energy creates energy

galp

RESULTS
THIRD QUARTER
2017

October 30, 2017
Investor Relations

TABLE OF CONTENTS

1. 3Q17 highlights

- **Group RCA Ebitda increased €103 m YoY to €487 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 €215 m**, up €88 m YoY supported by **production growth and higher oil and natural gas prices,** although impacted by the Dollar depreciation against the Euro.
- **Average working interest (WI) production reached 94.6 kboepd**, up 28% YoY, supported by the development of Lula and Iracema, in Brazil. Production in the quarter benefited from the ramp-up of FPSO P-66 (#7), albeit also impacted by planned outages on FPSOs Cidade de Itaguaí (#4) and Cidade de Maricá (#5), and by the end of maintenance works on FPSO Cidade de Angra dos Reis (#1).
- 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 €38 m YoY to €218 m**, supported by **Galp's refining margin increase to $7.4/boe**, which reflected improved margins in the international market and gasoline exports to the USA. However, the R&M business was impacted by the depreciation of the Dollar against the Euro, by refining margin hedgings and by the time lag of pricing formulas.
- **RCA Ebitda for G&P business stood at €45 m,** with the increased volumes sold to direct clients offsetting the lower volumes sold in the trading segment.
- **Group RCA Ebit amounted to €302 m**, mainly following the Ebitda performance. It should be noted that amortisation and depreciation charges in the E&P business were impacted by the depreciation of the Brazilian Real against the Euro.
- **RCA net income was €166 m, up €51 m YoY, while IFRS net income increased to €163 m.** The inventory effect corresponded to €11 m, and non-recurring events were €14 m, mainly related to the tax on the energy sector in Portugal.
- **Capex totalled €227 m** during the quarter, of which 82% was allocated to development and production activities, namely to the development of block BM-S-11 in Brazil. It is also worth noting the start of the investment in the development of the Coral South project in Mozambique.
- **Post-dividend free cash flow was negative €37 m**, considering the €208 m payment of the interim dividend related to the 2017 financial year.
- Net debt on 30 September amounted to €1.5 billion (bn), considering the loan to Sinopec as cash, 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)

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
384	**473**	**487**	**103**	**27%**	**Ebitda RCA**	**1,015**	**1,379**	**364**	**36%**
127	188	215	88	69%	Exploration & Production	262	606	345	n.m.
180	233	218	38	21%	Refining & Marketing	471	639	167	36%
73	46	45	(27)	(37%)	Gas & Power	260	113	(146)	(56%)
211	**253**	**302**	**91**	**43%**	**Ebit RCA**	**534**	**775**	**242**	**45%**
194	**199**	**314**	**120**	**62%**	**Ebit IFRS**	**322**	**799**	**477**	**n.m.**
115	**151**	**166**	**51**	**45%**	**Net income RCA**	**361**	**416**	**55**	**15%**
(37)	(17)	(14)	(23)	(63%)	Non-recurring items	(215)	(48)	(167)	(77%)
14	(35)	11	(2)	(17%)	Inventory effect	(47)	30	77	n.m.
91	**99**	**163**	**72**	**80%**	**Net income IFRS**	**99**	**397**	**298**	**n.m.**
244	**184**	**227**	**(17)**	**(7%)**	**Capex**	**874**	**638**	**(236)**	**(27%)**
(293)	**130**	**(37)**	**255**	**87%**	**Post-dividend free cash flow**	**(546)**	**35**	**581**	**n.m.**
1,631	**1,329**	**1,455**	**(176)**	**(11%)**	**Net debt including loan to Sinopec[1]**	**1,631**	**1,455**	**(176)**	**(11%)**
1.4x	**0.9x**	**0.9x**	**-**	**-**	**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

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
74.0	89.9	94.6	20.5	28%	Average working interest production (kboepd)	61.7	90.8	29.1	47%
71.5	88.1	92.4	20.9	29%	Average net entitlement production (kboepd)	59.2	88.9	29.7	50%
36.4	43.4	45.3	8.8	24%	Oil and gas average sale price (USD/boe)	33.9	44.4	10.6	31%
29.4	30.0	29.7	0.3	1%	Raw materials processed (mmboe)	80.9	85.8	4.9	6%
3.4	5.7	7.4	4.0	n.m.	Galp refining margin (USD/boe)	4.0	6.1	2.1	54%
2.3	2.3	2.4	0.1	5%	Oil sales to direct clients (mton)	6.7	6.7	0.1	1%
950	1,052	1,065	115	12%	NG sales to direct clients (mm^3)	2,732	3,265	533	20%
800	675	652	(147)	(18%)	NG/LNG trading sales (mm^3)	2,471	2,184	(287)	(12%)

Market indicators

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
1.12	1.10	1.17	0.06	5%	Average exchange rate (EUR:USD)	1.12	1.11	(0.00)	(0%)
3.62	3.55	3.71	0.09	2%	Average exchange rate (EUR:BRL)	3.96	3.54	(0.42)	(11%)
45.9	49.6	52.1	6.2	14%	Dated Brent price[1] (USD/bbl)	41.9	51.8	10.0	24%
(2.1)	(1.2)	(1.3)	(0.8)	(37%)	Heavy-light crude price spread[1] (USD/bbl)	(2.2)	(1.4)	(0.8)	(35%)
4.4	4.8	5.4	1.0	23%	U.K. NBP gas price[1] (USD/mmbtu)	4.3	5.4	1.1	24%
2.8	3.1	3.0	0.2	6%	U.S. Henry Hub gas price[2] (USD/mmbtu)	2.3	3.1	0.7	30%
5.6	5.5	6.3	0.7	12%	LNG Japan and Korea price[1] (USD/mmbtu)	5.1	6.3	1.2	23%
2.3	4.3	5.5	3.3	n.m.	Benchmark refining margin[3] (USD/bbl)	2.8	4.5	1.6	58%
16.0	15.7	16.4	0.3	2.1%	Iberian oil market[4] (mton)	46.5	47.3	0.8	1.6%
7,135	7,634	8,387	1,252	17.5%	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 third quarter of 2017, the average price of dated Brent increased $6.2/bbl YoY to $52.1/bbl. 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, dated Brent averaged $51.8/bbl, up $10.0/bbl YoY.

During the third quarter of 2017, the average price spread between Urals and dated Brent narrowed from -$2.1/bbl in the previous year, to -$1.3/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.

During the first nine months of 2017, the price spread narrowed, from -$2.2/bbl YoY to -$1.4/bbl.

Natural gas

The natural gas price in Europe (NBP) increased YoY from $4.4/mmbtu to $5.4/mmbtu during the third quarter 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.

During the first nine months of 2017, NBP averaged $5.4/mmbtu, an increase of $1.1/mmbtu YoY.

The natural gas reference price in the USA (Henry Hub) remained stable YoY at $3.0/mmbtu, with increased production in the USA compensated by the development of new liquefied natural gas (LNG) export projects.

During the first nine months of 2017, Henry Hub increased $0.7/mmbtu YoY to $3.1/mmbtu.

Refining margins

Benchmark refining margin went up YoY from $2.3/bbl to $5.5/bbl, as a result of stronger distillate margins, namely diesel and gasoline.

During the third quarter of 2017, the diesel crack stood at $14.3/bbl, up $4.2/bbl YoY, supported by demand and impacted by the stoppage of a large refinery in Europe.

The gasoline crack was $13.7/bbl, up $4.6/bbl YoY, supported by demand and by outages in several refineries in the Gulf of Mexico, due to hurricane Harvey.

During the first nine months of 2017, the benchmark refining margin was $4.5/bbl, up $1.6/bbl YoY, due to higher diesel and gasoline crack spreads, which increased $2.6/bbl and $1.6/bbl, respectively.

Iberian market

During the third quarter of 2017, the Iberian market for oil products totalled 16.4 million tonnes (mton), compared to 16.0 mton the previous year, impacted by higher demand for jet.

During the first nine months, the Iberian oil market rose from 46.5 mton YoY to 47.3 mton.

During the third quarter, the Iberian natural gas market increased 17.5% YoY to 8,387 mm^3, supported by the 53.7% increase in the electrical segment consumption, due to lower hydroelectric power generation.

During the first nine months, the Iberian natural gas market increased 12.9% YoY to 25,754 mm^3.

4. Exploration & Production

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

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
74.0	**89.9**	**94.6**	**20.5**	**28%**	**Average working interest production[1] (kboepd)**	**61.7**	**90.8**	**29.1**	**47%**
68.8	78.0	82.8	14.0	20%	Oil production (kbpd)	57.8	79.2	21.4	37%
71.5	**88.1**	**92.4**	**20.9**	**29%**	**Average net entitlement production[1] (kboepd)**	**59.2**	**88.9**	**29.7**	**50%**
7.3	6.2	5.6	(1.7)	(23%)	Angola	7.5	6.2	(1.2)	(16%)
64.2	81.8	86.8	22.6	35%	Brazil	51.7	82.7	31.0	60%
36.4	**43.4**	**45.3**	**8.8**	**24%**	**Oil and gas average sale price (USD/boe)**	**33.9**	**44.4**	**10.6**	**31%**
3.7	**4.3**	**4.5**	**0.7**	**20%**	**Royalties[2] (USD/boe)**	**3.5**	**4.4**	**1.0**	**27%**
7.6	**9.2**	**7.5**	**(0.1)**	**(1%)**	**Production costs (USD/boe)**	**8.6**	**8.2**	**(0.4)**	**(5%)**
13.8	**14.2**	**12.4**	**(1.4)**	**(10%)**	**Depreciation & Amortisation[3] (USD/boe)**	**14.7**	**13.3**	**(1.4)**	**(10%)**
127	**188**	**215**	**88**	**69%**	**Ebitda RCA**	**262**	**606**	**345**	**n.m.**
82	103	90	8	10%	Depreciation, Amortisation and Impairments[3]	215	290	76	35%
-	22	0	0	n.m.	Exploration expenditures written-off[4]	-	22	22	n.m.
(0)	-	-	0	n.m.	Provisions	(0)	-	0	n.m.
46	**63**	**125**	**80**	**n.m.**	**Ebit RCA**	**48**	**295**	**247**	**n.m.**
18	**59**	**125**	**107**	**n.m.**	**Ebit IFRS**	**(75)**	**293**	**368**	**n.m.**
2	**8**	**13**	**10**	**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

Third quarter

During the third quarter of 2017, the average working interest production of oil and natural gas was 94.6 kboepd, of which 88% was oil production.

Production increased 28% YoY due to the continuous development of the Lula and Iracema projects.

During the quarter, there were maintenance works in some units in Brazil, particularly planned outages in FPSO #4 and #5, in the Iracema North and Lula Alto areas, respectively, as well as the end of maintenance works in FPSO #1 in the Lula Pilot area.

Currently, a fleet of seven FPSOs is operating in Lula and Iracema, with six units producing close to full capacity and the seventh unit, which started operations in May, 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 7.8 kbpd, down 21% YoY, due to the natural decline of the fields in block 14. In turn, net entitlement production decreased 23%, 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 29% YoY to 92.4 kboepd, following the growth of production coming from Brazil.

Nine months

During the first nine months of 2017, working interest production was 90.8 kboepd, a 47% increase YoY, on the back of the ramp-up of Brazilian FPSOs #5 and #6, and the start of production of FPSO #7.

Net entitlement production increased 50% YoY to 88.9 kboepd.

Results

Third quarter

Ebitda RCA amounted to €215 m, up €88 m YoY, mainly on the back of increased production and higher sale prices of oil and natural gas, and despite the Dollar depreciation against the Euro. The Group's average sale price was $45.3/boe in the period, up $8.8/boe from the previous year.

Production costs increased €10 m YoY to €54 m, mainly due to the start of production of FPSO #7 in May 2017. In unit terms and on a net entitlement basis, production costs remained stable at $7.5/boe.

Amortisation and depreciation charges (including abandonment provisions) increased €8 m YoY to €90 m, with the depreciation of the Brazilian Real partially offsetting the increased producing asset base in Brazil. On a net entitlement basis, depreciation charges decreased from $13.8/boe to $12.4/boe, supported by higher production dilution.

RCA Ebit was €125 m during the third quarter, up €80 m YoY. IFRS Ebit was also €125 m in the period.

Results of associated companies related to the E&P business were €13 m.

Nine months

During the first nine months of 2017, Ebitda on a RCA basis amounted to €606 m, up €345 m YoY, benefiting from increased production and average sale price, 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.

5. Refining & Marketing

€m (RCA, except otherwise stated)

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
3.4	**5.7**	**7.4**	**4.0**	**n.m.**	**Galp refining margin (USD/boe)**	**4.0**	**6.1**	**2.1**	**54%**
1.5	**1.6**	**1.6**	**0.1**	**8%**	**Refining cash cost[1] (USD/boe)**	**1.7**	**1.6**	**(0.1)**	**(5%)**
0.2	**(0.2)**	**(0.7)**	**(0.9)**	**n.m.**	**Impact of refining margin hedging[2] (USD/boe)**	**0.1**	**(0.3)**	**(0.4)**	**n.m.**
29.4	**30.0**	**29.7**	**0.3**	**1%**	**Raw materials processed (mmboe)**	**80.9**	**85.8**	**4.9**	**6%**
26.4	26.7	27.5	1.0	4%	Crude processed (mmbbl)	73.6	77.1	3.5	5%
4.6	**4.7**	**4.9**	**0.2**	**5%**	**Total refined product sales (mton)**	**13.2**	**14.0**	**0.8**	**6%**
2.3	2.3	2.4	0.1	5%	Sales to direct clients (mton)	6.7	6.7	0.1	1%
180	**233**	**218**	**38**	**21%**	**Ebitda RCA**	**471**	**639**	**167**	**36%**
70	89	82	12	17%	Depreciation, Amortisation and Impairments	200	262	62	31%
3	(1)	2	(1)	(26%)	Provisions	16	4	(11)	(73%)
107	**145**	**134**	**27**	**25%**	**Ebit RCA**	**256**	**373**	**117**	**46%**
116	**96**	**148**	**32**	**28%**	**Ebit IFRS**	**171**	**394**	**222**	**n.m.**
(2)	**8**	**2**	**5**	**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

Third quarter

During the third quarter of 2017, 29.7 million barrels of raw materials (mmboe) were processed, in line with the same period of 2016, benefiting from the high availability of the refining system. Crude oil accounted for 93% 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 7% of raw materials processed.

Volumes sold to direct clients stood at 2.4 mton, 5% higher than in the previous year, benefiting from the economic recovery in Iberia. Volumes sold in Africa increased 10% YoY and accounted for 9% of total volumes sold to direct clients.

Nine months

Raw materials processed during the first nine months increased 6% YoY to 85.8 mmboe, 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 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% and accounted for 9% of total volumes sold to direct clients.

Results

Third quarter

Ebitda RCA for the R&M business increased €38 m to €218 m, due to higher refining margins.

Galp's refining margin stood at $7.4/boe, compared to $3.4/boe during the previous year. The spread to benchmark margin was $1.8/boe, as the Company benefited from gasoline exports to the United States, and high utilisation of the conversion units.

Refining cash costs stood at €41 m, or $1.6/boe.

During the period, refining margin hedging operations had a negative impact on Ebitda of €17 m.

The oil products marketing business benefited from the economic environment in Iberia, mainly in the retail segment. On the other hand, the results were impacted by the increase in commodities prices during the period and the time lag in the pricing formulas applied to clients.

Depreciation charges and provisions totalled €85 m.

RCA Ebit went up to €134 m, while IFRS Ebit totalled €148 m. The inventory effect was €15 m.

Nine months

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.

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.

6. Gas & Power

€m (RCA except otherwise stated)

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
1,750	**1,726**	**1,717**	**(33)**	**(2%)**	**NG/LNG total sales volumes (mm^3)**	**5,203**	**5,450**	**246**	**5%**
950	1,052	1,065	115	12%	Sales to direct clients (mm^3)	2,732	3,265	533	20%
800	675	652	(147)	(18%)	Trading (mm^3)	2,471	2,184	(287)	(12%)
1,297	**1,170**	**1,292**	**(5)**	**(0%)**	**Sales of electricity (GWh)**	**3,718**	**3,812**	**94**	**3%**
409	348	348	(61)	(15%)	Sales of electricity to the grid (GWh)	1,145	1,192	47	4%
73	**46**	**45**	**(27)**	**(37%)**	**Ebitda RCA**	**260**	**113**	**(146)**	**(56%)**
39	39	36	(3)	(7%)	Natural Gas	159	87	(72)	(45%)
26	-	-	(26)	n.m.	Infrastructure[1]	91	-	(91)	n.m.
8	7	10	2	19%	Power	9	26	17	n.m.
15	5	5	(10)	(69%)	Depreciation, Amortisation and Impairments	44	14	(31)	(69%)
3	2	5	3	93%	Provisions	4	10	5	n.m.
55	**40**	**36**	**(19)**	**(35%)**	**Ebit RCA**	**211**	**90**	**(121)**	**(57%)**
57	**39**	**34**	**(24)**	**(41%)**	**Ebit IFRS**	**208**	**95**	**(113)**	**(54%)**
16	**25**	**25**	**10**	**63%**	**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

Third quarter

Volumes sold in the natural gas segment were 1,717 mm³ during the third quarter of 2017, down 2% YoY.

Trading volumes decreased 18% YoY to 652 mm^3, following lower volumes sold under structured LNG contracts.

This decrease was partially offset by a 12% increase in volumes sold to direct clients, mainly due to the performance in the industrial segment in Iberia.

Sales of electricity were 1,292 GWh, in line with the previous year.

Nine months

Sales of natural gas were 5,450 mm³, 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 mm^3 to 1,069 mm^3.

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

Third quarter

Ebitda RCA for the G&P business was down €27 m YoY to €45 m, mostly as a result of the full deconsolidation of the gas regulated infrastructure business, which had accounted for €26 m during the third quarter of 2016. Excluding this impact, G&P Ebitda RCA would have been stable.

Ebitda for the natural gas segment was €36 m, down €3 m YoY, following the lower contribution from the LNG trading activities.

Ebitda for the power business rose €2 m YoY to €10 m.

RCA Ebit was €36 m, while IFRS Ebit was €34 m.

Results from associated companies reached €25 m, up €10 m YoY, reflecting the inclusion of results from the 77.5% stake in Galp Gás Natural Distribuição (GGND) in this caption.

Nine months

RCA Ebitda was €113 m during the period, down €146 YoY, affected by lower results from the natural gas activity and also by the deconsolidation of GGND.

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 related to the G&P business reached €75 m, up €26 m YoY.

7. Financial data

7.1. Income statement

€m (RCA, except otherwise stated)

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
3,499	3,779	3,892	393	11%	Turnover	9,572	11,515	1,943	20%
(2,715)	(2,865)	(2,966)	251	9%	Cost of goods sold	(7,424)	(8,806)	1,382	19%
(325)	(383)	(367)	42	13%	Supply & Services	(926)	(1,126)	200	22%
(83)	(70)	(83)	0	1%	Personnel costs	(231)	(233)	2	1%
8	13	11	3	41%	Other operating revenues (expenses)	24	29	5	22%
384	**473**	**487**	**103**	**27%**	**Ebitda RCA**	**1,015**	**1,379**	**364**	**36%**
392	**422**	**500**	**107**	**27%**	**Ebitda IFRS**	**922**	**1,407**	**485**	**53%**
(168)	(219)	(178)	10	6%	Depreciation, Amortisation and Impairments	(462)	(590)	128	28%
(6)	(1)	(8)	2	29%	Provisions	(19)	(14)	(6)	(29%)
211	**253**	**302**	**91**	**43%**	**Ebit RCA**	**534**	**775**	**242**	**45%**
194	**199**	**314**	**120**	**62%**	**Ebit IFRS**	**322**	**799**	**477**	**n.m.**
16	41	40	25	n.m.	Net income from associated companies	61	113	52	85%
(16)	(10)	(15)	(0)	(3%)	Financial results	3	(37)	(40)	n.m.
(23)	(19)	(19)	(5)	(20%)	Net interests	(79)	(59)	(20)	(25%)
26	27	21	(5)	(19%)	Capitalised interest	72	72	0	1%
(1)	(10)	5	5	n.m.	Exchange gain (loss)	(7)	(9)	(1)	(17%)
(13)	(4)	(18)	(5)	(35%)	Mark-to-market of hedging derivatives	31	(25)	(56)	n.m.
(5)	(4)	(5)	(0)	(2%)	Other financial costs/income	(14)	(17)	(3)	(19%)
211	**283**	**327**	**116**	**55%**	**Net income RCA before taxes and non-controlling interests**	**597**	**851**	**254**	**43%**
(83)	(120)	(135)	53	63%	Taxes[1]	(201)	(378)	177	88%
(13)	(12)	(25)	12	92%	Non-controlling interests	(34)	(56)	22	64%
115	**151**	**166**	**51**	**45%**	**Net income RCA**	**361**	**416**	**55**	**15%**
(37)	(17)	(14)	(23)	(63%)	Non-recurring items	(215)	(48)	(167)	(77%)
77	**135**	**152**	**75**	**97%**	**Net income RC**	**146**	**368**	**222**	**n.m.**
14	(35)	11	(2)	(17%)	Inventory effect	(47)	30	77	n.m.
91	**99**	**163**	**72**	**80%**	**Net income IFRS**	**99**	**397**	**298**	**n.m.**

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

Third quarter

RCA Ebitda went up 27% YoY to €487 m, following a higher contribution from E&P and R&M, which more than offset the effect of the gas infrastructure business deconsolidation. IFRS Ebitda reached €500 m.

Considering the increase in amortisations and depreciation charges, RCA Ebit stood at €302 m. IFRS Ebit reached €314 m.

Results from associated companies increased to €40 m, following the deconsolidation of the regulated infrastructure business and a higher contribution from Tupi B.V., related to the E&P business.

Financial results were negative €15 m, in line with the previous year.

RCA taxes increased to €135 m, considering the growth of the Group's operating results.

Non-controlling interests increased €12 m to €25 m, due to the higher results attributable to Sinopec's stake in Galp's Brazilian subsidiary.

RCA net income totalled €166 m, while IFRS net income was €163 m. The inventory effect was €11 m and non-recurring €14 m, mainly related to the tax on the energy sector in Portugal.

Nine months

RCA Ebitda was €1,379 m, a 36% increase YoY, supported by the performance of E&P and R&M. 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

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
208	157	194	(14)	(7%)	Exploration & Production	770	560	(209)	(27%)
15	9	9	(5)	(37%)	Exploration and appraisal activities	36	35	(1)	(3%)
194	148	185	(9)	(4%)	Development and production activities	734	525	(208)	(28%)
26	24	30	4	17%	Refining & Marketing	84	70	(14)	(17%)
10	2	2	(7)	(76%)	Gas & Power	19	6	(13)	(66%)
1	1	0	(0)	(45%)	Others	1	1	(0)	(12%)
244	**184**	**227**	**(17)**	**(7%)**	**Capex**	**874**	**638**	**(236)**	**(27%)**

Third quarter

During the quarter, capital expenditure totalled €227 m, 86% of which was allocated to the E&P business, mainly to development and production activities. In the period it should be noted the start of investment in the Coral South project, in Mozambique's Area 4.

Investment in downstream activities (R&M and G&P) amounted to €32 m and was mainly allocated to refining maintenance and energy efficiency projects, as well as to the renewal of some oil retail stations.

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.

E&P activities accounted for 88% of the total, with development activities in Brazil 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 Príncipe, which lasted until August.

The capital expenditure of €77 m in downstream activities was mainly aimed at refining maintenance activities, downstream network development and customer relationship management (CRM) programmes.

7.3. Cash flow

Indirect method

€m (IFRS figures)

Quarter				Nine Months	
3Q16	2Q17	3Q17		2016	2017
194	199	314	Ebit	322	799
19	86	13	Dividends from associates	44	99
193	221	178	Depreciation, Depletion and Amortisation (DD&A)	575	593
(164)	159	18	Change in Working Capital	(30)	(53)
242	**665**	**523**	**Cash flow from operations**	**911**	**1,439**
(242)	(185)	(228)	Net capex[1]	(854)	(618)
(23)	(19)	(19)	Net financial expenses	(79)	(59)
(63)	(116)	(106)	Corporate income taxes and oil and gas production taxes	(142)	(304)
(207)	(215)	(208)	Dividends paid	(382)	(423)
(293)	**130**	**(37)**	**Post-dividend free cash flow**	**(546)**	**35**
(29)	(92)	(73)	Others[2]	163	(132)
322	**(39)**	**111**	**Change in net debt**	**383**	**96**

[1] The nine months of 2017 includes 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.

Third quarter

Post-dividend free cash flow was negative by €37 m, considering the capital expenditure in the period and the payment of the interim dividend related to the 2017 financial year.

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

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.

Direct method

€m

Quarter				Nine Months	
3Q16	2Q17	3Q17		2016	2017
856	**858**	**902**	**Cash and equivalents at the beginning of the period[1]**	**1,045**	**923**
3,887	4,348	4,282	Received from customers	10,914	12,993
(2,432)	(2,543)	(2,662)	Paid to suppliers	(6,494)	(8,218)
(74)	(98)	(71)	Staff related costs	(256)	(240)
19	86	13	Dividends from associated companies	44	99
(762)	(739)	(658)	Taxes on oil products (ISP)	(2,015)	(2,009)
(407)	(433)	(411)	VAT, Royalties, PIS, Cofins, Others	(1,197)	(1,219)
231	**620**	**494**	**Total operating flows**	**996**	**1,406**
(261)	(150)	(264)	Net capex[2]	(913)	(631)
(16)	(23)	(9)	Net Financial Expenses	(99)	(81)
(207)	(215)	(208)	Dividends paid	(382)	(423)
(63)	(116)	(106)	Corporate income taxes and oil and gas production taxes	(142)	(304)
549	8	(50)	Net new loans	420	(82)
0	-	-	Sinopec loan reimbursement	134	42
(6)	(79)	(13)	FX changes on cash and equivalents	27	(104)
1,084	**902**	**746**	**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 includes 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 Jun, 2017	30 Sep, 2017	Var. vs 31 Dec, 2016	Var. vs 30 Jun, 2017
Net fixed assets	7,721	7,458	7,505	(216)	47
Working capital	512	583	565	53	(18)
Loan to Sinopec	610	527	512	(98)	(16)
Other assets (liabilities)	(428)	(595)	(648)	(220)	(53)
Non-current assets/liabilities held for sale	(1)	-	-	1	-
Capital employed	**8,414**	**7,974**	**7,934**	**(480)**	**(40)**
Short term debt	325	808	709	383	(99)
Medium-Long term debt	2,578	2,068	2,038	(540)	(30)
Total debt	**2,903**	**2,876**	**2,746**	**(156)**	**(129)**
Cash and equivalents	1,032	1,020	780	(253)	(240)
Net debt	**1,870**	**1,856**	**1,967**	**96**	**111**
Total equity	**6,543**	**6,118**	**5,968**	**(576)**	**(150)**
Total equity and net debt	**8,414**	**7,974**	**7,934**	**(480)**	**(40)**

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 Jun, 2017	30 Sep, 2017	Var. *vs* 31 Dec, 2016	Var. *vs* 30 Jun, 2017
Bonds	1,683	1,663	1,665	18	1
Bank loans and other debt	1,220	1,212	1,082	138	(130)
Cash and equivalents	(1,032)	(1,020)	(780)	(253)	240
Net debt	**1,870**	**1,856**	**1,967**	**(96)**	**111**
Net debt including loan to Sinopec[1]	**1,260**	**1,329**	**1,455**	**(195)**	**126**
Average life (years)	2.6	2.3	2.1	0.5	(0.2)
Average funding cost	3.52%	3.48%	3.45%	(0.07 p.p.)	(0.03 p.p.)
Net debt to Ebitda RCA[2]	1.0x	0.9x	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 €111 m compared to the end June.

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.

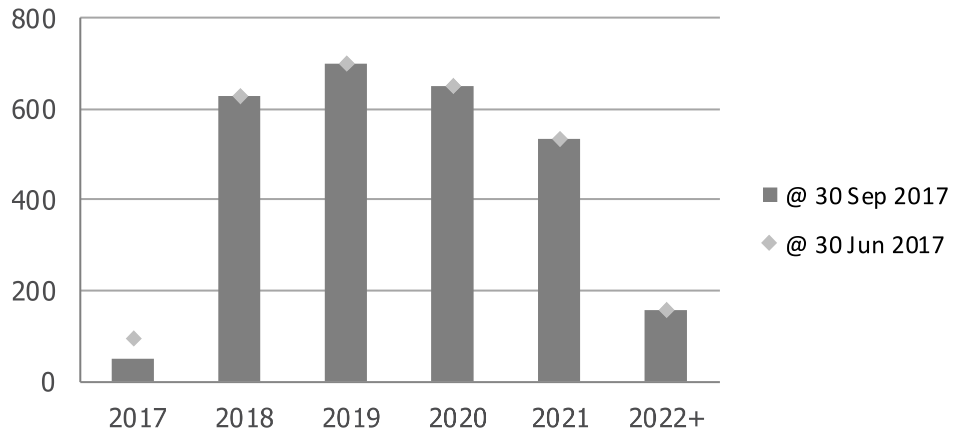
The average funding cost stood at 3.45% during the period.

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

Quarter						Nine Months			
3Q16	2Q17	3Q17	Var. YoY	% Var. YoY		2016	2017	Var. YoY	% Var. YoY
3,499	**3,779**	**3,892**	**393**	**11%**	**RCA Turnover**	**9,572**	**11,515**	**1,943**	**20%**
215	307	345	130	60%	Exploration & Production[1]	491	960	468	95%
2,878	2,899	2,976	98	3%	Refining & Marketing	7,679	8,744	1,065	14%
586	614	609	22	4%	Gas & Power	1,807	1,936	128	7%
29	33	34	4	14%	Other	89	96	7	8%
(210)	(74)	(71)	139	66%	Consolidation adjustments	(494)	(220)	274	55%

[1] Does not include change in production. RCA turnover in the E&P segment, including change in production, amounted to €346 m during the third quarter and €999 m during the first nine months of 2017.

7.6. Reconciliation of IFRS and replacement cost adjusted figures

Ebitda by segment

€ m

Third Quarter					2017	Nine Months				
Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA		Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
500	**(13)**	**487**	**0**	**487**	**Galp**	**1,407**	**(31)**	**1,376**	**3**	**1,379**
215	-	215	0	215	**E&P**	606	-	606	0	606
233	(15)	218	0	218	**R&M**	663	(28)	636	3	639
43	2	45	-	45	**G&P**	117	(4)	113	-	113
8	-	8	-	8	**Others**	21	-	21	(0)	21

€m

Third Quarter					2016	Nine Months				
Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA		Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
392	**(17)**	**375**	**9**	**384**	**Galp**	**922**	**62**	**984**	**31**	**1,015**
125	-	125	2	127	**E&P**	249	-	249	13	262
189	(15)	174	7	180	**R&M**	396	56	452	19	471
74	(2)	72	0	73	**G&P**	256	6	262	(2)	260
4	-	4	(0)	4	**Others**	22	-	22	1	22

Ebit by segment

€m

Third Quarter					2017	Nine Months				
Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA		Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
314	**(13)**	**301**	**1**	**302**	**Galp**	**799**	**(31)**	**768**	**7**	**775**
125	-	125	0	125	**E&P**	293	-	293	2	295
148	(15)	133	1	134	**R&M**	394	(28)	366	7	373
34	2	36	(0)	36	**G&P**	95	(4)	92	(1)	90
7	-	7	-	7	**Others**	18	-	18	(0)	18

€m

Third Quarter					2016	Nine Months				
Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA		Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
194	**(17)**	**177**	**34**	**211**	**Galp**	**322**	**62**	**384**	**150**	**534**
18	-	18	28	46	**E&P**	(75)	-	(75)	123	48
116	(15)	101	6	107	**R&M**	171	56	227	29	256
57	(2)	55	0	55	**G&P**	208	6	214	(3)	211
3	-	3	(0)	3	**Others**	18	-	18	1	19

Non-recurring items

€m

Quarter				Nine Months	
3Q16	2Q17	3Q17		2016	2017
9.1	**1.2**	**0.5**	**Non-recurring items impacting Ebitda**	**31.1**	**3.0**
0.0	0.0	0.0	Accidents caused by natural events and insurance compensation	(2.1)	0.1
(0.3)	(0.6)	0.0	Gains/losses on disposal of assets	(1.0)	(0.7)
0.4	(0.1)	(0.0)	Asset write-offs	1.0	(0.0)
5.0	-	-	Employee restructuring charges	14.7	-
0.2	-	-	Advisory fees and others	0.2	-
2.0	-	-	Compensation early termination agreement for service and equipment	11.9	-
1.8	1.9	0.4	Litigation costs	6.3	3.6
25.0	**3.2**	**0.5**	**Non-recurring items impacting non-cash costs**	**118.7**	**4.1**
0.0	1.1	0.1	Provisions for environmental charges and others	5.5	1.2
25.0	2.1	0.4	Asset impairments	113.1	2.9
8.9	**3.8**	**3.1**	**Non-recurring items impacting financial results**	**28.3**	**(11.1)**
(6.1)	3.8	3.1	Gains/losses on financial investments	13.3	(11.1)
15.0	-	-	Provision for financial investments	15.0	-
(0.8)	**8.2**	**9.8**	**Non-recurring items impacting taxes**	**42.4**	**52.2**
(10.2)	(0.6)	(0.3)	Income taxes on non-recurring items	(18.0)	(1.8)
9.4	8.8	10.0	Energy sector contribution taxes	60.4	54.0
(5.0)	**0.1**	**0.1**	**Non-controlling interests**	**(5.2)**	**0.3**
37.2	**16.5**	**13.9**	**Total non-recurring items**	**215.4**	**48.5**

7.7. IFRS consolidated income statement

€ m

Quarter				Nine Months	
3Q16	2Q17	3Q17		2016	2017
3,342	3,630	3,745	Sales	9,086	11,059
157	149	147	Services rendered	487	456
37	28	28	Other operating income	89	84
3,536	**3,807**	**3,920**	**Total operating income**	**9,661**	**11,599**
(2,698)	(2,914)	(2,953)	Inventories consumed and sold	(7,486)	(8,775)
(332)	(385)	(367)	Materials and services consumed	(948)	(1,129)
(87)	(70)	(83)	Personnel costs	(245)	(233)
(26)	(15)	(17)	Other operating costs	(60)	(54)
(3,144)	**(3,385)**	**(3,420)**	**Total operating costs**	**(8,739)**	**(10,191)**
392	**422**	**500**	**Ebitda**	**922**	**1,407**
(193)	(221)	(178)	Amortisation, depreciation and impairments	(575)	(593)
(6)	(2)	(8)	Provision and impairment of receivables	(25)	(15)
194	**199**	**314**	**Ebit**	**322**	**799**
7	37	37	Net income from associated companies	32	124
(16)	(10)	(15)	Financial results	3	(37)
11	7	7	Interest income	23	22
(35)	(26)	(25)	Interest expenses	(102)	(81)
26	27	21	Capitalised interest	72	72
(1)	(10)	5	Exchange gain (loss)	(7)	(9)
(13)	(4)	(18)	Mark-to-market of hedging derivatives	31	(25)
(5)	(4)	(5)	Other financial costs/income	(14)	(17)
185	**226**	**336**	**Income before taxes**	**357**	**886**
(76)	(105)	(137)	Taxes[1]	(169)	(378)
(9)	(9)	(10)	Energy sector contribution taxes[2]	(60)	(54)
99	**112**	**189**	**Income before non-controlling interests**	**128**	**454**
(8)	(12)	(26)	Profit attributable to non-controlling interests	(29)	(57)
91	**99**	**163**	**Net income**	**99**	**397**

[1] Includes corporate income taxes and taxes payable on oil and gas production, namely Special Participation Tax (Brazil) and IRP (Angola).
[2] Includes €16.9 m, €26.5 m and €10.6 m related to the CESE I, CESE II and Fondo Eficiencia Energética, respectively, in the first nine months of 2017.

7.8. Consolidated financial position

€m

	31 Dec,. 2016	30 Jun,. 2017	30 Sep,. 2017
Assets			
Non-current assets			
Tangible fixed assets	5,910	5,693	5,658
Goodwill	87	85	84
Other intangible fixed assets	268	258	256
Investments in associates	1,432	1,391	1,474
Investments in other participated companies	3	3	3
Receivables	247	246	242
Deferred tax assets	335	339	310
Financial investments	26	31	32
Total non-current assets	**8,307**	**8,046**	**8,060**
Current assets			
Inventories[1]	869	894	915
Trade receivables	1,041	959	1,014
Other receivables	556	457	573
Loan to Sinopec	610	527	512
Financial investments	19	12	28
Current Income tax recoverable	-	-	11
Cash and equivalents	1,033	1,020	780
Sub-total current assets	**4,128**	**3,869**	**3,833**
Non-current assets held for sale	4	-	-
Total current assets	**4,132**	**3,869**	**3,833**
Total assets	**12,439**	**11,915**	**11,893**
Equity and liabilities			
Equity			
Share capital	829	829	829
Share premium	82	82	82
Translation reserve	404	41	(61)
Other reserves	2,687	2,687	2,687
Hedging reserves	4	5	7
Retained earnings	795	776	569
Profit attributable to equity holders of the parent	179	234	397
Equity attributable to equity holders of the parent	**4,980**	**4,654**	**4,511**
Non-controlling interests	1,563	1,464	1,457
Total equity	**6,543**	**6,118**	**5,967**
Liabilities			
Non-current liabilities			
Bank loans and overdrafts	912	971	940
Bonds	1,666	1,097	1,098
Other payables[2]	305	297	290
Retirement and other benefit obligations	359	348	348
Liabilities from financial leases	0	0	0
Deferred tax liabilities	66	99	130
Other financial instruments	1	10	18
Provisions	429	558	576
Total non-current liabilities	**3,738**	**3,380**	**3,401**
Current liabilities			
Bank loans and overdrafts	308	242	142
Bonds	17	566	567
Trade payables	850	726	799
Other payables[3]	884	811	934
Other financial instruments	17	18	27
Income tax payable	75	55	56
Sub-total current liabilities	**2,152**	**2,418**	**2,525**
Non-current liabilities associated with non-current assets held for sale	5	-	-
Total current liabilities	**2,157**	**2,418**	**2,525**
Total liabilities	**5,896**	**5,797**	**5,925**
Total equity and liabilities	**12,439**	**11,915**	**11,893**

[1] Includes €31 m in inventories from third parties on 30 September 2017.
[2] Includes €159 m long-term loan from Sinopec to subsidiary Petrogal Brasil on 30 September 2017.
[3] Includes €12 m in advance payments related to inventory from third parties on 30 September 2017.

8. 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, 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.$930 m (gross), or c.$186 m net to Petrogal Brasil, and the drilling of an exploration well.

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.

It was also agreed that Statoil will be the operator of the unitised areas, subject to the relevant authorities' approval.

These acquisitions reflect Galp's strategic interest in expanding its presence in core areas, such as the Brazilian pre-salt, from selected high-quality assets to be developed through strong partnerships.

9. 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 quarters ended on 30 September 2017 and 2016 and 30 June 2017. The consolidated financial position is reported on 30 September and 30 June 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 2016.

10. 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