718**	**3,812**	**94**	**3%**
Sales of electricity to the grid (GWh)	1,145	1,192	47	4%
Ebitda RCA	**260**	**113**	**(146)**	**(56%)**
Natural Gas	159	87	(72)	(45%)
Infrastructure[1]	91	-	(91)	n.m.
Power	9	26	17	n.m.
Depreciation, Amortisation and Impairments	44	14	(31)	(69%)
Provisions	4	10	5	n.m.
Ebit RCA	**211**	**90**	**(121)**	**(57%)**
Ebit IFRS	**208**	**95**	**(113)**	**(54%)**
Net Income from G&P Associates[1]	**50**	**75**	**26**	**52%**

[1] The regulated gas infrastructure business ceased to be fully consolidated as of the end of October 2016.

Operations

Volumes sold in the natural gas segment were 5,450 mm³ during the first nine months of 2017, up 246 mm³ compared to the previous year, as a result of higher volumes sold to direct clients.

Volumes sold in the conventional segment (including industrial and retail) went up 14%, due to the industrial segment. Volumes sold in the electrical segment increased 266 mm³ to 1,069 mm³.

Volumes sold in the trading segment decreased 12% to 2,184 mm³.

Sales of electricity were 3,812 GWh, a 94 GWh increase YoY, which had been impacted by an outage of the Matosinhos cogeneration last year.

Results

Ebitda RCA for the G&P business was down €146 m YoY to €113 m, affected by lower results from the natural gas activity and also by the full deconsolidation of the gas regulated infrastructure business.

Ebitda for the natural gas segment decreased €72 m YoY to €87 m, due to the lower results in the LNG trading activities, and considering the negative sourcing impact during the first quarter of 2017.

Ebitda for the power business was €26 m, compared to €9 m during the same period of 2016, which had been impacted by the outage of the Matosinhos cogeneration and by the unfavourable lag of the natural gas purchase price and the sale price of energy produced

RCA Ebit decreased €121 m YoY to €90 m. IFRS Ebit was €95 m, compared to €208 m the previous year.

Results from associated companies reached €75 m, up €26 m YoY, reflecting the inclusion of results from the 77.5% stake in Galp Gás Natural Distribuição (GGND) in this caption.

7. Financial data

7.1. Income statement

€m (RCA, except otherwise stated)

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
Turnover	9,572	11,515	1,943	20%
Cost of goods sold	(7,424)	(8,806)	1,382	19%
Supply & Services	(926)	(1,126)	200	22%
Personnel costs	(231)	(233)	2	1%
Other operating revenues (expenses)	24	29	5	22%
Ebitda RCA	**1,015**	**1,379**	**364**	**36%**
Ebitda IFRS	**922**	**1,407**	**485**	**53%**
Depreciation, Amortisation and Impairments	(462)	(590)	128	28%
Provisions	(19)	(14)	(6)	(29%)
Ebit RCA	**534**	**775**	**242**	**45%**
Ebit IFRS	**322**	**799**	**477**	**n.m.**
Net income from associated companies	61	113	52	85%
Financial results	3	(37)	(40)	n.m.
Net interests	(79)	(59)	(20)	(25%)
Capitalised interest	72	72	0	1%
Exchange gain (loss)	(7)	(9)	(1)	(17%)
Mark-to-market of hedging derivatives	31	(25)	(56)	n.m.
Other financial costs/income	(14)	(17)	(3)	(19%)
Net income RCA before taxes and non-controlling interests	**597**	**851**	**254**	**43%**
Taxes[1]	(201)	(378)	177	88%
Non-controlling interests	(34)	(56)	22	64%
Net income RCA	**361**	**416**	**55**	**15%**
Non recurring items	(215)	(48)	(167)	(77%)
Net income RC	**146**	**368**	**222**	**n.m.**
Inventory effect	(47)	30	77	n.m.
Net income IFRS	**99**	**397**	**298**	**n.m.**

[1] Includes corporate income taxes and taxes payable on oil and gas production.

Nine months

RCA Ebitda was €1,379 m, a 36% increase YoY, following a higher contribution from E&P and R&M, which more than offset the effect of the gas infrastructure business deconsolidation. IFRS Ebitda was €1,407 m.

RCA Ebit increased €242 m to €775 m and IFRS Ebit reached €799 m.

Results from associated companies increased €52 m to €113 m, on the back of the E&P and G&P associated vehicles contribution.

Financial results were negative €37 m, down €40 m YoY, mainly due to a €56 m change in the mark-to-market of refining hedging derivatives.

RCA taxes increased €177 m to €378 m, with taxes on oil and gas production reaching €170 m.

Non-controlling interests, mainly attributable to Sinopec's stake in Petrogal Brasil, reached €56 m.

RCA net income was €416 m, while IFRS net income was €397 m. The inventory effect was €30 m and non-recurring items accounted for €48 m.

CESE in Portugal had a negative impact on IFRS results of around €43 m, including €17 m related to CESE I, which annual impact is fully accounted for in the first quarter of the year.

These provisions related to CESE result from the strict applicability of accounting standards. However, in Galp's opinion, based on the opinion of renowned national legal experts, the laws regarding CESE have no legal grounds and, accordingly, such amounts are not due.

7.2. Capital expenditure

€m

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
Exploration & Production	770	560	(209)	(27%)
Exploration and appraisal activities	36	35	(1)	(3%)
Development and production activities	734	525	(208)	(28%)
Refining & Marketing	84	70	(14)	(17%)
Gas & Power	19	6	(13)	(66%)
Others	1	1	(0)	(12%)
Capex	**874**	**638**	**(236)**	**(27%)**

Nine months

During the first nine months of 2017, capital expenditure reached €638 m, down 27% YoY, mainly as a result of the advanced execution stage of the Lula and Iracema projects and supported by the stronger EUR:USD. In the third quarter of 2017, it should be noted the start of investment in the Coral South project, in Mozambique's Area 4.

E&P activities accounted for 88% of the total, with development activities in BM-S-11 accounting for c.70% of the investment in E&P. Regarding exploration and appraisal activities, it is of note the 3D seismic acquisition campaign in São Tomé and Principe, which lasted until August.

Investment in downstream activities (R&M and G&P) amounted to €77 m and was mainly allocated to refining maintenance activities, downstream network development and customer relationship management (CRM) programmes.

7.3. Cash flow

Indirect method

€m (IFRS figures)

	Nine Months	
	2016	2017
Ebit	322	799
Dividends from associates	44	99
Depreciation, Depletion and Amortisation (DD&A)	575	593
Change in Working Capital	(30)	(53)
Cash flow from operations	**911**	**1,439**
Net capex[1]	(854)	(618)
Net financial expenses	(79)	(59)
Corporate income taxes and oil and gas production taxes	(142)	(304)
Dividends paid	(382)	(423)
Post-dividend free cash flow	**(546)**	**35**
Others[2]	163	(132)
Change in net debt	**383**	**96**

[1] The nine months of 2017 include the proceeds of €22 m from the sale of the 25% indirect stake in Âncora project.
[2] Includes CTAs (Cumulative Translation Adjustment) and partial reimbursement of the loan granted to Sinopec.

Nine months

Post-dividend free cash flow generated during the first nine months of 2017 was positive by €35 m, despite the €423 m payment in dividends.

Cash flow from operating activities benefited from improved business performance in E&P and R&M.

Direct method

€m

	Nine Months	
	2016	2017
Cash and equivalents at the beginning of the period[1]	**1,045**	**923**
Received from customers	10,914	12,993
Paid to suppliers	(6,494)	(8,218)
Staff related costs	(256)	(240)
Dividends from associated companies	44	99
Taxes on oil products (ISP)	(2,015)	(2,009)
VAT, Royalties, PIS, Cofins, Others	(1,197)	(1,219)
Total operating flows	**996**	**1,406**
Net capex[2]	(913)	(631)
Net Financial Expenses	(99)	(81)
Dividends paid	(382)	(423)
Corporate income taxes and oil and gas production taxes	(142)	(304)
Net new loans	420	(82)
Sinopec loan reimbursement	134	42
FX changes on cash and equivalents	27	(104)
Cash and equivalents at the end of the period[1]	**1,084**	**746**

[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] The nine months of 2017 include the proceeds of €22 m from the sale of the 25% indirect stake in Âncora project.

7.4. Financial position and debt

€m (IFRS figures)

	31 Dec, 2016	30 Sep, 2017	Var. vs 31 Dec, 2016
Net fixed assets	7,721	7,505	(216)
Working capital	512	565	53
Loan to Sinopec	610	512	(98)
Other assets (liabilities)	(428)	(648)	(220)
Non-current assets/liabilities held for sale	(1)	-	1
Capital employed	**8,414**	**7,934**	**(480)**
Short term debt	325	709	383
Medium-Long term debt	2,578	2,038	(540)
Total debt	**2,903**	**2,746**	**(156)**
Cash and equivalents	1,032	780	(253)
Net debt	**1,870**	**1,967**	**96**
Total equity	**6,543**	**5,968**	**(576)**
Total equity and net debt	**8,414**	**7,934**	**(480)**

On September 30, 2017, net fixed assets stood at €7,505 m, up €47 m compared to the end of June, as capital expenditure more than offset depreciation charges and exchange rate effects in the period.

Work-in-progress, mainly related to the E&P business, totalled €2,463 m at the end of September.

Financial debt

€m (except otherwise stated)

	31 Dec, 2016	30 Sep, 2017	Var. *vs* 31 Dec, 2016
Bonds	1,683	1,665	(18)
Bank loans and other debt	1,220	1,082	(138)
Cash and equivalents	(1,032)	(780)	253
Net debt	**1,870**	**1,967**	**96**
Net debt including loan to Sinopec[1]	**1,260**	**1,455**	**195**
Average life (years)	2.6	2.1	(0.5)
Average funding cost	3.52%	3.45%	(0.07 p.p.)
Net debt to Ebitda RCA[2]	1.0x	0.9x	-

[1] Net debt of €1,455 m adjusted for the €512 m loan to Sinopec. [2] As at 30 September 2017, ratio considers net debt including loan to Sinopec as cash, plus €159 m corresponding Sinopec MLT Shareholder Loan to Petrogal Brasil, and LTM RCA Ebitda of €1,776 m.

On September 30, 2017, net debt stood at €1,967 m, up €96 m compared to the end of 2016.

Considering the €512 m balance of the Sinopec loan as cash, net debt at the end of the period totalled €1,455 m, resulting in a net debt to Ebitda ratio of 0.9x. This ratio also considers Sinopec's €159 m shareholder loan to Petrogal Brasil as of the end of the period.

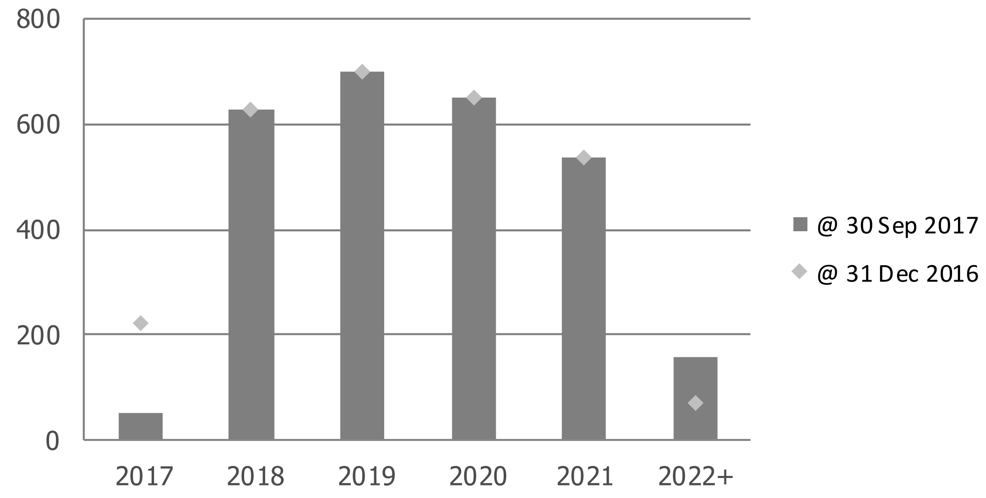
The average funding cost stood at 3.45% during the period.

At the end of September, c.48% of total debt was on a fixed-rate basis. Debt had an average maturity of 2.1 years, and medium and long-term debt accounted for 74% of total debt.

At the end of September, Galp had unused credit lines of approximately €1.3 bn. Of this amount, around 70% was contractually guaranteed.

Debt maturity profile

€m



7.5. RCA turnover by segment

€m

	Nine Months			
	2016	2017	Var. YoY	% Var. YoY
RCA Turnover	**9,572**	**11,515**	**1,943**	**20%**
Exploration & Production	491	960	468	95%
Refining & Marketing	7,679	8,744	1,065	14%
Gas & Power	1,807	1,936	128	7%
Other	89	96	7	8%
Consolidation adjustments	(494)	(220)	274	55%

7.6. Reconciliation of IFRS and replacement cost adjusted figures

Ebitda by segment

€ m

2017	Nine Months				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	**1,407**	**(31)**	**1,376**	**3**	**1,379**
E&P	606	-	606	0	606
R&M	663	(28)	636	3	639
G&P	117	(4)	113	-	113
Others	21	-	21	(0)	21

€ m

2016	Nine Months				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	**922**	**62**	**984**	**31**	**1,015**
E&P	249	-	249	13	262
R&M	396	56	452	19	471
G&P	256	6	262	(2)	260
Others	22	-	22	1	22

Ebit by segment

€ m

2017	Nine Months				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	**799**	**(31)**	**768**	**7**	**775**
E&P	293	-	293	2	295
R&M	394	(28)	366	7	373
G&P	95	(4)	92	(1)	90
Others	18	-	18	(0)	18

€ m

2016	Nine Months				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	**322**	**62**	**384**	**150**	**534**
E&P	(75)	-	(75)	123	48
R&M	171	56	227	29	256
G&P	208	6	214	(3)	211
Others	18	-	18	1	19

Non-recurring items

€m

	Nine Months	
	2016	2017
Non-recurring items impacting Ebitda	**31.1**	**3.0**
Accidents caused by natural events and insurance compensation	(2.1)	0.1
Gains/losses on disposal of assets	(1.0)	(0.7)
Asset write-offs	1.0	(0.0)
Employee restructuring charges	14.7	-
Advisory fees and others	0.2	-
Compensation early termination agreement for service and equipment	11.9	-
Litigation costs	6.3	3.6
Non-recurring items impacting non-cash costs	**118.7**	**4.1**
Provisions for environmental charges and others	5.5	1.2
Asset impairments	113.1	2.9
Non-recurring items impacting financial results	**28.3**	**(11.1)**
Gains/losses on financial investments	13.3	(11.1)
Provision for financial investments	15.0	-
Non-recurring items impacting taxes	**42.4**	**52.2**
Income taxes on non-recurring items	(18.0)	(1.8)
Energy sector contribution taxes	60.4	54.0
Non-controlling interests	**(5.2)**	**0.3**
Total non-recurring items	**215.4**	**48.5**

8. Basis of presentation

Galp's consolidated financial statements have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the nine months ended on 30 September 2017 and 2016. The consolidated financial position is reported on 30 September 2017 and on 31 December 2016.

Galp's financial statements are prepared in accordance with IFRS, and the cost of goods sold is valued at weighted-average cost. When goods and commodity prices fluctuate, the use of this valuation method may cause volatility in results through gains or losses in inventories, which do not reflect the Company's operating performance. This is called the inventory effect.

Another factor that may affect the Company's results, without being an indicator of its true performance, is the set of non-recurring items, namely gains or losses on the disposal of assets, impairments or reinstatements of fixed assets, and environmental or restructuring charges.

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

Recent changes

Effective on 1 January 2017, exploration expenses written-off in the E&P business are considered as recurring items.

Effective on 1 October 2016, the contribution of the trading activity of oil produced, which was previously accounted for in the R&M business, started to be accounted for in the E&P business.

During the fourth quarter of 2016, the useful life of certain refining assets was revised, contributing to an increase in depreciation and amortisation charges starting from the second half of 2017.

9. Consolidated statement of financial position

Galp Energia, SGPS, S.A. and subsidiaries
Consolidated Statement of Financial Position as of 30 September 2017 and 31 December 2016
(Amounts stated in thousand Euros - €K)

Assets	Notes	September 2017	December 2016
Non-current assets:			
Tangible assets	12	5,658,455	5,910,111
Goodwill	11	84,012	86,758
Intangible assets	12	256,488	267,551
Investments in associates and joint ventures	4	1,473,888	1,431,598
Financial assets available for sale	4	2,765	2,735
Trade receivables	15	505	1,081
Other receivables	14	241,895	245,535
Deferred tax assets	9	309,601	334,984
Other financial investments	17 and 27	32,315	26,402
Total non-current assets:		**8,059,924**	**8,306,755**
Current assets:			
Inventories	16	914,942	868,924
Trade receivables	15	1,013,672	1,041,070
Loans to Sinopec	14	511,676	610,003
Other receivables	14	573,335	555,814
Other financial investments	17 and 27	27,873	18,953
Income tax receivables	9	11,400	-
Cash and cash equivalents	18	779,980	1,033,498
		3,832,878	**4,128,262**
Non current assets held for sale	3.2	-	4,128
Total current assets:		**3,832,878**	**4,132,390**
Total assets:		**11,892,802**	**12,439,145**

EQUITY AND LIABILITIES	Notes	September 2017	December 2016
Equity:			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	2,633,675	3,095,103
Retained earnings		568,682	795,014
Consolidated net income for the year	10	397,129	179,097
Total equity attributable to shareholders:		**4,510,743**	**4,980,471**
Non-controlling interests	21	1,456,759	1,562,936
Total equity:		**5,967,502**	**6,543,407**
Liabilities:			
Non-current liabilities:			
Bank loans	22	940,276	911,873
Bonds	22	1,097,508	1,665,656
Other payables	24	290,441	305,076
Post-employment and other employee benefits liabilities	23	347,718	359,122
Deferred tax liabilities	9	130,337	65,813
Other financial instruments	27	18,280	1,222
Provisions	25	576,114	429,487
Total non-current liabilities:		**3.400.674**	**3.738.249**
Current liabilities:			
Bank loans and overdrafts	22	141,543	308,308
Bonds	22	567,058	16,855
Trade payables	26	798,894	850,412
Other payables	24	933,604	884,008
Other financial instruments	27	27,332	17,056
Current income tax payables	9	56,195	75,440
		2,524,626	**2,152,079**
Liabilities associated with non current assets held for sale	3.2	-	5,410
Total current liabilities:		**2,524,626**	**2,157,489**
Total liabilities:		**5,925,300**	**5,895,738**
Total equity and liabilities:		**11,892,802**	**12,439,145**

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 September 2017.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated Income Statement for the nine month period ended 30 September 2017 and 2016

(Amounts stated in thousand Euros - €K)

	Notes	September 2017	September 2016 restated	
Operating income:				
Sales	5	11,059,188	9,085,502	(a)
Services rendered	5	455,624	486,615	
Other operating income	5	83,948	89,280	
Total operating income:		**11,598,760**	**9,661,397**	(a)
Operating costs:				
Cost of sales	6	8,775,088	7,485,919	
External supplies and services	6	1,129,234	947,521	(a)
Employee costs	6	232,682	245,337	
Amortisation, depreciation and impairment losses on fixed assets	6	593,233	575,225	
Provisions and impairment losses on receivables	6	14,895	24,849	
Other operating costs	6	54,291	60,324	
Total operating costs:		**10,799,423**	**9,339,175**	(a)
Operating income:		**799,337**	**322,222**	
Financial income	8	24,597	24,196	
Financial costs	8	(28,076)	(45,512)	
Exchange (losses) gains		(8,677)	(7,420)	
Income from financial investments and impairment losses on Goodwill	4 and 11	123,688	32,468	
Income from financial instruments	27	(25,143)	31,244	
Income before taxes:		**885,726**	**357,198**	
Income tax	9	(378,067)	(168,819)	
Energy sector extraordinary contribution	9	(53,974)	(60,382)	
Consolidated net income for the period		**453,685**	**127,997**	
Income attributable to:				
Non-controlling interests	21	**56,556**	**29,053**	
Galp Energia SGPS, S.A. Shareholders	10	**397,129**	**98,944**	
Earnings per share (in Euros)	10	**0.48**	**0.12**	

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

The accompanying notes form an integral part of the consolidated income statement for the nine month period ended 30 September 2017.

energy creates energy

galp

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated Statement of Comprehensive Income for the nine month period ended 30 September 2017 and 30 September 2016 and for the year ended 31

(Amounts stated in thousand Euros - €K)

		September 2017		September 2016		December 2016	
	Notes	Atributtable to the Shareholders	Non-controlling interests (Note 21)	Atributtable to the Shareholders	Non-controlling interests (Note 21)	Atributtable to the Shareholders	Non-controlling interests (Note 21)
Consolidated net income for the period [A]	10	**397,129**	**56,556**	**98,944**	**29,053**	**179,097**	**28,598**
Other comprehensive income for the period which will not be recycled in the future through net income of the period [B]:		**9,109**	**1**	**22,044**	**(2)**	**(2,011)**	**(12)**
Actuarial Gains and losses - pension fund:		**9,109**	**1**	**22,044**	**(2)**	**(2,011)**	**(12)**
Actuarial Gains and losses - pension fund (Group Companies)	23	10,426	1	26,797	(2)	2,773	(12)
Tax related to actuarial gains and losses - pension fund (Group Companies)	9 and 23	(2,021)	-	(4,753)	-	(293)	-
Actuarial Gains and losses - pension fund (Associates/joint ventures)	23	865	-	-	-	(5,629)	-
Tax related to actuarial gains and losses - pension fund (Associates/joint ventures)	23	(161)	-	-	-	1,138	-
Other comprehensive income for the period which will be recycled in the future through net income of the period [C]:		**(462,309)**	**(158,348)**	**126,575**	**59,554**	**409,604**	**150,361**
Currency exchange differences:		**(464,690)**	**(158,348)**	**127,532**	**59,554**	**404,078**	**150,361**
Currency exchange differences (Group companies)	20.1	(336,907)	(160,731)	(719)	(3,675)	240,686	98,471
Currency exchange differences (Associates/ joint ventures)	4 and 20.1	(130,597)	-	(18,671)	-	41,502	-
Currency exchange differences - Goodwill	11 and 20	(2,746)	-	(609)	-	815	-
Currency exchange differences - Financial allocation ("quasi capital")	20.1	8,425	3,611	223,533	95,800	183,447	78,621
Deferred tax related to components of Currency exchange differences - Financial allocations ("quasi capital")	9.3 and 20.1	(2,865)	(1,228)	(76,002)	(32,571)	(62,372)	(26,731)
Hedging reserves:		**2,381**	**-**	**(957)**	**-**	**5,526**	**-**
Increases / (decreases) in hedging reserves (Group companies)	27 and 20.2	3,738	-	(637)	-	7,353	-
Deferred tax related to hedging reserves components (Group companies)	9.3 and 20.2	(841)	-	143	-	(1,654)	-
Increases / (decreases) in hedging reserves (Associates/joint ventures)	27 and 20.2	(619)	-	(513)	-	(223)	-
Deferred tax related to hedging reserves components (Associates/joint ventures)	20.2	103	-	50	-	50	-
Other increases/decreases [D]		**-**	**(4)**	**-**	**5**	**-**	**10**
Other increases/decreases	21	-	(4)	-	5	-	10
Other Comprehensive income for the period net of taxes [E] = [B]+[C]+[D]		**(453,200)**	**(158,351)**	**148,619**	**59,557**	**407,593**	**150,359**
Comprehensive income for the period atributtable to shareholders		**(56,071)**		**247,563**		**586,690**	
Comprehensive income for the period atributtable to non-controlling interests	**21**		**(101,795)**		**88,610**		**178,957**
Total Comprehensive income for the period [A]+[E]		**(56,071)**	**(101,795)**	**247,563**	**88,610**	**586,690**	**178,957**

The accompanying notes form an integral part of the consolidated statement of comprehensive Income for the nine month period ended 30 September 2017.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated Statement of changes in equity for the nine month period ended 30 September 2017 and 30 September 2016 and for the year ended 31 December 2016

(Amounts stated in thousand Euros - €K)

Changes in the period	Notes	Share Capital (Note 19)	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 period	Sub-Total	Non-controlling interests (Note 21)	Total
Balance as of 1 January 2016		**829,251**	**82,006**	**(233)**	**2,684,293**	**(1,666)**	**(120,402)**	**1,176,263**	**122,566**	**4,772,078**	**1,416,046**	**6,188,124**
Consolidated net income for the period	10	-	-	-	-	-	-	-	98,944	98,944	29,053	**127,997**
Other gains and losses recognised in Equity		-	-	127,532	-	(957)	22,044	-	-	148,619	59,557	**208,176**
Comprehensive income for the period		**-**	**-**	**127,532**	**-**	**(957)**	**22,044**	**-**	**98,944**	**247,563**	**88,610**	**336,173**
Dividends distributed / Interim dividends		-	-	-	-	-	-	(378,297)	-	(378,297)	(3,251)	**(381,548)**
Increase in share capital of subsidiaries		-	-	-	-	-	-	-	-	-	(2)	**(2)**
Increase of reserves by appropriation of profit		-	-	-	-	-	-	122,566	(122,566)	-	-	-
Balance as of 30 September 2016		**829,251**	**82,006**	**127,299**	**2,684,293**	**(2,623)**	**(98,358)**	**920,532**	**98,944**	**4,641,344**	**1,501,403**	**6,142,747**
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		-	-	-	-	-	-	-	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		-	-	-	-	-	-	(378,297)	-	(378,297)	(12,547)	**(390,844)**
Changes in the consolidation perimeter		-	-	-	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**
Balance as of 1 January 2017		**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**
Consolidated net income for the period	10	-	-	-	-	-	-	-	397,129	397,129	56,556	**453,685**
Other gains and losses recognised in Equity		-	-	(464,690)	-	2,381	9,109	-	-	(453,200)	(158,351)	**(611,551)**
Comprehensive income for the period		**-**	**-**	**(464,690)**	**-**	**2,381**	**9,109**	**-**	**397,129**	**(56,071)**	**(101,795)**	**(157,866)**
Dividends distributed / Interim dividends	30	-	-	-	-	-	-	(413,657)	-	(413,657)	(4,382)	**(418,039)**
Increase in share capital of Joint ventures	4	-	-	-	-	881	-	(881)	-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-	-	-	179,097	(179,097)	-	-	-
Balance as of 30 September 2017		**829,251**	**82,006**	**(60,845)**	**2,687,354**	**7,166**	**(108,768)**	**677,450**	**397,129**	**4,510,743**	**1,456,759**	**5,967,502**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the nine month period ended 30 September 2017.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated Statement of Cash Flow for the nine month period ended 30 September 2017 and 30 September 2016 and for the year ended 31 December 2016

(Amounts stated in thousand Euros - €K)

	Notes	September 2017	September 2016	December 2016
Operating activities:				
Cash received from customers		12,993,027	10,913,812	15,156,153
Cash (payments) to suppliers		(8,217,819)	(6,493,641)	(9,093,921)
(Payments) relating to Tax on oil products ("ISP")		(2,009,303)	(2,015,266)	(2,752,218)
(Payments) relating to VAT		(1,101,626)	(1,040,990)	(1,412,350)
(Payments) relating to Royalties, levies, "PIS" and "COFINS" and Others		(80,899)	(50,448)	(78,823)
Operating gross margin		**1,583,380**	**1,313,467**	**1,818,841**
Salaries, contributions to the pension fund and other benefits (payments)		(129,106)	(133,644)	(214,432)
Withholding income taxes (payments)		(59,837)	(65,575)	(83,165)
Social Security contributions		(51,101)	(56,324)	(75,074)
Payments relating to employees		**(240,044)**	**(255,543)**	**(372,671)**
Other receipts/(payments) relating to the operational activity		(36,836)	(106,058)	(80,078)
Cash flows from operations		**1,306,500**	**951,866**	**1,366,092**
(Payments)/receipts of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(303,550)	(142,424)	(172,408)
Cash flows from operating activities (1)		**1,002,950**	**809,442**	**1,193,684**
Investing activities:				
Cash receipts from disposal of tangible and intangible assets		305	577	946
Cash (payments) for the acquisition of tangible and intangible assets		(493,559)	(764,523)	(1,042,556)
Cash receipts relating to financial investments	3.3	805	13,000	164,210
Cash (payments) relating to financial investments	3.3	(159,015)	(162,159)	(189,604)
Net investment		**(651,464)**	**(913,105)**	**(1,067,004)**
Cash receipts from loans granted		63,883	133,843	133,843
Cash (payments) relating to loans granted		(5,548)	(5,477)	(6,818)
Cash receipts from interests and similar income		11,705	13,106	17,581
Cash receipts relating to dividends	4.5	99,246	43,786	70,115
Cash flows from investing activities (2)		**(482,178)**	**(727,847)**	**(852,283)**
Financing activities:				
Cash receipts from loans obtained		1,095,445	2,046,663	2,536,836
Cash (payments) relating to loans obtained		(1,174,649)	(1,621,707)	(2,568,791)
Cash receipts/(payments) from interests and similar costs		(92,898)	(112,542)	(137,277)
Dividends paid		(423,043)	(381,537)	(387,409)
Other financing activities		1,312	262	395
Cash flows from financing activities (3)		**(593,833)**	**(68,861)**	**(556,246)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(73,061)	12,734	(214,845)
Effect of foreign exchange rate changes in cash and cash equivalents		(103,804)	26,740	130,630
Cash changes by changes in the consolidation perimeter		-	-	(38,441)
Cash and cash equivalents at the beginning of the period		923,243	1,044,851	1,044,851
Cash and cash equivalents related to non current assets held for sale	3	-	(43,127)	1,048
Cash and cash equivalents at the end of the period	**18**	**746,378**	**1,041,198**	**923,243**

'The accompanying notes form an integral part of the consolidated statement of cash flow for the nine month period ended 30 September 2017

11. Appendices

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2017

1. Introduction

1.1. Parent Company:

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

The Company shareholding structure as of 30 September 2017 is stated in Note 19.

The Company is listed on the Euronext Lisbon stock exchange.

1.2. The Group:

As of 30 September 2017 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 & 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.

1.2.1. Upstream activities

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

1.2.2. 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 centers. This retail marketing activity, using the Galp brand, also includes Angola, Cape Verde, Spain, Guinea-Bissau, Mozambique and Swaziland through Group subsidiaries.

1.2.3. Natural gas activity and energy production and supply

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

Galp natural gas business encompasses a set of activities, including the sourcing and supply to final customers in the Iberian Peninsula.

The natural gas activity, including Sourcing 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 (AGU). So as to meet the demand of its customers, Galp has long-term sourcing 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:

1.2.3.1. Distribution Network Operators

Activity of Purchase and Sale of natural gas in the management of long-term supply contracts Take or Pay (ToP) entered before the publication of Directive 2003/55 / EC of 26 June Natural Gas National Distribution Network (NGNDN)

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	Quantities (mm3/year)	Duration (years)	Beginning on
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 unrealised gains or losses recorded in the income statement.

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

The natural gas purchase and sale activity for supply to the last resort wholesaler includes the following functions:

- Natural gas purchase and sale function, resulting from the acquisition of natural gas, directly or through auctions, under long-term sourcing contracts, of the supplier of natural gas national system;

- Natural gas purchase and sale function in organised markets or through bilateral contracts (not applicable to Galp for the period under review).

1.2.3.2. Commercialisation of last resort retailers

The natural gas marketing activity, exercised by the last resort retailers, includes the following functions:

- Natural gas purchase and sale;

- Access to the Natural Gas National Transportation Network (NGNTN) and Natural Gas National Distribution Network (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 sourcing;

- Natural gas distribution: Portugal;

- Natural gas and electricity supply: Portugal and Spain;

- Electricity production: Portugal.

2. Main Accounting Policies

Galp consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value, based on the accounting records of the companies included in the consolidation maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the period beginning in 1 January 2017. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the Standing Interpretation Committee ("SIC") and International Financial Reporting Interpretation Committee ("IFRIC"). These standards and interpretations are hereinafter referred to as "IFRS".

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

As of 30 September 2017 were disclosed only material changes required by IFRS 7 – Financial Instruments: Disclosures. For all other disclosures under this standard refer to the Company's consolidated financial statements as of 31 December 2016.

For a detailed description of the accounting policies adopted by Galp Energia refer to the consolidated financial statements of the Company as of 31 December 2016.

2.1 Changes in accounting policies

In the period ended 30 September 2017, the Group has reclassified the costs related to cross campaigns, which were recorded under the caption "External Supplies and services" to the caption "Sales".

The Company believes that this change better reflects the nature of the operation and has retrospectively reflected the impact on their corresponding figures. As of 30 September2017 the amount reclassified is of €22,465 k.

The financial statements were restated as at 30 September 2016, being the impacts in the income statement described in the table below:

Income Statement:

unit: €k

Captions	Notes	September 2016	Reclassification	September 2016 restated
Operating income:				
Sales	5	9,107,967	(22,465)	9,085,502
Services rendered	5	486,615	-	486,615
Other operating income	5	89,280	-	89,280
Total operating income:		**9,683,862**	**(22,465)**	**9,661,397**
Operating costs:				
Cost of sales	6	7,485,919	-	7,485,919
External supplies and services	6	969,986	(22,465)	947,521
Employee costs	6	245,337	-	245,337
Amortisation, depreciation and impairment losses on fixed assets	6	575,225	-	575,225
Provisions and impairment losses on receivables	6	24,849	-	24,849
Other operating costs	6	60,324	-	60,324
Total operating costs:		**9,361,640**	**(22,465)**	**9,339,175**
Operating income:		**322,222**	**-**	**322,222**
Financial income	8	24,196	-	24,196
Financial costs	8	(45,512)	-	-45,512
Exchange (losses) gains		(7,420)	-	-7,420
Income from financial investments and impairment losses on Goodwill	4 and 11	32,468	-	32,468
Income from financial instruments	27	31,244	-	31,244
Income before taxes:		**357,198**	**-**	**357,198**
Income tax	9	(168,819)	-	(168,819)
Energy sector extraordinary contribution	9	(60,382)	-	(60,382)
Consolidated net income for the period		**127,997**	**-**	**127,997**
Income attributable to:				
Non-controlling interests	21	**29,053**	**-**	**29,053**
Galp Energia SGPS, S.A. Shareholders	10	**98,944**	**-**	**98,944**
Earnings per share (in Euros)	10	**0.12**	**-**	**0.12**

3. Consolidated Companies

3.1. Consolidation perimeter

During the period ended 30 September 2017, the following changes occurred in the consolidation perimeter:

a) ***Disposals***

On 17 October, 2016, Galp group, through its subsidiaries Petróleos de Portugal - Petrogal, SA and Galp Energia SGPS, S.A., holding respectively 99.98% and 0.02% of the share capital of the subsidiary Galp Gambia, Limited, reached an agreement to sell to Premiere Investment Group, SAL, 100% of the share capital of 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 was recognised as of 31 December 2016, 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 €3,628 k, based on the agreed initial price plus adjustments, as established in the SPA.

Resulting from this operation the Group has recognised in the income statement under the caption Income from financial investments a gain in the amount of €4,064 k (Note 4.4).

3.2. Changes in the consolidation perimeter

Changes in the consolidation perimeter for the period ended 30 September 2017 had the following impact in the consolidated statement of financial position of the Galp group:

unit: €k

Statement of financial position	Notes	Galp Gambia, Limited 17 January 2017	Non current assets held for sale as of 31 December 2016	IntraGroup Eliminations Galp Energia, SGPS, S.A. as of 31 December 2016	Statement of financial position as of 31 December 2016
Non-current assets:					
Tangible assets		-	(2,141)	-	2,141
Intangible assets		-	(189)	-	189
Total non-current assets:		**-**	**(2,330)**	**-**	**2,330**
Current assets:					
Inventories		-	(309)	-	309
Trade receivables		-	(331)	(254)	585
Other receivables		-	(567)	7	560
Cash and cash equivalents		-	(591)	-	591
		-	**(1,798)**	**(247)**	**2,045**
Non current assets held for sale		4,375	4,128	247	-
Total current assets:		**4,375**	**2,330**	**-**	**2,045**
Total assets:		**4,375**	**-**	**-**	**4,375**
Liabilities:					
Current liabilities:					
Bank loans and overdrafts		-	(1,639)	-	1,639
Trade payables		-	(3,308)	(18)	3,326
Other payables		-	(396)	68	328
Current income tax payable		-	(67)	-	67
		-	**(5,410)**	**50**	**5,360**
Liabilities associated with non current assets held for sale		5,360	5,410	(50)	-
Total current liabilities:		**5,360**	**-**	**-**	**5,360**
Total liabilities:		**5,360**	**-**	**-**	**5,360**

% disposed		**100%**
Selling price		5,327
Adjustment to the selling price on January 2017	**3.3**	(1,410)
Adjustment to the selling price to be executed		(289)
Adjusted selling price [A]		**3,628**
Assets minus Liabilities		(985)
Non controlling interests		-
Book value of financial investment [B]		**(985)**
Translation reserve [C]		**549**
Income from financial investments [A] - [B] - [C]	**4.4**	**4,064**

3.3. Reconciliation of the caption Receipts and Payments on Financial investments presented in the consolidated statement of cash flow – Investment activities

The amount of €805 k presented in the caption Receipts from financial investments and the amount of €159,015 k presented in the caption Payments of financial investments from the consolidated statement of cash flow – Investment activities presents the following detail:

unit: €k

Investing activities:	Notes	September 2017
Cash receipts relating to financial investments related to:		**805**
Interest held by the subsidiary GDP - Gás de Portugal, SGPS, S.A.		
Decrease in supplementary capital contributions performed by the joint venture Ventinveste, S.A.	4.1 (c)	805
Cash payments relating to financial investments related to:		**(159,015)**
Interest held by the subsidiary Petróleos de Portugal - Petrogal, S.A and Galp Energia, SGPS, S.A.		
Adjustment to the advance payment from the SPA signed with Premiere Investment Group, SAL, for disposal of 100% of the share capital of Galp Gambia, Limited.	3.1 a) and 3.2	(1,410)
Capital increase in Galpek, Lda.	4.1 (d)	(938)
Interest held by the subsidiary Galp Energia Rovuma B.V.		
Subscription and realization of capital in Coral FLNG, S.A.	4.1 (e)	(39,357)
Subscription and realization of capital in Coral South FLNG DMCC	4.1 (f)	(11)
Interest held by the subsidiary Galpgeste - Gestão de Áreas de Serviço, S.A.		
Capital increase in Caiageste - Gestão de Áreas de Serviço, Lda.	4.1 (g)	(35)
Interest held by the subsidiary Galp Sinopec Brazil Services, B.V.		
Capital increase in Tupi, B.V.	4.1 (a)	(102,032)
Interest held by the subsidiary Galp Bioenergy B.V.		
Capital increase in Belém Bioenergia Brasil, S.A.	4.1 (b)	(15,232)

4. Financial Investments

4.1. Investments in Joint ventures

During the period ended 30 September 2017, the following changes occurred in the investments in joint ventures:

a) *Disposals*

In November 2016, the Galp group, through the joint venture Ventinveste, S.A. reached an agreement with First State Benedict S.A.R.L. to sell the share capital held in Ancora Wind – Energia Eólica, S.A.. The control of Ancora Wind-Energia Eólica, S.A. was shared between Ventinveste, S.A. and Ferrostaal GmbH, holding 50% each of its share capital.

On 29 March 2017, the disposal was concluded. Following this operation, the Group has recognised in the income statement under the caption Income from financial investments a gain in the amount of €20,453 k and transferred to the caption Retained earnings the amount of €881 k resulting from hedging reserves:

unit: €k

Impact in the Joint venture Ventinveste, S.A.		
% disposed through the joint venture Ventinveste, S.A.	50.00%	
Share value		39,530
Supplementary capital contributions		30,625
Selling price adjustments		(1,182)
Selling price [A]		**68,973**
Assets minus liabilities for the Ancora Wind – Energia Eólica, S.A. Group at disposal date		58,515
Book value of the financial investment [B]		**29,258**
Income from financial investments registered in the joint venture Ventinveste, S.A. [A] - [B]		**39,715**
Hedging reserves		**(1,712)**
Retained earnings		**1,712**
Impact in Galp Group		
Galp Energia, SGPS, S.A. holds:		
100% of the subsidiary GDP - Gás de Portugal, SGPS, S.A. holding:		
35% of the joint venture Ventinveste, S.A.	35.00%	13,900
50% of the joint venture Parque Eólico da Penha da Gardunha, Lda. holding:	50.00%	-
33% of the joint venture Ventinveste, S.A.	33.00%	6,553
Income from financial investments registered in GalpEnergia Group		**20,453**
Hedging reserves		**(881)**
Retained earnings		**881**

b) ***Established company***

On April 2017, the following joint ventures were established:

- Coral FLNG, SA, whose activity is: contract the detailed project and its construction, develop, install, start, finance, hold, charge, use, manage and maintain the Coral South floating natural gas facilities, including any onshore or offshore auxiliary facilities, in order to provide processing, liquefaction, storage and offloading services to Area 4 Concessionaires in line with the Concession Contract for Research and Production of Area 4 and all its Annexes, Supplemental Agreement of South Coral and its annexes and Development Plan for Coral 441 approved by the Government of the Republic of Mozambique on 23 February 2016;

- Coral South FLNG DMCC, whose activity is to develop investments in energy projects in the Rovuma basin offshore, in the Republic of Mozambique, and any other businesses related to this activity, as permitted under the license attributed by the Dubai authorities.

The control of these joint ventures is shared between: the subsidiary Galp Energia Rovuma BV, ENI Mozambique LNG Holdings BV, CNODC Mozambique BV, Empresa Nacional de Hidrocarbonetos EP and KG Mozambique, which hold respectively 10%, 50%, 20%, 10% and 10% of its share capital.

The changes in the caption "Investments in joint ventures" for the period ended 30 September 2017 that are reflected by the equity method were as follows:

2017: unit: €k

Companies		Initial balance	Increase in investment	Gains / Losses	Translation adjustment	Hedging reserves	Actuarial Gains and	Gain / Loss on the sale	Dividends (Note 4.5)	Transfers / Adjustments (*)	Ending balance
Net value of financial investments		**1,321,451**	**156,800**	**58,019**	**(122,890)**	**365**	**704**	**(139)**	**(51,175)**	**(881)**	**1,362,254**
Investments		**1,322,983**	**156,765**	**58,038**	**(122,890)**	**365**	**704**	**(139)**	**(51,175)**	**(2,379)**	**1,362,272**
Tupi B.V.	(a)	1,026,728	102,032	28,917	(117,804)	-	-	-	-	-	1,039,873
Belem Bioenergia Brasil, S.A.	(b)	38,000	15,232	(10,905)	(3,765)	-	-	-	-	-	38,562
C.L.C. - Companhia Logística de Combustíveis, S.A.		7,045	-	3,639	-	-	-	-	(3,145)	-	7,539
Galp Disa Aviacion, S.A.		6,766	-	1,623	-	-	-	-	-	-	8,389
Parque Eólico da Penha da Gardunha, Lda.		1,572	-	6,089	-	(70)	-	-	-	(282)	7,309
Moçamgalp Agroenergias de Moçambique, S.A.		712	-	-	(72)	-	-	-	-	-	640
Asa - Abastecimento e Serviços de Aviação, Lda.		36	-	22	-	-	-	-	(14)	-	44
Galp Gás Natural Distribuição, S.A.		241,633	-	15,182	-	(219)	704	(139)	(48,016)	-	209,145
Ventinveste, S.A.	(c)	-	(805)	13,994	-	654	-	-	-	(2,097)	11,746
Galpek, Lda	(d)	491	938	(523)	-	-	-	-	-	-	906
Coral FLNG, S.A.	(e)	-	39,357	-	(1,249)	-	-	-	-	-	38,108
Coral South FLNG DMCC	(f)	-	11	-	-	-	-	-	-	-	11
Provisions for investments in joint ventures (Note 25)		**(1,532)**	**35**	**(19)**	**-**	**-**	**-**	**-**	**-**	**1,498**	**(18)**
Ventinveste, S.A.		(1,498)	-	-	-	-	-	-	-	1,498	-
Caiageste - Gestão de Áreas de Serviço, Lda.	(g)	(34)	35	(19)	-	-	-	-	-	-	(18)

(a) €102,032 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) €15,232 k corresponds to the capital increase in Belém Bioenergia Brasil, SA. The control of the entity Belém Bioenergia do Brasil, SA is shared between Galp Bioenergy BV and Petrobras Biocombustíveis SA, each holding 50% of its share capital.

(c) negative €805 k registered in Increases in investments correspond to the decrease of the supplementary capital contributions made by Ventinveste, S.A. to the subsidiary GDP – Gás de Portugal, SGPS, S.A..

(d) €938 k corresponds to the capital increase in Galpek, Lda.

(e) €39,357 k corresponds to the capital increase made by the subsidiary Galp Energia Rovuma B.V. in the joint venture Coral FLNG, S.A..

(f) €1 k corresponds to the capital increase made by the subsidiary Galp Energia Rovuma B.V. in the joint venture Coral South FLNG DMCC.

(g) €35 k corresponds to the capital increase made by the subsidiary Galpgeste - Gestión de Áreas de Serviço, S.A., in Caiageste - Gestão de Áreas de Servicio, Lda ..

(*) €881 k registered in Transfers/adjustments related to Hedging reserves, which from the disposal of the Ancora Wind – Energia Eólica, S.A. Group, was transferred to the caption Retained Earnings (Note 4.1 a)).

(**) The caption Income from financial investments includes the impact related to the disposal of Ancora Wind – Energia Eólica, S.A. and the impact of the equity method as follows:

unit: €k

	Income/Loss	Impact related to the disposal of Ancora Wind – Energia Eólica, S.A.	Impact of the equity method adjustment
	20,083	**20,453**	**(370)**
Parque Eólico da Penha da Gardunha, Lda.	6,089	6,553	(464)
Ventinveste, S.A.	13,994	13,900	94

4.2. Investments in Associates

The changes in the caption "Investments in associates" for the period ended 30 September 2017 was as follows:

2017: unit: €k

Companies	Initial balance	Gains / Losses (Note 4.4)	Translation adjustment	Dividends (Note 4.5)	Ending balance
Net value of financial investments	**106,142**	**61,798**	**(7,707)**	**(51,055)**	**109,178**
Investments	**108,615**	**61,763**	**(7,707)**	**(51,055)**	**111,616**
EMPL - Europe Magreb Pipeline, Ltd	62,922	43,052	(7,507)	(33,316)	65,151
Gasoduto Al-Andaluz, S.A.	15,120	4,357	-	(5,704)	13,773
Gasoduto Extremadura, S.A.	11,483	5,578	-	(7,066)	9,995
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	12,991	6,558	(247)	(4,397)	14,905
Metragaz, S.A.	1,425	130	(56)	(388)	1,111
Terparque - Armazenagem de Combustíveis, Lda.	493	52	-	(118)	427
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	1,243	297	-	-	1,540
IPG Galp Beira Terminal Lda	459	1,525	11	-	1,995
Sodigás-Sociedade Industrial de Gases, S.A.R.L	524	77	1	(66)	536
Galp IPG Matola Terminal Lda	1,955	137	91	-	2,183
Provision for investment in associates (Note 25)	**(2,473)**	**35**	-	-	**(2,438)**
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	(2,416)	-	-	-	(2,416)
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	(57)	35	-	-	(22)

The caption Investments in associates and joint ventures includes the positive Goodwill related with associates and the fair value related to financial investments in joint ventures, detailed as follows as at 30 September 2017 and 31 December 2016:

unit: €k

	September 2017	December 2016
	55,166	**55,166**
Goodwill		
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939
Fair value		
Galp Gás Natural Distribuição, S.A.	53,227	53,227

4.3. Financial Assets Held For Sale

In the period ended 30 September 2017, no significant changes were noted in the caption Financial assets held for sale, when compared with the consolidated financial statements as of 31 December 2016. For additional information refer to the consolidated financial statements of the Company as of 31 December 2016 and respective notes to the consolidated financial statements.

4.4. Income From Financial Investments

The caption "Income from financial investments and impairment losses on Goodwill", presented in the consolidated income statement for the period ended 30 September 2017 and 30 September 2016 is comprised as follows:

unit: €k

	September 2017	September 2016
	123,688	**32,468**
Effect of applying the equity method:		
Associates (Note 4.2)	61,798	36,199
Joint ventures (Note 4.1)	58,019	(3,732)
Effect of the price adjustment of the disposal of investments in group companies and associates:		
Gain on disposal of 100% of the interest held in Galp Gâmbia, Limited (Note 3.1 a))	4,064	-
Acquisition price adjustment related to the financial interest held in Madrileña Suministro de Gas SUR S.L. for the year ended 31 December 2015	(55)	-
Acquisition price adjustment related to the 33.05427% increase, in 2015, in the share capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(139)	-
Acquisition of 0.01473% in the share capital of Beiragás - Companhia de Gás das Beiras, S.A.	-	1
Others	1	-

4.5. Dividends from Financial Investments

The total amount of €102,230 k related to dividends, corresponding to the amounts approved in the General Meeting of the respective companies, was reflected in the caption "Investments in associated companies and joint ventures" (Note 4.1 and 4.2). The amount received for dividends in the period ended 30 September 2017 was €99,246 k.

The difference between the amount received and the amount recognized in the caption "Investments in associated companies and joint ventures" of €2,984 k relates to: i) €3,889 k related to dividends attributed not yet settled, being recognized in “Other accounts receivable” - related companies dividends receivable (Note 14); (ii) €609 k relating to unfavourable exchange rate differences that occur at the time of payment and which were reflected in the foreign exchange gains (losses) caption in the income statement; (iii) €1,514k of dividends received from assets held for sale.

4.6. Joint Operations

During the period ended 30 September 2017, no significant changes were noted in Joint operations, by geographic area and interest held. For additional information refer to the consolidated financial statements of the Company as of 31 December 2016 and respective notes to the consolidated financial statements.

5. Operating Income

The Group's operating income for the periods ended 30 September 2017 and 2016 is as follows:

unit: €k

Captions	September 2017	September 2016 restated
Operating income:	**11,598,760**	**9,661,397**
Sales:	**11,059,188**	**9,085,502**
goods	4,480,752	3,873,340
products	6,592,459	5,221,849
Exchange differences	(14,023)	(9,687)
Services rendered	**455,624**	**486,615**
Services rendered	456,151	486,655
Exchange differences	(527)	(40)
Other operating income	**83,948**	**89,280**
Supplementary income	65,607	57,001
Revenues arising from the construction of assets under IFRIC12	-	13,833
Operational government grants	173	16
Capitalized own costs	20	(104)
Investment government grants (Note 13)	711	7,422
Gains on fixed and intangible assets	764	4,292
Exchange differences	(217)	(663)
Others	16,890	7,483

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

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

Regarding the construction contracts under IFRIC12, the construction of the concession assets is subcontracted to specialised entities which assume their own construction 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.

In Galp group, the construction contracts under IFRIC12 are related to natural gas regulated infrastructures, activity developed by the subsidiaries of the joint venture Galp Gás Natural Distribuição, S.A. (GGND). In the year ended 31 December 2016, Galp Gás Natural Distribuição and its respective subsidiaries ceased to fully consolidate in the Galp Energia, SGPS, S.A. Group, being the companies which comprise it recognised as joint ventures.

Therefore, as of 30 September 2017 the caption "Costs/Revenue from construction contracts under IFRIC12" do not present values:

unit: €k

Captions	September 2017	September 2016
Margin	**-**	**-**
Costs arising from the construction of assets under IFRIC12 (Note 6)	-	(13,833)
Revenues arising from the construction of assets under IFRIC12	-	13,833

6. Operating Costs

The income for the periods ended 30 September 2017 and 2016 were affected by the following items of operating costs:

unit: €k

Caption	September 2017	September 2016 restated	
Operating costs:	**10,799,423**	**9,339,175**	**(a)**
Cost of sales:	**8,775,088**	**7,485,919**	
Raw and subsidiary materials	4,251,250	3,371,885	
Goods	2,521,748	2,221,131	
Tax on Oil Products	2,145,114	2,097,975	
Variation in production	(109,206)	(244,676)	
Impairment in inventories (Note 16)	1,282	(15,946)	
Financial derivatives (Note 27)	(10,803)	50,606	
Exchange differences	(24,297)	4,944	
External supplies and services:	**1,129,234**	**947,521**	**(a)**
Subcontracts - network use	343,611	281,852	
Subcontracts	3,703	3,619	
Transport of goods	95,150	93,547	
Storage and filling	36,965	37,907	
Rental costs	92,872	71,183	
Blocks production costs	179,750	137,136	
Maintenance and repairs	38,045	35,947	
Insurance	35,189	38,078	
Royalties	90,256	44,353	
IT services	24,843	20,687	
Commissions	8,015	7,820	
Advertising	5,086	9,790	
Electricity, water, steam and communications	46,838	45,623	
Technical assistance and inspection	1,406	3,390	
Port services and fees	8,371	6,534	
Other specialised services	53,566	52,548	
Other external supplies and services	20,629	17,239	
Exchange differences	2,239	(3,952)	
Other costs	42,700	44,220	(a)
Employee costs:	**232,682**	**245,337**	
Statutory board salaries (Note 29)	4,643	3,142	
Employee salaries	159,518	167,446	
Social charges	37,743	40,631	
Retirement benefits - pensions and insurance	21,472	26,084	
Other insurances	6,188	7,002	
Capitalisation of employee costs	(4,719)	(3,696)	
Exchange differences	507	(178)	
Other costs	7,330	4,906	
Amortisation, depreciation and impairment:	**593,233**	**575,225**	
Depreciation and impairment of tangible assets (Note 12)	572,003	521,236	
Amortisation and impairment of intangible assets (Note 12)	21,230	23,073	
Amortisation and impairment of concession arrangements (Note 12)	-	30,916	
Provision and impairment losses on receivables:	**14,895**	**24,849**	
Provisions and reversals (Note 25)	(100)	6,637	
Impairment losses on trade receivables (Note 15)	15,721	18,209	
Impairment losses (gains) on other receivables (Note 14)	(726)	3	
Other operating costs:	**54,291**	**60,324**	
Other taxes	12,765	12,951	
Costs arising from the construction of assets under IFRIC12 (Note 5)	-	13,833	
Loss on tangible and intangible assets	4,369	1,240	
Donations	837	631	
CO2 Licenses (Note 35)	5,551	3,186	
Exchange differences	(239)	(117)	
Other operating costs	31,008	28,600	

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

The variation in the caption “Cost of sales” is mainly related with the changes in the prices of purchased products.

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

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

The amount of €90,256 k of royalties presented in “External supplies and services” mainly relates to the Exploration & 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 organised into three business segments which have been defined based on the type of products sold and services rendered, by the following business units:

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

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

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

energy creates energy
galp

The financial information for the previously identified segments, as of 30 September 2017 and 2016 is presented as follows:

Unit: k

	Exploration & Production		Refining & Marketing		Gas & Power		Other		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Income												
Sales and Services Rendered	**959,812**	**491,431**	**8,743,704**	**7,679,108**	**1,935,507**	**1,807,206**	**95,969**	**88,718**	**(220,180)**	**(494,346)**	**11,514,812**	**9,572,117**
Inter-segmental	-	313,307	1,046	936	145,261	109,113	73,873	70,990	(220,180)	(494,346)	-	-
External	959,812	178,124	8,742,658	7,678,172	1,790,246	1,698,093	22,096	17,728	-	-	11,514,812	9,572,117
Cost of Sales	**39,192**	**10,154**	**(7,501,264)**	**(6,707,309)**	**(1,387,447)**	**(1,168,906)**	**65**	**2**	**74,366**	**380,140**	**(8,775,088)**	**(7,485,919)**
Cost of goods sold and materials consumed	(110,178)	675	(7,436,851)	(6,928,016)	(1,411,696)	(1,183,396)	65	2	74,366	380,140	(8,884,294)	(7,730,595)
Variation in Production	149,370	9,479	(64,413)	220,707	24,249	14,490	-	-	-	-	109,206	244,676
EBITDA (1)	**606,459**	**248,876**	**663,172**	**396,096**	**116,992**	**255,760**	**20,844**	**21,565**	**(2)**	**(1)**	**1,407,465**	**922,296**
Non payable expenses												
Amortisation, depreciation and impairments	**(311,847)**	**(319,067)**	**(265,391)**	**(209,267)**	**(12,867)**	**(43,500)**	**(3,128)**	**(3,391)**	**-**	**-**	**(593,233)**	**(575,225)**
Depreciation and Amortisation	(290,204)	(214,531)	(261,751)	(199,821)	(13,704)	(44,337)	(3,128)	(3,391)	-	-	(568,787)	(462,080)
Impairments	(21,643)	(104,536)	(3,640)	(9,446)	837	837	-	-	-	-	(24,446)	(113,145)
Provisions and Impairments	**(1,719)**	**(5,110)**	**(4,267)**	**(15,541)**	**(8,909)**	**(4,198)**	**-**	**-**	**-**	**-**	**(14,895)**	**(24,849)**
Provisions	-	(5,133)	(2,268)	(2,550)	(119)	(204)	-	-	-	-	(2,387)	(7,887)
Impairments	(1,719)	23	(5,007)	(15,742)	(12,554)	(6,809)	-	-	-	-	(19,280)	(22,528)
Provisions - Reversals	-	-	2,486	521	-	726	-	-	-	-	2,486	1,247
Impairments - Reversals	-	-	522	2,230	3,764	2,089	-	-	-	-	4,286	4,319
EBIT IAS/IFRS	**292,893**	**(75,301)**	**393,514**	**171,288**	**95,216**	**208,062**	**17,716**	**18,174**	**(2)**	**(1)**	**799,337**	**322,222**
Income from financial investments	**28,919**	**12,935**	**6,525**	**(16,894)**	**88,243**	**36,420**	**(1)**	**6**	**2**	**1**	**123,688**	**32,468**
Other financial income	**71,567**	**73,020**	**(114,699)**	**(11,356)**	**(2,927)**	**(25,983)**	**8,760**	**(33,173)**	**-**	**-**	**(37,299)**	**2,508**
Interest expense	51,400	53,585	(77,141)	(36,391)	(1,418)	(24,506)	(69,234)	(82,671)	75,602	54,014	(20,791)	(35,969)
Interest income	21,718	21,416	2,217	4,404	814	1,419	72,731	49,616	(75,639)	(54,078)	21,841	22,777
O. Financial charges	(1,551)	(1,981)	(39,775)	20,631	(2,323)	(2,896)	5,263	(118)	37	64	(38,349)	15,700
Income tax	**(263,489)**	**(86,739)**	**(98,828)**	**(46,895)**	**(14,137)**	**(42,078)**	**(1,613)**	**6,893**	**-**	**-**	**(378,067)**	**(168,819)**
Energy sector extraordinary contribution	**-**	**-**	**(26,509)**	**(28,244)**	**(27,465)**	**(32,138)**	**-**	**-**	**-**	**-**	**(53,974)**	**(60,382)**
Non-controlling interests	**(52,005)**	**(24,327)**	**(4,329)**	**(3,553)**	**(222)**	**(1,173)**	**-**	**-**	**-**	**-**	**(56,556)**	**(29,053)**
Consolidated net income for the period	**77,885**	**(100,412)**	**155,674**	**64,346**	**138,708**	**143,110**	**24,862**	**(8,100)**	**-**	**-**	**397,129**	**98,944**
	As of 30 September 2017 and 31 December 2016											
OTHER INFORMATIONS												
Segment Assets (2)												
Financial investments (3)	1,016,257	1,027,440	73,716	72,307	303,312	334,215	370	371	-	-	1,393,655	1,434,333
Non current assets held for sale	-	-	-	4,128	-	-	-	-	-	-	-	4,128
Other Assets	6,271,559	5,754,950	3,771,139	4,768,888	1,078,438	1,330,823	2,582,183	2,607,160	(3,181,938)	(3,461,137)	10,521,381	11,000,684
Total Consolidated Assets	**7,287,816**	**6,782,390**	**3,844,855**	**4,845,323**	**1,381,750**	**1,665,038**	**2,582,553**	**2,607,531**	**(3,181,938)**	**(3,461,137)**	**11,915,036**	**12,439,145**
Liabilities associated with non current assets held for sale	-	-	-	5,410	-	-	-	-	-	-	-	5,410
Other Liabilities	1,095,284	938,974	4,081,513	4,347,969	838,864	862,748	2,963,703	3,201,773	(3,181,938)	(3,461,137)	5,797,425	5,890,328
Total Consolidated Liabilities	**1,095,284**	**938,974**	**4,081,513**	**4,353,379**	**838,864**	**862,748**	**2,963,703**	**3,201,773**	**(3,181,938)**	**(3,461,137)**	**5,797,425**	**5,895,738**
Investment in Tangible and Intangible Assets	**357,372**	**494,806**	**28,640**	**42,747**	**4,139**	**9,371**	**856**	**731**	**-**	**-**	**391,007**	**547,656**

(1) EBITDA = Segment Income/EBIT + Amortisations+Provisions
(2) Net Amount
(3) at the Equity Method

Inter-segmental Sales and Services Rendered:

Unit: k

Segment	Refining & Marketing	Gas & Power	Other	TOTAL
	1,046	**145,261**	**73,873**	**220,180**
Gas & Power	697	-	15,946	16,643
Refining & Marketing	-	145,257	46,631	191,888
Exploration & Production	85	-	11,296	11,381
Other	264	4	-	268

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

- Refining & Marketing: fuel supply for the vehicles of the all Group companies;

- Gas & Power: Sale of natural gas for the production process of the refineries of Matosinhos and Sines (refining and distribution of petroleum products);

- Exploration & Production: sale of crude to the Refining & Distribution segment;

- Others: 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	
	2017	2016 (a)	2017	2016	2017	2016
	11,514,812	**9,572,117**	**5,998,955**	**6,264,420**	**1,476,653**	**1,434,333**
AFRICA	**330,410**	**266,982**	**957,446**	**1,221,909**	**21,162**	**17,174**
LATIN AMERICA	**200,522**	**169,479**	**2,404,223**	**2,400,080**	**-**	**-**
EUROPE	**10,983,880**	**9,135,656**	**2,637,286**	**2,642,431**	**1,455,491**	**1,417,159**
PORTUGAL	7,906,136	6,063,237	2,059,168	2,269,177	328,723	343,839
OTHER EUROPEAN COUNTRIES	3,077,744	3,072,419	578,118	373,254	1,126,768	1,073,320

(a) Restated amounts

Of the amount of €1,126,768 k considered in Financial investments in Other European Countries, €1,039,873 k were invested in related parties with projects in Brazil.

The reconciliation between the items in the Segment Reporting and the Income Statement for the periods ended 30 September 2017 and 2016 is as follows:

Unit: k

Captions from Segment Reporting	September 2017	September 2016	Captions from Income Statement	September 2017	September 2016
Income					
Sales and services rendered	11,514,812	9,572,117	Sales	11,059,188	9,085,502
			Services Rendered	455,624	486,615
Cost of Sales	(8,775,088)	(7,485,919)	Cost of Sales	(8,775,088)	(7,485,919)
			Other operating income	83,948	89,280
			External supplies and services	(1,129,234)	(947,521)
			Employee costs	(232,682)	(245,337)
			Other operating costs	(54,291)	(60,324)
EBITDA IAS/IFRS (1)	**1,407,465**	**922,296**	**Operating income before amortization/depreciation and provisions**	**1,407,465**	**922,296**
Non payable expenses					
Amortization and Adjustments	(593,233)	(575,225)	Amortisation, depreciation and impairment losses on fixed assets	(593,233)	(575,225)
Provisions (net)	(14,895)	(24,849)	Provisions and impairment losses on receivables	(14,895)	(24,849)
EBIT IAS/IFRS	**799,337**	**322,222**	**Operating Income**	**799,337**	**322,222**
Income from financial investments	123,688	32,468	Income from financial investments and impairment losses on Goodwill	123,688	32,468
Other Financial Income	(37,299)	2,508			
			Financial income	24,597	24,196
			Financial costs	(28,076)	(45,512)
			Exchange (losses) gains	(8,677)	(7,420)
			Income from financial instruments	(25,143)	31,244
Income tax	(378,067)	(168,819)	Income tax	(378,067)	(168,819)
Energy sector extraordinary contribution	(53,974)	(60,382)	Energy sector extraordinary contribution	(53,974)	(60,382)
Non-controlling interests	(56,556)	(29,053)	Non-controlling interests	(56,556)	(29,053)
Net income for the period	**397,129**	**98,944**	**Net income for the period**	**397,129**	**98,944**

8. Financial Income and Costs

Financial income and financial costs for the periods ended 30 September 2017 and 2016 are as follows:

unit: €k

Captions	September 2017	September 2016
Financial income and costs	**(3,479)**	**(21,316)**
Financial income:	**24,597**	**24,196**
Interest on bank deposits	16,165	18,146
Interest and other income with related companies	5,676	4,641
Other financial income	2,756	1,409
Financial costs:	**(28,076)**	**(45,512)**
Interest on bank loans, bonds, overdrafts and others	(71,554)	(86,483)
Interest with related parties	(6,663)	(6,406)
Interests capitalised in fixed assets (Note 12)	71,897	71,507
Net interest on retirement benefits and other benefits	(5,723)	(7,495)
Charges relating to loans and bonds	(8,747)	(9,682)
Other financial costs	(7,286)	(6,953)

During the period ended 30 September 2017, the Group capitalised under the caption "Fixed assets in progress", the amount of €71,897 k, regarding interests on loans obtained to finance capital expenditure on tangible and intangible assets during their construction phase.

9. Income taxes and energy sector extraordinary contribution

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 average tax rate applied to companies based in Portugal was 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. Currently, the fiscal consolidation is performed by Galp Energia España S.A.. The average tax rate applied to companies based in Spain was 25%.

The income tax estimate of the Company and its subsidiaries is recorded based on its taxable income.

The income taxes and energy sector extraordinary contribution, recognized in the periods ended 30 September 2017 and 2016 are detailed as follows:

unit: €k

Captions	September 2017			September 2016		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
			432,041			229,201
Income tax	**311,766**	**66,301**	**378,067**	**161,236**	**7,583**	**168,819**
Current income tax	105,554	98,863	204,417	107,024	10,523	117,547
(Excess)/Insuficiency of income tax for the preceding year	1,427	2,130	3,557	3,766	-1,162	2,604
"IRP" - Oil income Tax	8,885	7,146	16,031	5,824	375	6,199
"PE" - Special Participation Tax	196,282	-41,838	154,444	44,656	-2,153	42,503
Exchange differences	-382		-382	-34		-34
Energy sector extraordinary contribution			**53,974**			**60,382**

9.1. Energy Sector Extraordinary Contribution

As of 30 September 2017 and 31 December 2016, the energy sector extraordinary contribution (Portugal and Spain) is as follows:

Statement of financial position unit: €k

Captions	Note	September 2017 Current	September 2017 Non-Current	December 2016 Current	December 2016 Non-Current
Assets					
Other receivables					
Deferred costs	14	26,784	91,985	21,740	85,923
Liabilities					
Provisions	25	-	(268,955)	-	(214,436)

Income statement unit: €k

	Note	September 2017	September 2016
Extraordinary contribution on the energy sector		**53,974**	**60,382**
Extraordinary contribution on the energy sector "CESE I"	25	16,949	26,666
Extraordinary contribution on the energy sector "CESE II"	25	26,464	21,716
"Fondo Nacional de Eficiência Energética (FNEE)", related to the entities of the Group based in Spain		10,561	12,000

9.2. Current Income Tax

As of 30 September 2017 and 31 December 2016, the Group has recorded in current income tax payable the amount of €67,595 k and €75,440 k respectively as follows:

unit: €k

	2017	2016
	(44,795)	(75,440)
Galp Gás Natural Distribuição Group	**11,400**	**15,397**
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	3,931	9,925
Galp Gás Natural Distribuição, S.A.	3,571	1,349
Lusitaniagás - Companhia de Gás do Centro, S.A.	2,554	3,094
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	1,000	-
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	134	210
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	128	212
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	84	545
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	(2)	62
State and Other Public Entities	**(56,195)**	**(90,837)**

9.3. Deferred Taxes

As of 30 September 2017 and 31 December 2016, the balance of deferred tax assets and liabilities is as follows:

unit: €k

	Deferred Taxes September 2017 - Assets				
	Initial balance	Effect in profit & loss	Effect in equity	Effect of currency translation	Ending balance
Captions	**334,984**	**5,084**	**(6,955)**	**(23,512)**	**309,601**
Adjustments to accruals and deferrals	5,366	(304)	-	(122)	4,940
Adjustments to tangible and intangible assets	27,632	(12,309)	-	(1,425)	13,898
Adjustments to inventories	657	257	-	-	914
Overlifting adjustments	1,595	(1,509)	-	(86)	-
Retirement benefits and other benefits	86,902	(296)	(2,021)	-	84,585
Double economical taxation	2,752	-	-	-	2,752
Financial instruments	45	2,066	(841)	1	1,271
Tax losses carried forward	96,353	(16,370)	-	(3,373)	76,610
Regulated revenue	7,398	35	-	-	7,433
Non deductible provisions	47,157	19,482	-	(2,523)	64,116
Potential foreign exchange differences Brazil	21,366	(4,529)	(4,093)	(12,744)	-
Others	37,761	18,561	-	(3,240)	53,082

unit: €k

	Deferred Taxes September 2017 - Liabilities			
	Initial balance	Effect in profit & loss	Effect of currency translation	Ending balance
Captions	**(65,813)**	**(71,386)**	**6,862**	**(130,337)**
Adjustments to accruals and deferrals	(507)	7	(24)	(524)
Adjustments to tangible and intangible assets	(27,069)	(7,048)	3,054	(31,063)
Adjustments to tangible and intangible assets Fair Value	(8,598)	1,275	-	(7,323)
Adjustments in Inventories	(82)	82	-	-
Underlifting Adjustments	(89)	(1,597)	100	(1,586)
Dividends	(14,171)	(384)	-	(14,555)
Financial instruments	(1,446)	(2,066)	-	(3,512)
Regulated revenue	(11,845)	(97)	-	(11,942)
Accounting revaluations	(1,021)	(33)	8	(1,046)
Potential foreign exchange differences Brazil	-	(61,302)	3,719	(57,583)
Others	(985)	(223)	5	(1,203)

Changes in deferred taxes reflected in Equity, correspond to:

- The amount of €2,021 k of deferred tax changes related to the actuarial gains and losses;

- €841 k for changes in deferred taxes related to hedge reserves components; and

- €4,093 k including €2,865 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 €1,228 k related to non-controlling interests.

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

For additional information refer to the consolidated financial statements as of 31 December 2016, and respective notes to the consolidated financial statements.

10. Earnings per Share

Earnings per share as of 30 September 2017 and 2016 are as follows:

unit: €k

	Note	September 2017	September 2016
Income:			
Net Income for purposes of calculating earnings per share (Consolidated net income for the period attributable to Galp Energia SGPS, S.A. Shareholders)		397,129	98,944
Number of shares			
Weighted average number of shares for purposes of calculation earnings per share	19	829,250,635	829,250,635
Basic and diluted earnings per share (amounts in Euros):		**0.48**	**0.12**

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 of 30 September 2017 was as follows:

September 2017 unit: €k

				Equity proportion at the acquisition date		Goodwill movement		
Subsidiaries		**Acquisition year**	**Acquisition cost**	**%**	**Amount**	**December 2016**	**Currency exchange differences (b)**	**September 2017**
						86,758	**-2,746**	**84,012**
Petróleos de Portugal - Petrogal, S.A.								
Galp Comercialização Portugal, S.A.	(a)	2008	146,000	100.00%	69,027	50,556	-	50,556
Galp Swaziland (PTY) Limited		2008	18,117	100.00%	651	21,601	(2,315)	19,286
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	5,568
Empresa Nacional de Combustíveis - Enacol, S.A.R.L		2007 e 2008	8,360	15.77%	4,031	4,329	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	4,021	(431)	3,590
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
Galp Sinopec Brazil Services (Cyprus)		2012	3	100.00%	1	2	-	2

(a) 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.

(b) 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 (Note 20).

12. Tangible and Intangible Assets

12.1. Detail of tangible and intangible assets:

Tangible and intangible assets as of 30 September 2017:

unit: €k

September 2017	Gross acquisition cost	Impairments	Total gross assets	Gross accumulated Depreciation/ amortisation	Impairment accumulated Depreciation/ amortisation	Total accumulated depreciation/ amortisation	Net assets
Tangible Assets:	**12,812,365**	**(375,642)**	**12,436,723**	**(6,823,727)**	**45,459**	**(6,778,268)**	**5,658,455**
Land and natural resources	284,325	(14,265)	270,060	(1,939)	23	(1,916)	**268,144**
Buildings and other constructions	934,549	(14,649)	919,900	(710,306)	6,067	(704,239)	**215,661**
Machinery and equipment	8,406,104	(44,045)	8,362,059	(5,678,174)	35,975	(5,642,199)	**2,719,860**
Transport equipment	29,870	-	29,870	(27,710)	-	(27,710)	**2,160**
Tools and utensils	4,760	(61)	4,699	(4,374)	61	(4,313)	**386**
Administrative equipment	181,963	(1,506)	180,457	(172,157)	1,456	(170,701)	**9,756**
Reusable containers	161,709	(1)	161,708	(145,562)	1	(145,561)	**16,147**
Other tangible assets	92,119	(2,393)	89,726	(83,505)	1,876	(81,629)	**8,097**
Tangible assets in progress	2,716,959	(298,722)	2,418,237	-	-	-	**2,418,237**
Advances to suppliers of tangible assets	7	-	7	-	-	-	**7**
Intangible assets	**674,240**	**(53,016)**	**621,224**	**(367,533)**	**2,797**	**(364,736)**	**256,488**
Research and development costs	285	(5)	280	(285)	5	(280)	**-**
Industrial property and other rights	604,817	(41,847)	562,970	(355,860)	2,561	(353,299)	**209,671**
Reconversion of consumption to natural gas	551	-	551	(453)	-	(453)	**98**
Goodwill	19,668	(7,810)	11,858	(10,437)	231	(10,206)	**1,652**
Other intangible Assets	498	-	498	(498)	-	(498)	**-**
Intangible assets in progress	48,421	(3,354)	45,067	-	-	-	**45,067**

Tangible and intangible assets are recorded in accordance with the accounting policy defined in Note 2.3 and 2.4 as referred in the notes to the consolidated financial statements as of 31 December 2016. The depreciation/amortisation rates that are being applied are disclosed in the same note.

Tangible and intangible assets as of 31 December 2016:

unit: €k

December 2016	Gross acquisition cost	Impairments	Total gross assets	Gross accumulated Depreciation/ amortisation	Impairment accumulated Depreciation/ amortisation	Total accumulated depreciation/ amortisation	Net assets
Tangible Assets:	**12,717,307**	**(379,887)**	**12,337,420**	**(6,453,995)**	**26,686**	**(6,427,309)**	**5,910,111**
Land and natural resources	284,633	(14,344)	270,289	(2,040)	23	(2,017)	**268,272**
Buildings and other constructions	935,903	(14,803)	921,100	(694,765)	6,019	(688,746)	**232,354**
Machinery and equipment	8,097,252	(22,807)	8,074,445	(5,330,303)	17,570	(5,312,733)	**2,761,712**
Transport equipment	29,867	-	29,867	(27,528)	-	(27,528)	**2,339**
Tools and utensils	4,648	(61)	4,587	(4,193)	62	(4,131)	**456**
Administrative equipment	177,786	(1,185)	176,601	(168,141)	1,136	(167,005)	**9,596**
Reusable containers	160,244	(1)	160,243	(144,973)	1	(144,972)	**15,271**
Other tangible assets	91,589	(2,395)	89,194	(82,052)	1,875	(80,177)	**9,017**
Tangible assets in progress	2,935,378	(324,291)	2,611,087	-	-	-	**2,611,087**
Advances to suppliers of tangible assets	7	-	7	-	-	-	**7**
Intangible assets	**670,024**	**(57,202)**	**612,822**	**(348,068)**	**2,797**	**(345,271)**	**267,551**
Research and development costs	285	(5)	280	(285)	5	(280)	**-**
Industrial property and other rights	607,253	(46,071)	561,182	(336,401)	2,561	(333,840)	**227,342**
Reconversion of consumption to natural gas	551	-	551	(447)	-	(447)	**104**
Goodwill	19,668	(7,810)	11,858	(10,437)	231	(10,206)	**1,652**
Other intangible Assets	498	-	498	(498)	-	(498)	**-**
Intangible assets in progress	41,769	(3,316)	38,453	-	-	-	**38,453**

12.2. Movement in Tangible and Intangible Assets:

Movements in tangible and intangible assets at 30 September 2017 are as follows:

unit: €k

September 2017	Gross acquisition cost	Impairments	Total gross assets	Gross accumulated Depreciation/ amortisation	Impairment accumulated Depreciation/ amortisation	Total accumulated depreciation/ amortisation	Net assets
Tangible Assets:							
Opening balance	**12,717,307**	**(379,887)**	**12,337,420**	**(6,453,995)**	**26,686**	**(6,427,309)**	**5,910,111**
Additions	639,270	(43,218)	596,052	-	-	-	**596,052**
Depreciation	-	-	-	(547,558)	18,773	(528,785)	**(528,785)**
Write-offs/Disposals	(9,826)	3,022	(6,804)	6,452	-	6,452	**(352)**
Adjustments	124	-	124	92	-	92	**216**
Transfers	(14,284)	11,965	(2,319)	5	-	5	**(2,314)**
Transfer assets held for sale	-	-	-	-	-	-	**-**
Exchange differences	(520,226)	32,476	(487,750)	171,277	-	171,277	**(316,473)**
Changes in consolidation perimeter	-	-	-	-	-	-	**-**
Closing balance	**12,812,365**	**(375,642)**	**12,436,723**	**(6,823,727)**	**45,459**	**(6,778,268)**	**5,658,455**
Intangible Assets:							
Opening balance	**670,024**	**(57,202)**	**612,822**	**(348,068)**	**2,797**	**(345,271)**	**267,551**
Additions	13,015	-	13,015	-	-	-	**13,015**
Amortisation	-	-	-	(21,230)	-	(21,230)	**(21,230)**
Write-offs/Disposals	(1,550)	46	(1,504)	1,382	-	1,382	**(122)**
Adjustments	-	-	-	-	-	-	**-**
Transfers	2,359	(39)	2,320	(5)	-	(5)	**2,315**
Transfer assets held for sale	-	-	-	-	-	-	**-**
Exchange differences	(9,607)	4,177	(5,430)	389	-	389	**(5,041)**
Changes in consolidation perimeter	-	-	-	-	-	-	**-**
Closing balance	**674,241**	**(53,018)**	**621,223**	**(367,532)**	**2,797**	**(364,735)**	**256,488**

The additions in the period ended 30 September 2017 include capitalized interest in the amount of €71,897 k (Note 8).

Movements in tangible and intangible assets at 31 December 2016 are as follows:

unit: €k

December 2016	Gross acquisition cost	Impairments	Total gross assets	Gross accumulated Depreciation/ amortisation	Impairment accumulated Depreciation/ amortisation	Total accumulated depreciation/ amortisation	Net assets
Tangible Assets:							
Opening balance	**11,467,567**	**(289,024)**	**11,178,543**	**(5,987,570)**	**24,751**	**(5,962,819)**	**5,215,724**
Additions	1,106,434	(199,709)	906,725	-	-	-	**906,725**
Depreciation	-	-	-	(572,286)	2,325	(569,961)	**(569,961)**
Write-offs/Disposals	(234,206)	124,092	(110,114)	96,761	(390)	96,371	**(13,743)**
Adjustments	(134,723)	-	(134,723)	87,161	-	87,161	**(47,562)**
Transfers	3,679	-	3,679	-	-	-	**3,679**
Transfer assets held for sale	(6,854)	-	(6,854)	4,713	-	4,713	**(2,141)**
Exchange differences	516,348	(15,246)	501,102	(83,165)	-	(83,165)	**417,937**
Changes in consolidation perimeter	(938)	-	(938)	391	-	391	**(547)**
Closing balance	**12,717,307**	**(379,887)**	**12,337,420**	**(6,453,995)**	**26,686**	**(6,427,309)**	**5,910,111**
Intangible Assets:							
Opening balance	**2,398,528**	**(62,007)**	**2,336,521**	**(936,341)**	**2,797**	**(933,544)**	**1,402,977**
Additions	40,008	(1,131)	38,877	-	-	-	**38,877**
Amortisation	-	-	-	(64,057)	-	(64,057)	**(64,057)**
Write-offs/Disposals	(11,250)	7,435	(3,815)	1,996	-	1,996	**(1,819)**
Adjustments	-	-	-	(68)	-	(68)	**(68)**
Transfers	(3,679)	-	(3,679)	-	-	-	**(3,679)**
Transfer assets held for sale	(684)	-	(684)	495	-	495	**(189)**
Exchange differences	7,676	(1,499)	6,177	(365)	-	(365)	**5,812**
Changes in consolidation perimeter	(1,760,575)	-	(1,760,575)	650,272	-	650,272	**(1,110,303)**
Closing balance	**670,024**	**(57,202)**	**612,822**	**(348,068)**	**2,797**	**(345,271)**	**267,551**

Main events occurring during the period ended 30 September 2017

The increases noted in tangible and intangible assets captions, amounting to €652,285 k, mainly include:

Exploration & Production segment

- €430,823 k regarding exploration and development investments in blocks in Brazil;
- €159,682 k regarding exploration investments in other geographic areas.

Gas & Power segment

- €7,277 k regarding development of information systems.

Refining & Marketing segment

- €53,293 k r related to industrial investments made in the refineries, parks and in the retail network.

Others segment

- €1,212 k related to investments made by service provider at corporate level.

In the period ended 30 September 2017 were sold and written-off tangible and intangible assets in the net amount of €550 k including mainly the amount of €510 k related to write-offs related to the Retail Business Unit, due to improvements in stations, convenience stores, expansion activities and development of information systems, the majority of which were fully amortised.

12.3. Impairment on Tangible and Intangible Assets

In the period ended 30 September 2017, the amount of € 380,404 k, net of tangible and intangible impairments presented the following movement:

unit: €k

	Initial balance	Increase / Decrease	Utilisation	Adjustments	Ending balance
	407,606	**24,445**	**(3,068)**	**(48,579)**	**380,404**
Tangible Assets	**353,201**	**24,445**	**(3,022)**	**(44,441)**	**330,183**
Gross amount	379,887	43,218	(3,022)	(44,441)	375,642
Depreciation	(26,686)	(18,773)	-	-	(45,459)
Intangible Assets	**54,405**	**-**	**(46)**	**(4,138)**	**50,221**
Gross amount	57,202	-	(46)	(4,138)	53,018
Amortisation	(2,797)	-	-	-	(2,797)

The amount of € 380,404 k in the period ended 30 September 2017 consists essentially of:

- €230,736 k for impairment losses on non-operated and operated blocks and other assets in Brazil and Angola;
- €58,597 k for impairment losses in blocks in Namibia;
- €39,618 k for impairment losses in the retail network in Portugal and Spain;
- €30,193 k impairment losses in exploration in Peniche and Aljubarrota.

The net increases of €24,445 k essentially relate to the impairment of the Peniche exploration blocks offshore Portugal in the amount of €21,440 k.

The utilisation in the amount of €3,068 k corresponds essentially to blocks in Brazil in the amount of €2,819 k.

Adjustments mainly relate to the revaluation of foreign currency balances against the Euro of subsidiaries denominated in foreign currency.

12.4. Amortisation, Depreciation and Impairment Losses in the Period

Amortisation, depreciation and impairment losses for the period ended 30 September 2017, 2016 and for the year ended 31 December 2016 are as follows:

unit: €k

	September 2017			September 2016			December 2016		
	Tangible	Intangible	Total	Tangible	Intangible	Total	Tangible	Intangible	Total
Amortisation, depreciation and impairments (Note 6)	**572,003**	**21,230**	**593,233**	**521,236**	**53,989**	**575,225**	**769,670**	**65,188**	**834,858**
Amortisation / Depreciation for the period	547,558	21,230	568,788	409,094	22,069	431,163	572,286	29,742	599,703
Amortisation for the year - Service Concession Arrangements	-	-	-	-	30,916	30,916	-	34,315	34,315
Impairments - Gross amount	43,218	-	43,218	115,734	1,004	116,738	199,709	1,131	200,840
Impairments - Amortisation/Depreciation	(18,773)	-	(18,773)	(3,592)	-	(3,592)	(2,325)	-	(2,325)

12.5. 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 period ended 30 September 2017 and in the year ended 31 December 2016 is as follows:

unit: €k

	September 2017			December 2016		
Captions	Assets in progress	Impairments	Net amount	Assets in progress	Impairments	Net amount
Assets in progress	**2,765,387**	**(302,076)**	**2,463,311**	**2,977,154**	**(327,607)**	**2,649,547**
Exploration of oil in Brazil	1,314,529	(24,388)	1,290,141	1,567,863	(29,897)	1,537,966
Exploration of oil in Angola	851,183	(205,788)	645,395	834,593	(230,338)	604,255
Exploration in Mozambique	306,338	(6,581)	299,757	315,122	(7,365)	307,757
Other projects	293,337	(65,319)	228,018	259,576	(60,007)	199,569

13. Government Grants

As of 30 September 2017 and 31 December 2016 the amounts to be recognised as government grants in future years amount to €7,011 k and €7,492 k, respectively (Note 24)

During the periods ended 30 September 2017 and 30 September 2016 government grants of €711 k and €7,422 k, respectively, were recognised in the income statement (Note 5).

14. Other Receivables

The non-current and current caption "Other receivables" as of 30 September 2017 and 31 December 2016 is detailed as follows:

unit: €k

		September 2017		December 2016	
Captions	Note	Current	Non-current	Current	Non-current
		1,085,011	241,895	1,165,817	245,535
		1,093,250	244,648	1,174,172	248,288
State and Other Public Entities:		**33,009**	**18,390**	**78,076**	**-**
Value Added Tax - Reimbursement requested		4,006	-	4,376	-
"ISP" - Tax on Oil Products		193	-	237	-
Social Security		122	-	28	-
Others		28,688	18,390	73,435	-
Other receivables		**225,214**	**-**	**192,123**	**-**
Non operated blocks		111,399	-	143,663	-
Underlifting		94,687	-	19,333	-
Suppliers debtor balances		6,342	-	16,619	-
Operated blocks		5,543	-	5,459	-
Advances to suppliers		7,243	-	7,024	-
Advances to tangible and intangible suppliers		-	-	25	-
Related Parties		**521,717**	**11,851**	**614,672**	**38,375**
Dividends (Note 4.5)	4.5	3,889	-	-	-
Loans granted to Sinopec Group		511,676	-	610,003	-
Loans to associates, joint ventures and other related parties		-	11,851	-	38,375
Other receivables - associates, joint ventures and other related parties		6,152	-	4,669	-
Other accounts receivables		**70,444**	**35,343**	**62,438**	**35,844**
Means of payment		6,566	-	6,618	-
Personnel		2,148	-	1,797	-
Guarantees		1,631	8,663	1,285	11,663
"ISP" - Tax on Oil Products - Congeners credit		1,642	-	685	-
Loans to costumers		660	671	531	839
Subsoil levies		442	-	182	-
Investment subsidies		1	-	1	-
Loans granted		-	4,354	-	40
Other receivables		57,354	21,655	51,339	23,302
Accrued income:		**173,401**	**61,739**	**163,098**	**62,415**
Sales and services rendered not yet invoiced Natural Gas		50,473	-	56,582	-
Sales and services rendered not yet invoiced Electricity		52,013	-	45,070	-
Sales and services rendered not yet invoiced		22,833	-	21,672	-
Adjustment to tariff deviation - "pass through" - ERSE regulation		19,616	-	21,006	-
Accrued management and structure costs		2,253	-	3,019	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation		2,123	77	1,682	776
Commercial discount on purchases		432	-	1,042	-
Compensation for the uniform tariff		370	-	882	-
Sale of finished goods to be invoiced by the service stations		857	-	820	-
Accrued interest		546	-	360	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation		-	61,639	-	61,639
Other accrued income		21,885	23	10,963	-
Deferred charges:		**69,465**	**117,325**	**63,765**	**111,654**
Energy sector extraordinary contribution		26,784	91,985	21,740	85,923
Catalyser charges		9,752	-	13,983	-
Deferred charges - external supplies and services		5,965	-	6,025	-
Prepaid rent		3,548	-	4,942	-
Prepaid rent relating to service stations concession contracts		2,995	24,550	2,928	25,277
Interest and other financial costs		1,273	-	1,978	-
Prepaid insurance		12,267	-	1,044	-
Retirement benefits	23	-	281	-	271
Other deferred costs		6,881	509	11,125	183
Impairment of other receivables		**(8,239)**	**(2,753)**	**(8,355)**	**(2,753)**

The movement occurred in the caption "Impairment of other receivables" for the period ended 30 September 2017 and the year ended 31 December 2016 was as follows:

unit: €k

Other receivables	Initial balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in the consolidation perimeter	Assets held for sale	Ending balance
September 2017	**11,108**	**2,389**	**(3,115)**	**(1,714)**	**2,472**	**(148)**	**-**	**-**	**10,992**
Other receivables - Current	8,355	2,389	(3,115)	(1,714)	2,472	(148)	-	-	8,239
Other receivables - Non-Current	2,753	-	-	-	-	-	-	-	2,753
September 2016	**10,849**	**7**	**(3)**	**-**	**-**	**30**	**-**	**(3)**	**10,880**
Other receivables - Current	8,096	7	(3)	-	-	30	-	(3)	8,127
Other receivables - Non-Current	2,753	-	-	-	-	-	-	-	2,753
December 2016	**10,849**	**306**	**(37)**	**(104)**	**-**	**97**	**(3)**	**-**	**11,108**
Other receivables - Current	8,096	306	(37)	(104)	-	97	(3)	-	8,355
Other receivables - Non-Current	2,753	-	-	-	-	-	-	-	2,753

The increase and decrease in the caption "Impairment of other receivables" in the net amount of €(726) k is included in the caption "Provisions and impairment losses on receivables" (Note 6).

The caption "Loans granted" includes the amount of €511,676 k (US$604,085 k) relating to a loan granted by the Group to Tip Top Energy, SARL (Company from Sinopec Group) on 28 March 2012, renewable every three months until September 2017, remunerated at a three-month LIBOR interest rate plus a spread and registered as a current asset. In the period ended 30 September 2017, interest related to loans granted related to related companies amounted to €5,503 k.

The movement in the Loans granted to Tip Top Energy, SARL, since the execution of the agreement up to the period ended 30 September 2017 is as follows:

	USD	Exchange rate 30/09/2017	(€ k)
Other receivables	**604,084,929**	**1.1806**	**511,676**
Loan 28/03/2012	1,228,626,253	1.1806	1,040,680
Capitalised interests	75,479,139	1.1806	63,933
Interest repayment	(61,012,963)	1.1806	(51,680)
Partial repayments	(639,007,500)	1.1806	(541,257)

The amount of €94,687 k recorded under 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 on the date of sale and the market price on 30 September 2017.

The amount of €111,399 k presented in the caption "Other receivable – Non-operated Blocks", includes the amount of €66,372 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 €6,566 k refers to amounts receivable for sales made with Visa/debit cards, which as of 30 September 2017 were pending receipt.

The amount of €6,152 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 €10,294 k includes the non-current balance of €8,663 k from payments on account and negotiated guarantees to support transactions and operations in the Spanish and French electricity markets.

The amount of €6,342 k recognised in the caption "Suppliers debtor balances" are mainly related to credit notes issued by suppliers and to be received in the following periods.

The caption "Accrued income - unbilled sales of natural gas", in the amount of €50,473 k, essentially refers to the billing of natural gas consumption in September to be issued to customers in October.

The caption "Accrued income - unbilled sales of electricity", in the amount of €52,013 k, essentially refers to the billing of electricity consumption in September to be issued to customers in October.

The caption "Accrued income - sale of finished goods to be invoiced by the service stations" amounting to €857 k relates to consumptions up until 30 September 2017 through the Galp Frota loyalty card scheme and which will be invoiced in the following months.

Expenses recorded in deferred costs amounting to €27,545 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.

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 30 September 2017, amount to approximately €104,224 k.

15. Trade Receivables

The caption "Trade receivables" as of 30 September 2017 and 31 December 2016 includes the following detail:

unit: €k

	September 2017		December 2016	
Captions	**Current**	**Non-Current**	**Current**	**Non-Current**
	1,013,672	**505**	**1,041,070**	**1,081**
Trade receivables	**1,210,062**	**505**	**1,224,047**	**1,081**
Trade receivables - current accounts	1,006,000	505	1,034,498	1,081
Trade receivables - doubtful accounts	203,297	-	187,818	-
Trade receivables - notes receivable	765	-	1,731	-
Impairment on trade receivables	**(196,390)**	**-**	**(182,977)**	**-**

The non-current debt included in the caption "Trade receivables - current accounts", amounting to €505 k and €1,081 k for the period of nine months ended 30 September 2017 and the year ended 31 December 2016, respectively, relates to debts payment agreements from customers with maturities over one year.

The movements in the caption "Impairment of trade receivables" for the periods ended 30 September 2017 and 2016 and for the year ended 31 December 2016 were as follows:

unit: €k

Trade receivables impairment	Initial balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Assets held for sale	Changes in consolidation perimeter	Ending balance
September 2017	182,977	16,893	(1,172)	(21)	(2,472)	185	-	-	196,390
September 2016	199,428	22,524	(4,315)	(312)	-	(724)	(1,147)	-	215,454
December 2016	199,428	46,988	(26,050)	(35,538)	-	(541)	(142)	(1,168)	182,977

Increase and decrease in trade receivables impairment in the net amount of €15,721 k was recognised in the caption "Provisions and impairment losses on receivables" (Note 6).

The amounts of Trade receivables that are overdue but for which no impairment has been recognised correspond to credits which have payment agreement, are covered by credit insurance or for which there is an expectation of partial or total settlement.

The average day's receivable of Galp not overdue trade receivables balance is lower than 30 days.

16. Inventories

Inventories as of 30 September 2017 and 31 December 2016 are detailed as follows:

unit: €k

	September 2017	December 2016
Captions	**914,942**	**868,924**
Raw, subsidiary and consumable materials:	**320,322**	**250,077**
	332,650	**261,778**
Crude oil	205,825	142,111
Other raw materials	79,313	60,260
Raw material in transit	47,512	59,407
Impairment on raw, subsidiary and consumable materials	**(12,328)**	**(11,701)**
Finished and semi-finished products:	**367,311**	**407,655**
	368,067	**407,687**
Finished products	147,956	209,141
Semi-finished products	215,866	195,879
Finished products in transit	4,245	2,667
Impairment on finished and semi-finished products	**(756)**	**(32)**
Work in progress	**216**	**43**
Work in progress	216	43
Goods	**227,090**	**211,149**
	228,399	**212,596**
Goods	228,312	212,342
Goods in transit	87	254
Impairment on goods	**(1,309)**	**(1,447)**
Advance payments for future purchases	**3**	**-**

The caption "Goods" mainly relates to natural gas in pipelines and crude oil derivative products of the subsidiaries headquartered in Spain and Africa.

As of 30 September 2017 and 31 December 2016, the Group's liability to competitors in relation to strategic reserves, which are satisfied by sales in advance, amounted to €12,177 k and €34,644 k respectively (Note 24).

The subsidiary Petróleos de Portugal – Petrogal, SA has a contract with the national entity for the fuel market ("ENMC") for the storage and exchange of crude oil and for the storage of refined products, for the national strategic reserve. The ENMC's crude oil and refined products are stored in Petrogal's 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, SA under this contract are not reflected in the Group financial statements.

The movements in Inventories impairment captions for the periods ended 30 September 2017 and 2016 and in the year ended December 31, 2016 were as follows:

unit: €k

Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Assets held for sale	Changes in consolidation perimeter	Ending balance
September 2017	**13,180**	**1,461**	**(179)**	**(34)**	**(35)**	**-**	**-**	**14,393**
Impairment on raw, subsidiary and consumable materials	11,701	710	(83)	-	-	-	-	12,328
Impairment on finished and semi-finished products	32	751	-	(2)	(25)	-	-	756
Impairment on goods	1,447	-	(96)	(32)	(10)	-	-	1,309
September 2016	**29,249**	**97**	**(16,043)**	**(63)**	**133**	**-**	**(155)**	**13,218**
Impairment on raw, subsidiary and consumable materials	11,639	42	(1,235)	-	-	-	(155)	10,291
Impairment on finished and semi-finished products	3,677	2	(2,207)	-	(50)	-	-	1,422
Impairment on goods	13,933	53	(12,601)	(63)	183	-	-	1,505
December 2016	**29,249**	**1,245**	**(17,265)**	**(63)**	**169**	**(155)**	**-**	**13,180**
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

The net balance of increases and decreases, amounting to €1,282 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 30 September 2017 and 31 December 2016 are detailed as follows:

unit: €k

	September 2017		December 2016	
Captions	**Current**	**Non-Current**	**Current**	**Non-Current**
Outros Investimentos Financeiros	**27,873**	**32,315**	**18,953**	**26,402**
Financial derivatives at fair value through profit and loss (Note 27)	**20,744**	**10,747**	**18,953**	**2,246**
Swaps and Options over Commodities	15,503	10,747	18,922	2,246
Futures over Commodities	4,884	-	-	-
Currency swaps	357	-	31	-
Other Financial Assets	**7,129**	**21,568**	**-**	**24,156**
Futures with physical delivery of Natural Gas	7,129	-	-	-
Others	-	21,568	-	24,156

As at 30 September 2017 and 31 December 2016, the derivative financial instruments are valued at their fair value on those dates (Note 27).

18. Cash and Cash Equivalents

For the periods ended 30 September 2017, 31 December 2016 and 30 September 2016 the caption "Cash and cash equivalents" is detailed as follows:

unit: €k

Captions	September 2017	December 2016	September 2016
Cash and cash equivalents in the consolidated statement of cash flows	**746,378**	**923,243**	**1,041,198**
Cash and cash equivalents	**779,980**	**1,033,498**	**1,178,671**
Cash	7,112	5,066	4,618
Cash Deposits	299,422	218,564	422,060
Term deposits	46,760	33,427	4,361
Other negotiable securities	74,170	68,604	101,367
Other treasury investments	352,516	707,837	646,265
Bank overdrafts	**(33,602)**	**(110,255)**	**(137,473)**
Bank overdrafts (Note 22)	(33,602)	(110,255)	(137,473)

For the periods ended 30 September 2017, 31 December 2016 and 30 September 2016, the caption "Other negotiable securities" presented the following detail:

unit: €k

Captions	September 2017	December 2016	September 2016
Other negotiable securities	**74,170**	**68,604**	**101,367**
High liquidity Futures	**(295)**	**4,001**	**5,715**
Brent Futures	(295)	9	(266)
Electricity Futures		3,407	4,189
Co2 Futures		585	1,792
Other securities	**74,465**	**64,603**	**95,652**
Futures with physical delivery of Natural Gas	5,804	1,164	1,145
Bank deposits certificates	68,658	63,436	94,504
Shares	3	3	3

These forwards 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	September 2017	December 2016	September 2016
Other treasury investments	**352,516**	**707,837**	**646,265**
Galp Energia E&P, B.V.	255,507	572,589	537,814
Galp Sinopec Brazil Services B.V.	67,762	92,970	94,078
Petrogal Brasil, S.A.	18,805	11,304	3,521
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	3,850	4,000	4,000
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	3,350	4,000	4,000
Galp Energia Overseas Block 14 B.V. - Sucursal de Angola	1,898	-	-
Galp Energia Brasil S.A.	1,308	601	1,907
Galp Exploração Serviços do Brasil, Lda.	36	364	945
Petróleos de Portugal - Petrogal, S.A.	-	20,586	-
Galp Energia España, S.A.	-	1,423	-

During 2017, no restrictions or constraints, were identified 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 Energia S.G.P.S., S.A. 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 some 7% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not listed.

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

The Company's shareholding structure as of 30 September 2017 and 31 December 2016 was as follows:

September 2017

	Number of shares	% of Capital	% of Voting rights
Total	**829,250,635**	**100%**	**-**
Amorim Energia,BV	276,472,161	33.34%	33.34%
Parpública - Participações Públicas, SGPS, S.A.	62,021,340	7.48%	7.48%
Free float	490,757,134	59.18%	59.18%

December 2016

	Number of shares	% of Capital	% of Voting rights
Total	**829,250,635**	**100%**	**-**
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%

20. Reserves

As of 30 September 2017, 31 December 2016 and 30 September 2016 the captions "Translation reserves", "Hedging reserves" and "Other reserves" are detailed as follows:

unit: €k

Captions	Notes	September 2017	December 2016	September 2016
Reserves		**2,633,675**	**3,095,103**	**2,808,969**
Translation reserves:	**20.1**	**(60,845)**	**403,845**	**127,299**
Reserves - financial allocations ("quasi capital")	**20.1**	**(143,151)**	**(148,711)**	**(122,255)**
Reserves - financial allocations ("quasi capital")	20.1	(234,651)	(243,076)	(202,990)
Reserves - Tax on financial allocations ("quasi capital")	20.1 and 9.3	91,500	94,365	80,735
Reserves - Translation of financial statements	20.1	**79,862**	**547,366**	**245,788**
Reserves - Goodwill currency update (Note 11)	11	**2,444**	**5,190**	**3,766**
Hedging reserves:	20.2	**7,166**	**3,904**	**(2,623)**
Reserves - financial derivatives	20.2 and 27	9,254	5,254	(3,020)
Reserves - Deferred tax on financial derivatives	20.2 and 9.3	(2,088)	(1,350)	397
Other reserves:	**27.3**	**2,687,354**	**2,687,354**	**2,684,293**
Legal reserves		165,850	165,850	165,850
Free distribution reserves		27,977	27,977	27,977
Special reserves		20	20	(443)
Reserves - Capital increase in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services B.V.		2,493,088	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	450
Reserves - Increase of 99% in the participation in the share capital of the subsidiary Enerfuel, S.A.		(31)	(31)	(31)

20.1. Translation Reserves:

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

i) €79,862 k relating to positive exchange differences resulting from the translation of financial statements in foreign currency to Euros

unit: €k

Translation reserves Per currency	Exchange rate as of 31 December 2016	Opening balance	Variation	End balance	Exchange rate as of 30 September 2017
Reserves - Translation reserves		**547,366**	**-467,504**	**79,862**	
Gambian Dalasi	44.1	**(549)**	549	-	51.95
United States Dollars	1.054	**709,568**	(416,054)	**293,514**	1.181
Cape Vert Escudos	110.265	**(69)**	-	**(69)**	110.265
Guinea Bissau CFA Francs	655.957	**(200)**	-	**(200)**	655.957
Angolan Kwanza	184.475	**(8,347)**	1,444	**(6,903)**	184.495
Swaziland Lilangeni	14.424	**(173)**	(995)	**(1,168)**	16.001
Mozambican Meticais	74.94	**(21,458)**	1,240	**(20,218)**	71.59
Brasilian Reais	3.431	**(131,477)**	(53,652)	**(185,129)**	3.764
Marroccan Dirham	10.613	**71**	(36)	**35**	11.089

ii) €143,151 k relating to negative foreign exchange rate differences on the financial contributions from Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A., Petrogal Brazil, B.V., Galp Sinopec Brazil Services B.V. and Winland International Petroleum, SARL (W.I.P.) to Petrogal Brasil, S.A. stated in Euros and US Dollars, remunerated and not remunerated, and for which there is no intention of reimbursement, and as such are similar to share capital ("quasi capital"), thus being considered an integral part of the net investment in that foreign operational unit in accordance with IAS 21;

iii) €2,444 k regarding positive exchange rate differences resulting from the translation of Goodwill.

20.2. Hedging Reserves:

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

In the period ended 30 September 2017, the amount of €9,254 k (Note 27) is related with fair value of financial derivatives – cash flow hedges and €2,088 k relates to the respective tax impact, and presents the following detail:

unit: €k

Hedging reserves	September 2017	December 2016	September 2016	Changes in the period (September 2017-December 2016)	Changes in the period (September 2016-December 2015)
Hedging reserves	**7,166**	**3,904**	**(2,623)**	**3,262**	**(957)**
Reserves - financial derivatives (Note 27)	**9,254**	**5,254**	**(3,020)**	**4,000**	**(1,150)**
Group companies	9,962	6,224	(1,766)	3,738	(637)
Financial investments in associates and joint ventures	(1,589)	(970)	(1,254)	(619)	(513)
Hedging reserve, arising from the sale of the Ancora Wind - Energia Eólica, S.A., transferred to the Retained earnings Caption (note 4.1 a))	881	-	-	881	-
Reserves - Deferred tax on financial derivatives	**(2,088)**	**(1,350)**	**397**	**(738)**	**193**
Group companies (Note 9)	(2,241)	(1,400)	397	(841)	143
Financial investments in associates and joint ventures	153	50	-	103	50

20.3. Other Reserves:

During the period ended 30 September 2017 no significant changes were noted in Other Reserves. For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.

21. Non-Controlling Interests

As of 30 September 2017, the caption "Non-controlling interests" included in equity refers to the following subsidiaries:

September 2017											(€ k)
		% Non-controlling interest December 2016	December 2016	Assigned dividends (b)	Prior year income	Translation reserves (c)	Retained earnings - actuarial gains and losses	Net income for the period	September 2017	% Non-controlling interest September 2017	Net dividends to other shareholders (b)
Non-controlling interests			**1,562,936**	**(4,382)**	**(4)**	**(158,348)**	**1**	**56,556**	**1,456,759**		**(9,386)**
Galp Sinopec Brazil Services B.V.		**30.00%**	1,309,700	-	-	(141,699)	-	24,255	1,192,256	**30.00%**	-
Petrogal Brasil, S.A.		**30.00%**	230,046	-	-	(16,649)	-	27,749	241,146	**30.00%**	(5,073)
Empresa Nacional de Combustíveis - Enacol, S.A.R.L		**51.71%**	19,353	(2,342)	(3)	-	-	2,471	19,479	**51.71%**	(2,342)
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		**20.00%**	3,340	(460)	-	-	-	631	3,511	**20.00%**	(391)
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		**25.00%**	1,338	(830)	-	-	-	465	973	**25.00%**	(830)
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		**32.35%**	983	(103)	(3)	-	1	185	1,063	**32.35%**	(103)
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.		**25.00%**	797	(647)	-	-	-	513	663	**25.00%**	(647)
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(a)	**35.00%**	(177)	-	2	-	-	64	(111)	**35.00%**	-
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	(a)	**35.00%**	(2,444)	-	-	-	-	223	(2,221)	**35.00%**	-

(a) 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 €4,382 k of dividends attributed: i) €4,313 k were settled in the period ended 30 September 2017; and ii) €69 k were recorded in withholding tax.

In addition the subsidiary Petrogal Brasil, S.A. paid €5,073 k related to the dividends attributed in the year ended 31 December 2016 to the minority shareholder Winland International Petroleum, SARL (W.I.P.).

Thus, in the period ended 30 September 2017, dividends were paid in the amount of €9,386 k to minority shareholders (Note 30).

(c) Changes in non-controlling interests in the caption "Translation reserves" has the following detail:

i) €141,699 k related to the negative exchange differences arising from the translation of financial statements of the subsidiary Galp Sinopec Brazil Services B.V. in United States Dollars (US$) to Euros (Eur);

ii) €16,649 k related to the negative Exchange differences from the subsidiary Petrogal Brasil, S.A. of which:

- €19,033 k are related to negative Exchange differences resulting from the translation of the financial statements of the subsidiary Petrogal Brasil, S.A. in Brazilian Reais (BRL) to Euros (EUR);

- €2,384 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, SARL (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.

22. Loans

Detail of loans

Loans obtained as of 30 September 2017 and 31 December 2016 were as follows:

unit: €k

	September 2017		December 2016	
	Current	Non-current	Current	Non-current
	708,601	**2,037,784**	**325,163**	**2,577,529**
	141,543	**940,276**	**308,308**	**911,873**
Bank loans:	**141,543**	**939,921**	**308,308**	**911,489**
Origination Fees	(738)	(530)	(1,134)	(1,260)
	142,281	**940,451**	**309,442**	**912,749**
Loans	108,623	940,451	198,556	912,749
Bank overdrafts (Note 18)	33,602	-	110,255	-
Discounted notes	56	-	631	-
Other loans obtained:	-	**355**	-	**384**
Origination Fees	-	-	-	-
	-	**355**	-	**384**
IAPMEI/SIDER	-	355	-	384
Bonds and Notes:	**567,058**	**1,097,508**	**16,855**	**1,665,656**
Origination Fees	(2,942)	(2,492)	(5,645)	(4,344)
	570,000	**1,100,000**	**22,500**	**1,670,000**
Bonds	570,000	100,000	22,500	670,000
Notes	-	1,000,000	-	1,000,000

Current and non-current loans, excluding origination fees, bank overdrafts and discounted notes, have the following repayment plan as of 30 September 2017:

unit: €k

	Loans		
Maturity	Total	Current	Non-Current
	2,719,429	**678,623**	**2,040,806**
2017	51,623	51,623	-
2018	628,665	627,000	1,665
2019	698,988	-	698,988
2020	649,358	-	649,358
2021	535,091	-	535,091
2022	110,675	-	110,675
2023	20,029	-	20,029
2024 and subsequent years	25,000	-	25,000

As of 30 September 2017 and 31 December 2016, Loans obtained are expressed in the following currencies:

Currency		September 2017 Total initial amount	September 2017 Due amount (€k)	December 2016 Total initial amount	December 2016 Due amount (€k)
			2,719,429		**2,804,189**
United States Dollars	USD	100,000	84,703	126,000	59,767
Euro	EUR	2,976,414	2,634,726	3,580,353	2,744,422

The average interest rate of the loans, including costs associated with overdrafts, incurred by the Group, in 2017 and 2016, amounted to 3.45% and 3.52% respectively.

Description of the Main Loans

Commercial paper issuance

As of 30 September 2017, the Group has contracted commercial paper programs which are fully underwritten, amounting to €940,000 k, which are divided into €490,000 k medium- and long-term and €450,000 k short-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.

Revolving Credit Facility

As of 30 September 2017, the Group has contracted Revolving Credit Facilities, with an underwriting commitment totalling €384,703 k and with approximately 2 years of maturity. This amount was fully available as of 30 September 2017.

Bank loans

Detail of the main bank loans as of 30 September 2017:

unit: €k

Entity	Due amount	Interest rate	Maturity	Reimbursement
	234,703			
UniCredit Bank Austria	150,000	Euribor 6M + spread	april 20	april 20
Banco Itaú	84,703	Libor 6M + spread	June 22	June 22

Additionally, the Group has project finance loans amounting to €19,983 k, obtained by the company CLCM – Companhia Logística de Combustíveis da Madeira, S.A.

Detail of the loans obtained from the European Investment Bank (EIB) as of 30 September 2017:

unit: €k

Entity	Due amount	Interest rate	Maturity	Reimbursement
	304,389			
EIB (Matosinhos cogeneration)	50,000	Fixed rate	October '17	October '17
EIB (Instalment A - Sines cogeneration)	15,826	Fixed rate	September '21	Semi-annual instalments beginning in March '10
EIB (Instalment B - Sines cogeneration)	8,563	Fixed rate	March '22	Semi-annual instalments beginning in September '10
EIB (Instalment A - refinery upgrade)	138,000	Revisable fixed rate	February '25	Semi-annual instalments beginning in August '12
EIB (Instalment B - refinery upgrade)	92,000	Fixed rate	February '25	Semi-annual instalments beginning in August '12

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 Galp 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 30 September 2017:

unit: €k

Emission	Due amount	Interest rate	Maturity	Reimbursement
	670,000			
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

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 30 September 2017:

unit: €k

Emission	Overdue amount	Interest rate	Maturity	Reimbursement
	1,000,000			
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

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 Benefits

On 30 September 2017 and 31 December 2016, the net assets of the Petrogal and Sacor Maritima Pension Funds, valued at fair value, were as follows according to the reports submitted by the respective fund management companies:

unit: €k

	September 2017	December 2016
Total	**275,973**	**282,755**
Bonds	169,518	171,354
Shares	58,442	51,108
Other Investments	9,362	10,279
Real Estate	2,960	2,628
Liquidity	5,446	17,141
Property	30,245	30,245

The heading Property refers to the value of the properties being used by the Group.

As of 30 September 2017 and 31 December 2016, the Group had the following amounts related to liabilities for retirement benefits and other benefits:

unit: €k

Captions	September 2017			December 2016		
	Asset (Note 14)	Liability	Equity	Asset (Note 14)	Liability	Equity
	281	**(347,718)**	**131,294**	**271**	**(359,122)**	**142,480**
Post eployment benefits:						
Relating to the Pension Fund	281	(5,265)	41,278	271	(7,031)	44,345
Retired Employees		(723)	1,452		(750)	1,452
Pre-retirement		(57,077)	9,107		(56,518)	9,107
Early retirement		(60,458)	7,744		(63,026)	7,744
Retirement bonus		(6,846)	341		(7,029)	341
Voluntary social insurance		(1,960)	3,892		(2,257)	3,892
Other benefits:						
Healthcare		(199,492)	67,223		(208,283)	75,342
Life insurance		(2,762)	238		(2,816)	238
benefit		(13,135)	19		(11,412)	19

For additional information, refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.

24. Other Payables

As at 30 September 2017 and of 31 December 2016 the non-current and current captions “Other payables” were detailed as follows:

unit: €k

Captions	Note	September 2017 Current	September 2017 Non-Current	December 2016 Current	December 2016 Non-Current
		933,604	290,441	884,008	305,076
State and other public entities:		**534,383**	**12**	**349,861**	**2**
Value Added Tax payables		263,682	-	194,719	-
"ISP" - Tax on oil products		232,938	-	115,853	-
Personnel and Corporate Income Tax Withheld		5,998	-	9,937	-
Social Security contributions		5,560	-	5,572	-
Other taxes		26,205	12	23,780	2
Other payables		**84,401**	**82,621**	**196,925**	**83,998**
Tangible and intangible assets suppliers		63,069	82,621	97,076	83,998
Advances on sales	16	12,177	-	34,644	-
Overlifting		4,792	-	59,752	-
Operated Blocks		-	-	122	-
Non operated Blocks		1,771	-	1,902	-
Trade receivables credit balances		1,736	-	3,165	-
Trade receivables advance payments		856	-	264	-
Related parties		**784**	**160,593**	**6,343**	**179,720**
Other payables - Associates, affiliates and related companies		426	-	435	-
Dividends payable	21	-	-	5,449	-
Loans - Associates, affiliates and related companies		365	-	365	-
Other payables - Other shareholders		(7)	-	94	-
Loans - Other shareholders			160,593		179,720
Other accounts payables		**33,264**	**4,171**	**37,856**	**4,010**
Personnel		6,081	-	6,815	-
"ISP" - Other operators debit		6,533	-	4,553	-
Guarantee deposits and guarantees received		2,496	3,629	2,457	3,292
Advances related to disposal of financial investments	3.1	-	-	5,327	-
Other creditors		18,154	542	18,704	718
Accrued costs:		**255,466**	**27,057**	**270,770**	**30,968**
External supplies and services		134,995	-	116,510	-
Holiday , holiday subsidy and corresponding contributions		29,386	-	25,698	-
Productivity bonuses		17,461	2,865	26,579	3,704
Accrued interest		36,211	-	49,208	-
Accrued insurance premiums		389	-	1,656	-
Adjustment to tariff deviation - regulated revenue - "ERSE" regulation		7,881	7,896	5,338	9,092
Adjustment to tariff deviation - other activities - "ERSE" regulation		5,785	-	4,944	-
Discounts, bonuses and rappel related to sales		7,479	-	3,985	-
Accrued personnel costs - other		1,189	-	1,489	-
Financial costs		1,021	-	1,013	-
Fastgalp prizes		734	-	118	-
Adjustment to tariff deviation - energy tariff - "ERSE" regulation		-	16,296	-	18,172
Other accrued costs		12,935		34,232	
Deferred income:		**25,306**	**15,987**	**22,253**	**6,378**
Services rendered		18,376	-	7,177	-
Investment government grants	13	1,150	5,861	1,156	6,336
Others		5,780	10,126	13,920	42

The caption "Advances on sales" amounting to €12,177 k is related with Group liabilities with competitors for strategic reserves (Note 16).

The amount of €4,792 k presented in the caption "Other payables - Overlifting" represents the Group's liability in respect of excess crude oil lifted considering its production quota.

The amount of €6,533 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 petroleum products) from counterparties (partners/competitors) and to deliver it over to the State.

The amount of €2,496 k recorded in the caption "Guarantee deposits and guarantees received" includes €2,146 k relating to Petrogal's liability as of 30 September 2017 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 €160,593 k recorded in the caption "Loans – associates, affiliates and related companies" refers to the following:

- Winland International Petroleum, SARL, granted loans amounting to €159,388 k (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 30 September 2017 the amount of €6,637 k is recognised under the caption "Interest", regarding loans obtained concerning related companies.
- 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 €7,011 k (Note 13).

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.

25. Provisions

The changes in provisions in the period ended 30 September 2017 and 2016 and in the year ended 31 December 2016 were as follows:

unit: €k

Captions	Initial balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in the	Assets held for sale	Ending balance
September 2017	**429,487**	**172,614**	**(2,520)**	**(2,638)**	**-**	**(20,830)**	**-**	**-**	**576,113**
Lawsuits	20,343	1,669	(679)	(1,773)	-	(986)	-	-	18,574
Financial investments	4,005	19	(34)	-	-	(1,535)	-	-	2,455
Taxes	31,154	5,206	-	(356)	-	(2,782)	-	-	33,222
Environmental matters	3,454	-	-	(377)	-	-	-	-	3,077
Abandonment of blocks	139,060	110,484	-	-	-	(15,480)	-	-	234,064
Other risks and charges	231,471	55,236	(1,807)	(132)	-	(47)	-	-	284,721
September 2016	**428,762**	**65,121**	**(8,879)**	**(10,718)**	**-**	**(1,090)**	**-**	**(31,719)**	**441,477**
Lawsuits	29,179	727	(7,935)	(325)	90	3,390	-	(429)	24,697
Financial investments	4,115	32	(393)	-	-	465	-	-	4,219
Taxes	33,405	-	(551)	-	-	(926)	-	-	31,928
Environmental matters	2,208	-	-	-	-	-	-	-	2,208
Abandonment of blocks	128,795	31,193	-	-	-	(3,704)	-	-	156,284
Other risks and charges	231,060	33,169	-	(10,393)	(90)	(315)	-	(31,290)	222,141
December 2016	**428,762**	**92,513**	**(52,414)**	**(15,849)**	**-**	**8,209**	**(31,734)**	**-**	**429,487**
Lawsuits	29,179	297	(12,874)	(492)	98	4,564	(429)	-	20,343
Financial investments	4,115	35	(331)	-	-	186	-	-	4,005
Taxes	33,405	1,516	-	(4,735)	-	968	-	-	31,154
Environmental matters	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

The increase in provisions, net of the decreases, in the periods ended 30 September 2017 and 2016 and in the year ended 31 December 2016, were as follows:

unit: €k

	Operating Costs Provisions (Note 6)	Tangible assets	Financial income/costs	Energy sector extraordinary contribution	Deferred costs CESE	Income tax	Investments in associates and joint ventures	Total
September 2017	**(100)**	**104,537**	**5,932**	**43,413**	**11,106**	**5,206**	**-**	**170,094**
Other risks and charges (Note 6)	(100)	-	-	-	-	-		**(100)**
Abandonment of blocks	-	104,537	5,947	-	-	-		**110,484**
Estimate for additional payments of IRP	-	-	-	-	-	5,206		**5,206**
Financial investments (Note 4)	-	-	(15)	-	-	-		**(15)**
CESE I	-	-	-	16,949	-	-		**16,949**
CESE II	-	-	-	26,464	11,106	-		**37,570**
December 2016	**(10,422)**	**16,266**	**3,304**	**32,676**	**-**	**(9,201)**	**7,476**	**40,099**
Other risks and charges (Note 6)	2,777	-	-	-	-	-	-	**2,777**
Abandonment of blocks	(13,199)	16,266	3,600	-	-	-	-	**6,667**
Estimate for additional payments of IRP and Special participation	-	-	-	-	-	(9,201)	-	**(9,201)**
Financial Investments	-	-	(296)	-	-	-	-	**(296)**
Future liabilities with disposal of GGND	-	-	-	-	-	-	7,476	**7,476**
CESE I	-	-	-	28,402	-	-	-	**28,402**
CESE II	-	-	-	4,274		-	-	**4,274**

<u>Lawsuits</u>

The provision for current lawsuits amounts to €18,574 k and includes mainly: an amount of €3,900 k relating to a liability for fines imposed by the Competition Authority relating to contracts with distributors in the LPG business; the amount of €815 k related to liabilities for the offsetting of subsoil levies and an amount of €10,161 k related to the provision of the estimate for payment of an additional amount of the special participation tax in Brazil. The amount of €(986) 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.

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 €33,222 k includes mainly:

i) €25,075 k of additional liquidations of Oil Income Tax ("IRP"); 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.

The increase of the tax provision in the period ended 30 September 2017 corresponds mainly to the additional liquidation of Oil Income Tax "IRP" in Angola amounting to €5,206k.

Environmental issues

The amount of €3,077 k presented in the caption "Environmental provisions" is related to the costs associated with the soil decontamination of certain facilities occupied by the Group, where due to legal obligation a decision has already been taken to carry out the decontamination.

Abandonment of blocks

The amount of €234,064 k recorded in provisions for the abandonment of blocks is destined to cover all costs to be incurred with the dismantling of assets and soil decontamination at the end of the useful life of those areas. The changes in provisions for the abandonment of blocks in the period ended were as follows:

unit: €k

	Initial balance	Increases	NPV interests increase	Decreases	Utilisation	Exchange differences (Cta's) (a)	Exchange differences (P/L) (b)	Ending balance
	139,060	**104,537**	**5,946**	**-**	**-**	**(12,642)**	**(2,837)**	**234,064**
Blocks in Brazil	**79,431**	**102,074**	**4,843**	**-**	**-**	**(7,028)**	**(2,062)**	**177,258**
Lula e Gas pipeline	50,713	59,536	2,994	-	-	(4,487)	(818)	107,938
Rabo Branco	343	-	7	-	-	(30)	(44)	276
Iracema	28,375	42,538	1,842	-	-	(2,511)	(1,200)	69,044
Blocks in Angola	**59,629**	**2,463**	**1,103**	**-**	**-**	**(5,614)**	**(775)**	**56,806**
Bloco 1	7,237	-	-	-	-	-	(775)	6,462
Bloco 14 - Kuito	12,562	-	251	-	-	(1,346)	-	11,467
Bloco 14 - BBLT	(2,648)	-	(53)	-	-	284	-	(2,417)
Bloco 14 - TL	40,468	-	810	-	-	(4,337)	-	36,941
Bloco 14 - K	2,010	2,463	95	-	-	(215)	-	4,353

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

Other risks and charges

As at 30 September 2017 the caption "Provisions – other risks and charges", amounting to €284,721 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, namely to the clause that provides price correction, if the subsidiaries of the Galp Group Gás Natural Distribuição S.A make the payment of CESE I;

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) €69,291 k related to the provision to cover the Energy Sector Extraordinary Contribution "CESE I" in Portugal:

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 €69,291 k under the "Provisions" caption. The total value of the liability on 31 December 2016 amounted to €52,342 k. In the period ended 30 September 2017, the provision was reinforced by €16,949 k, and recognised in the income statement under the caption "Energy sector extraordinary contribution";

iv) €194,664 k related to the provision to cover the Energy Sector Extraordinary Contribution "CESE II" in Portugal:

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 €52,052 k in May of each of the years 2015, 2016 and 2017, respectively. In the period ended 30 September 2017, through the Order No. 92-A/2017 of 2 March, the assumption for the economic value of the take or pay contracts was modified, which caused the CESE increase in the amount of €32,303 k. This increase is not applied retrospectively, being applied in the current year. For the increase presented, interest for delayed payments of €5,267 were also noted, amouting to €11,205 k the total of accumulated interests.

As it is challenging the Law, Galp has accounted for the total value of the liability amounting to €199,664 k under the "Provisions" caption and the respective cost is being deferred under the caption "Other receivables - Deferred costs" over the useful life of the contracts. In the period ended 30 September 2017, the Group recognised in the income statement under the caption "Energy sector extraordinary contribution" the amount of €26,464 k and the current and non-current captions "Other receivables - Deferred costs" amount to €26,784 k and €91,985 k, respectively (Note 14).

v) €1,844 k to cover the impairment of the assets of the affiliate Moçamgalp Agroenergias de Moçambique, S.A..

26. Trade Payables

As of 30 September 2017 and 31 December 2016 the amounts recorded in the caption "Trade payables" were as follows:

unit: €k

Captions	September 2017	December 2016
Trade payables	**798,894**	**850,412**
Trade payables - current accounts	234,894	363,288
Trade payables - pending invoices	564,000	487,124

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

Frequently, the Group uses financial derivatives to hedge interest rate risk, market fluctuation risks, particularly the risks of variation in crude oil prices, finished products and refining margins, as well as price variation risk of natural gas and electricity which affect the financial value of the assets and the future cash flows expected from its 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 (Level 1 of the Fair value hierarchy).

Derivative financial instruments portfolio as of 30 September 2017 and 31 December 2016 are detailed as follows:

unit: €k

Fair value	30 September 2017					31 December 2016				
	Assets		Liabilities		Equity (Note 20.2)	Assets		Liabilities		Equity (Note 20.2)
	Current	Non-Current	Current	Non-Current		Current	Non-Current	Current	Non-Current	
Financial derivatives	**20,744**	**10,747**	**(27,332)**	**(18,280)**	**9,962**	**22,954**	**2,246**	**(17,056)**	**(1,222)**	**6,224**
Commodities Financial Derivatives	**20,387**	**10,747**	**(26,840)**	**(18,280)**	**9,962**	**22,923**	**2,246**	**(16,055)**	**(1,222)**	**6,224**
Swaps (Note 17)	15,503	10,747	(26,840)	(18,280)	2,716	18,922	2,246	(16,055)	(1,222)	1,169
Futures (Note 17)	4,884	-	-	-	7,246	4,001	-	-	-	-
Futures (Note 18)	-	-	-	-	-	-	-	-	-	5,055
Currency Financial Derivatives	**357**	**-**	**(492)**	**-**	**-**	**31**	**-**	**(1,001)**	**-**	**-**
Non-deliverable Forwards	357	-	(455)	-	-	-	-	(1,001)	-	-
Forwards	-	-	(37)	-	-	31	-	-	-	-

The MTM (Mark-to-Market) of the derivative financial liabilities amounts to €45,612 k. Of this amount, €27,332 k are classified as current liabilities and thus realised within 1 year. The amount recorded as Non-Current Liabilities, in the amount of €18,280 k, is realised up to the year 2022.

The accounting impact at 30 September 2017 and 2016 of gains and losses on derivative financial instruments is presented in the following table:

unit: €k

	30 September 2017				30 September 2016			
	Income statement			Equity (Note 20)	Income statement			Equity (Note 20)
	Potencial (MTM)	Real	MTM+Real	Potencial (MTM)	Potencial (MTM)	Real	MTM+Real	Potencial (MTM)
Gains and losses on financial instruments	**(17,273)**	**(783)**	**(18,056)**	**3,738**	**30,387**	**(57,154)**	**(26,767)**	**(637)**
Commodities Financial Derivatives	**(18,108)**	**2,250**	**(15,858)**	**3,738**	**31,244**	**(50,606)**	**(19,362)**	**(637)**
Swaps	(22,227)	(11,836)	**(34,063)**	1,547	37,083	(9,594)	**27,489**	301
Swaps - Fair value hedge	5,059	-	**5,059**	-	(9,182)	-	**(9,182)**	-
Futures	(940)	14,086	**13,146**	2,191	3,343	(41,012)	**(37,669)**	(938)
Currency Financial Derivatives	**835**	**(3,033)**	**(2,198)**	**-**	**(857)**	**(6,548)**	**(7,405)**	**-**
Non-deliverable Forwards	903	(5,710)	**(4,807)**	-	(960)	(8,415)	**(9,375)**	-
Forwards	(68)	2,677	**2,609**	-	103	1,867	**1,970**	-

The income from financial instruments in the negative amount of €25,143 k includes the potential MTM (Mark-to-Market) of derivatives on Commodities as shown below:

unit: €k

	September 2017	September 2016
Income on Financial Instruments	**(25,143)**	**31,244**
Commodities Financial Derivatives	**(27,335)**	**31,244**
Swaps	(26,395)	27,901
Futures	(940)	3,343
Other operations	**2,192**	**-**
Other trading operations	2,192	-

The realised amount of financial derivatives recognised in the caption "Cost of Sales" amounts to positive €10,803 k, comprising derivatives over commodities and MtM of the derivatives for the Contango operation (Note 6).

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

unit: €k

	September 2017	September 2016
Fair Value changes in Equity	**3,119**	**6,840**
Group companies (Nota 20)	3,738	7,353
Associates and joint ventures (Nota 20)	(619)	(513)

Financial derivatives open positions have the following nominal values per maturity:

unit: €k

		30 September 2017		31 December 2016	
		Maturity		Maturity	
		< 1 year	> 1 year	< 1 year	> 1 year
Nominal value of outstanding financial derivatives		**124,399**	**149,010**	**81,810**	**(5,780)**
Commodities Financial Derivatives					
Swaps	Compra	178,261	273,977	129,438	13,650
	Venda	131,701	133,789	141,708	21,274
Futures	Compra	53,474	10,297	75,696	1,844
	Venda	11,933	1,475	5,681	-
Currency Financial Derivatives					
Non-deliverable Forwards	Compra	36,298	-	27,363	-
	Venda	-	-	-	-
Swaps	Compra	-	-	41,054	-
	Venda	-	-	44,352	-
Forwards	Compra	-	-	-	-
	Venda	-	-	-	-

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 (Mark-to-market) caption, the positive amount of €5,059 k, through the caption "Other financial instruments", related to the fair value hedge and in Equity, under the caption "Hedging reserves", the amount of €3,738 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 positive €10,522 k, and was recognised 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

During the period ended 30 September 2017, no significant changes were noted in Related Parties, when compared with the consolidated financial statements for the year ended 31 December 2016. For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.

29. Remuneration of the Board

The remuneration of the board members of Galp for the periods ended 30 September 2017 and 2016 is detailed as follows:

unit: €k

	September 2017						September 2016					
	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
Remuneration of the Board	**4,066**	**566**	**207**	**(74)**	**20**	**4,785**	**3,940**	**540**	**207**	**(1,599)**	**30**	**3,118**
Board members of Galp Energia SGPS	**3,056**	**566**	**207**	**(74)**	**20**	**3,775**	**2,967**	**540**	**207**	**(1,564)**	**30**	**2,180**
Executive management	2,613	566	207	(74)	20	**3,332**	2,484	540	207	(1,564)	30	**1,697**
Non-executive management	377	-	-	-	-	**377**	410	-	-	-	-	**410**
Supervisory board	62	-	-	-	-	**62**	69	-	-	-	-	**69**
General Assembly	4	-	-	-	-	**4**	4	-	-	-	-	**4**
Board members of subsidiaries	**1,010**	**-**	**-**	**-**	**-**	**1,010**	**973**	**-**	**-**	**(35)**	**-**	**938**
Executive management	1,010	-	-	-	-	**1,010**	934	-	-	(35)	-	**899**
General Assembly	-	-	-	-	-	**-**	39	-	-	-	-	**39**

Of the amounts of €4,785 k and €3,118 k, recorded in the nine months periods ended 30 September 2017 and 2016, respectively, €4,643 k and €3,142 k were recorded as employee costs (Note 6) and €142 k and €(24) k were recorded as external supplies and services.

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 fulfilment 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.

30. Dividends

In accordance with the resolution of the General Shareholders' Meeting held on 12 May 2017, the shareholders of Galp Energia, SGPS, SA were granted dividends in the amount of €412,688 k relating to the distribution of net income for the year 2016 and retained earnings. Prepaid dividends of €206,344 k were distributed and settled on 23 September 2016 and the remaining €206,344 k were settled on 30 May 2017.

Additionally, the Board of Directors has approved interim dividends, in the amount of €207,313 k, totally settled on 21 September 2017.

During the nine-month period ended 30 September 2017, dividends amounting to €9,386 k were settled in the sphere of the subsidiaries of the Galp Energia group to minority shareholders (Note 21. b)).

As a result of the above, during the period ended 30 September 2017, the Group paid dividends totaling €423,043 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.

For additional information on reserves and resources refer to the notes to the consolidated financial statements as of 31 December 2016.

32. Financial Risk Management

During the period ended 30 September 2017, no additional matters were noted apart from those referred in the financial risk management note disclosed in the consolidated financial statements as of 31 December 2016. For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.

33. Contingent Assets and Liabilities

During the period ended 30 September 2017, no significant changes were noted in the Contingent assets and liabilities, when compared with the consolidated financial statements as of 31 December 2016. For additional information refer to the consolidated financial statements as of 31 December 2016 and respective notes to the consolidated financial statements.

34. Financial Assets and Liabilities at Book Value fnd Fair Value

The financial assets and liabilities are recognised at book value and do not present significant differences when compared with its fair value, except for the bonds. The fair value of the bonds was measured based on observable market inputs, thus the classification of the fair value hierarchy was Level 2.

Financial assets held for sale (comprising unlisted equity instruments), are recognised at the acquisition cost.

For additional information refer to the notes to the consolidated financial statements as of 31 December 2016.

35. Information on Environmental Matters

The cost of CO_2 gas emissions, measured at the acquisition costs of the respective licenses, is recognised in Operating costs and amounts to €5,551k as of 30 September 2017 (Note 6).

Galp has acquired CO_2 Futures, maturing on December 2017 and 2018, for acquisition of 1,175,000 Ton / CO_2, at the average price of €3.83/ CO_2 TON.

As the Group holds in its portfolio sufficient licenses for the greenhouse gas emissions noted, no accruals were made for eventual deficits noted.

No other significant changes were noted up to 30 September 2017.

For additional information on environmental matters, refer to the notes to the consolidated financial statements as of 31 December 2016.

36. Subsequent Events

On October 27, Galp, through Petrogal Brasil, acquired a 20% interest the Carcará North area pursuant to the 2nd Production Sharing Bidding Round in Brazil. The consortium also comprises Statoil (operator) and ExxonMobil. Carcará North area is adjacent to BM-S-8 concession, where Petrogal Brasil currently holds a 14% interest.

The consortium offered a profit oil share of 67.12%. Additional commitments include the payment of a signature bonus of $186 m net to Petrogal Brasil.

In light of the award, Statoil, ExxonMobil and Petrogal Brasil have agreed to align equity interests in those two licenses that together encompass the large Carcará reservoir. In this context, Petrogal Brasil has agreed with Statoil the acquisition of an additional 3% stake in BM-S-8, for a total consideration of c.$114 m, comprising an upfront cash payment of c.$71 m and a cash payment contingent on certain conditions being met, which include the unitisation process between Carcará and Carcará North areas.

Pursuant to the two above-mentioned transactions, Petrogal Brasil's total exposure to the Carcará reservoir will consist of a 20% interest in Carcará North and a 17% interest in the BM-S-8 concession.

37. Approval of the Financial Statements

The consolidated financial statements were approved by the Board of Directors on 27 October 2017.

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 some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

THE BOARD OF DIRECTORS:

Chairman:

Paula Fernanda Ramos Amorim

Vice-Chairmen:

Miguel Athayde Marques

Carlos Nuno Gomes da Silva

Members:

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Cláudia Ramos Amorim Barroca de Oliveira

Raquel Rute da Costa David Vunge

Carlos Manuel Costa Pina

Francisco Vahia de Castro Teixeira Rêgo

Jorge Manuel Seabra de Freitas

José Carlos da Silva Costa

Pedro Carmona de Oliveira Ricardo

João Tiago Cunha Belém da Câmara Pestana

Rui Paulo da Costa Cunha e Silva Gonçalves

Luís Manuel Pego Todo Bom

Diogo Mendonça Rodrigues Tavares

Joaquim José Borges Gouveia

THE ACCOUNTANT:

Carlos Alberto Nunes Barata

12. Definitions

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

Rotterdam hydrocracking margin
45% Rotterdam Hydrocraking margin: -100% Brent dated, +2.2% LPG FOB Seagoing (50% Butane + 50% Propane), +19.1% EuroBob NWE FOB Bg, +8.7% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +45.1% ULSD 10 ppm NWE CIF, +9.0% LSFO 1% FOB Cg; C&L: 7.4%; Terminal rate: $1/ton; Ocean loss: 0.15% over Brent; Freight 2017: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat $7.66/ton. Yields in % of weight.

Rotterdam cracking margin
42.5% Rotterdam cracking margin: -100% Brent dated, +2.3% LPG FOB Seagoing (50% Butane + 50% Propane), +25.4% EuroBob NWE FOB Bg, +7.5% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +33.3% ULSD 10 ppm NWE CIF, +15.3% LSFO 1% FOB Cg; C&L: 7.7%; Terminal rate: $1/ton; Ocean loss: 0.15% over Brent; Freight 2017: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat $7.66/ton. Yields in % of weight.

Rotterdam base oils margin
7% Rotterdam Base Oil margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13% Naphtha NWE FOB Bg, +4.4% Jet NWE CIF, 34% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg,+ 14% Base Oils FOB, +26% HSFO 3.5% NWE Bg; Consumptions: -6.8% LSFO 1% CIF NWE Cg; C&L: 7.4%; Terminal rate: $1/ton; Ocean loss: 0.15% over Arabian Light; Freight 2017: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat $7.66/ton. Yields in % of weight.

Rotterdam aromatics margin
5.5% Rotterdam aromatics margin: -60% EuroBob NWE FOB Bg, -40% Naphtha NWE FOB Bg, +37% Naphtha NWE FOB Bg, +16.5% EuroBob 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.

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

Replacement cost adjusted (RCA)
In addition to using the replacement cost method, 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 operational performance.

ACRONYMS

APETRO: *Associação Portuguesa de Empresas Petrolíferas* (Portuguese association of oil companies)
bbl: barrel of oil
Bg: Barges
bn: billion
boe: barrels of oil equivalent
Capex: capital expenditure
CESE: *Contribuição Extraordinária sobre o Sector Energético* (Portuguese Extraordinary Energy Sector Contribution)
Cg: Cargoes
CIF: Costs, Insurance and Freights
CORES: *Corporación de Reservas Estratégicas de Produtos Petrolíferos*
COOEC: Offshore Oil Engineering Co. Ltd.
CTA: Cumulative Translation Adjustment
E&P: Exploration & Production
Ebit Earnings before interest and taxes
Ebitda: Earnings before interest, taxes, depreciation, amortization and provisions
EUA: United States of America
EUR/€: Euro
FCF: free cash flow
FPSO: Floating, production, storage and offloading unit
Galp, Company or Group: Galp Energia, SGPS, S.A., subsidiaries and participated companies
G&P: Gas & Power
GGND: Galp Gás Natural Distribuição, S.A.
GWh Gigawatt per hour
IAS: International Accounting Standards
IFRS: International Financial Reporting Standards
IRP: Oil income tax (Oil tax payable in Angola)
IRC: portuguese corporate income tax
ISP: Tax on oil products (Portugal)
k: thousand
kboepd: thousands of barrels of oil equivalent per day
kbpd: thousands of barrels of oil per day
LNG: liquified natural gas
LSFO: low sulphur fuel oil
m: million
mmboe: millions of barrels of oil equivalent
mmbtu: million British thermal units
mm³: million cubic metres
mton: millions of tonnes
MW: megawatt
NBP: National Balancing Point
NG: natural gas
NWE: Northwestern Europe
OPEC: Organisation of Petroleum Exporting Countries
R&M: Refining & Marketing
RC: Replacement Cost
RCA: Replacement Cost Adjusted
t: tonnes
USA: United States of America
USD/$: Dollar of the United States of America
VAT: value-added tax
VGO: vacuum gas oil
WI: working interest
YoY: year-on-year

CAUTIONARY STATEMENT

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

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

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

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in the Company’s records and other data available from third parties. Although Galp believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. No assurance, however, can be given that such expectations will prove to have been correct. Important factors that may lead to significant differences between the actual results and the statements of expectations about future events or results include the Company’s business strategy, industry developments, financial market conditions, uncertainty of the results of future projects and operations, plans, objectives, expectations and intentions, among others. Such risks, uncertainties, contingencies and other important factors could cause the actual results of Galp or the industry to differ materially from those results expressed or implied in this report by such forward-looking statements.

Real future income, both financial and operating; an increase in demand and change to the energy mix; an increase in production and changes to Galp's portfolio; the amount and various costs of capital, future distributions; increased resources and recoveries; project plans, timing, costs and capacities; efficiency gains; cost reductions; integration benefits; ranges and sale of products; production rates; and the impact of technology can differ substantially due to a number of factors. These factors may include changes in oil or gas prices or other market conditions affecting the oil, gas, and petrochemical industries; reservoir performance; timely completion of development projects; war and other political or security disturbances; changes in law or government regulation, including environmental regulations and political sanctions; the outcome of commercial negotiations; the actions of competitors and customers; unexpected technological developments; general economic conditions, including the occurrence and duration of economic recessions; unforeseen technical difficulties; and other factors.

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

Galp Energia, SGPS, S.A.
Investor Relations:

Pedro Dias, Head
Otelo Ruivo, IRO
Cátia Lopes
João G. Pereira
João P. Pereira
Teresa Rodrigues

Contacts:
Tel: +351 21 724 08 66
Fax: +351 21 724 29 65
Address:
Rua Tomás da Fonseca,
Torre A, 1600-209 Lisboa, Portugal

Website: www.galp.com
Email:investor.relations@galp.com
Reuters: GALP.LS
Bloomberg: GALP PL