galp

Global Energiser

Annual Report and Accounts 2017

Galp is a global player involved in the energy mix that is indispensable to life as we know it. Cities, factories, businesses and houses throughout the world are powered by Galp's energy. And, every day, millions of people depend on it to live and create their own energy.

Galp is thus a global energy company that spreads and drives the energy of all of us, in Portugal, Spain, the African and South American continents, where it generates, produces and distributes energy.

Our energy presents itself in many forms. We have selected one in particular to be featured in this report: our people. Tireless, dedicated and brilliant, year after year, they allow us to make Galp a Global Energiser.

They are our living energy.

Index

Nuno Garrido, Sines refinery - Portugal, 2018

About this report

Galp's integrated report aims to transparently and accurately publish its processes for the creation of economic, environmental and social value, as well as its results during the period and corporate governance practices. In order to evaluate the progress of the Company's performance, the report includes information regarding recent years, where relevant.

It is therefore intended that our performance can be assessed in an integrated way, whilst establishing the connections between our strategy, our business and governance model, and our operational and financial performance, considering relevant external factors.

Galp subscribes to the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosure (TCFD) initiative, disclosing the financial risks connected to climate change. We believe that our report is already in line with the TCFD's main guidelines.

This report was elaborated considering the applicable standards and internationally acknowledged guidelines, namely:

- the International Financial Reporting Standards (IFRS);
- the guidelines of the Portuguese Securities Code (CVM), of the Regulation of the Portuguese Securities Market Regulator (CMVM) no. 4/2013 and its recommendations regarding the Company's annual governance report;
- the guidelines of the Commercial Companies Code (CSC) in Portugal regarding the content of the report, including those relating to the reporting of non-financial information introduced by Decree-Law no. 89/2017 of July 28.
- the guidelines on the integrated report of the International Integrated Reporting Council (IIRC);
- the guidelines of the Global Reporting Initiative (GRI) standard version, in the "In accordance – Comprehensive" option, including the Oil & Gas sector supplement;
- the guidelines of the CVM for the report on payments made to public administrations, and its guidelines within the scope of Galp's participation in the Extractive Industries Transparency Initiative (EITI);
- the principles of inclusion, relevance and accountability of the stakeholders provided by the AccountAbility norm AA1000 AccountAbility Principles Standard (AA1000APS 2008);
- the principles of the United Nations Global Compact (UNGC);

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

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

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

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

To complement this Report, Galp publishes additional and detailed information on its corporate website.

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

Annual Report and Accounts 2017					
	Financial statements	Non-financial information		Corporate governance information	Other information
Scope of PwC Statutory Auditor	Legal certification of accounts and audit	Verification of the inclusion of non-financial information required under the Decree-law 89/2017 of July 28	Limited assurance; Reasonable assurance of Galp's carbon footprint	Verification of the elements of the corporate governance report referred to in article 245-A of the CVM	Verification of the consistency of the management report with the financial statements

Your opinion

Galp wishes to engage in an ongoing and inclusive dialogue with its stakeholders, enhancing and seeking to respond to their expectations and needs. You can send us your opinion about this report, or ask questions about it to the Investor Relations team, using the following contacts:

Galp Energia, SGPS, S.A.

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

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

This translation of the Portuguese document was made only for the convenience of non-Portuguese speaking stakeholders. For all intents and purposes, the Portuguese version shall prevail.

Photo by Enric Vives-Rubio, Galp Madrid - Spain, 2018

If Southern Europe were a person, its name would be Stylianos Athanasopoulos.

In charge of planning and control of Galp Spain, this Greek vibrated with this country long before actually knowing it.

1.1.

Statement from the **Board of Directors**

Paula Amorim

Chairman of the Board of Directors

Dear shareholders,

The year 2017 has confirmed that by implementing Galp's strategy, we are creating value and building the foundations for a sustainable future.

The energy sector, which is essential to our society, is in constant transformation. We live in an uncertain world, increasingly technological and global, with great challenges but filled with opportunities.

In an era of opportunities, only the most agile and prepared players will be able to succeed. Galp is, and will continue to be, an integrated energy company, which distinguishes itself by the unique quality of its asset portfolio.

The Board of Directors views Galp's future prospects with enthusiasm and confidence, certain that the Company is better able to meet the challenges of the energy sector, which will allow for a continued path of sustained growth.

Galp has been accelerating its process of transformation, becoming more robust and resilient, while ensuring consistent value generation to all stakeholders. Consistency is one of the defining characteristics of our Company – consistency in our strategy and execution.

This consistency has been recognised by the stock market. Since the stock was placed in the market in October 2006, Galp generated an annualised shareholder return of 12%. This, during a period in which the world, and consequently the energy sector, was marked by numerous political and economic crises.

We remain committed to profitability and value creation, in particular through the development of an enviable set of assets, distinguished by their competitiveness both in the upstream and downstream.

Based on the cash flow generation in 2017 and considering Galp's solid capital structure, the Board of Directors will propose to the Annual General Shareholders' Meeting a 10% increase in the dividend payment related to the 2017 financial year, of €0.55 per share.

The Board of Directors will continue to ensure adequate supervision of the strategic execution, ensuring financial discipline and strict compliance with environmental, safety and corporate governance best practices.

It is with honour, and a great sense of responsibility, that I preside over this Company.

I thank the shareholders for the trust bestowed upon us and our business partners for their cooperation. I would also like to express my appreciation for the management team and all the employees who help make Galp's success a reality every day. Together we will ensure a balanced transition from the present to the future, anchored on sustainable value generation.

Paula Amorim
Chairman of the Board of Directors

Carlos Gomes da Silva

CEO

Dear stakeholders,

The energy sector faces renewed challenges regarding the evolution of the global energy mix, in particular the balance between growing long-term primary energy demand and the sustainability of the development model, including climate change mitigation. In this context, Galp positions and affirms itself as an integrated energy player, developing businesses focused on profitability and sustainability.

Aiming to test the resilience of our strategy to different scenarios, we implemented a management and control process based on scenario planning, considering different levels of technology and regulation disruption, taking into account consensual trends.

Our strategic path is clear: we will remain focused on Oil & Gas, while seeking to develop lower carbon differentiated solutions and exploring new business models. We intend to be an active player in changing the energy paradigm, anticipating trends and adapting our portfolio to the evolution of the energy demand mix, while maximising synergies with the current portfolio.

Our strategy remains anchored in the "3 E's" – Execute, Extract and Explore –, developing one of the most competitive upstream portfolios globally, whilst transforming, optimising and expanding our downstream activities. The strategy will remain supported on financial discipline and by our culture based on client-centricity and on sound and lasting partnerships. We have been implementing important measures to make our organisation more agile and flexible, and to foster an environment that is conducive to innovation.

The 2017 results demonstrate the benefits of our integrated business model, associated to our capability to "make it happen". During the year, we benefited both from the increased oil and natural gas production and the performance of the refining and marketing business, supported on a modern, efficient and competitive refining system.

In the upstream, we continued to develop our assets in the pre-salt Santos basin, in Brazil, with emphasis on the Lula and Iracema fields. The increased production from these fields contributed for Galp to reach the milestone of 100 thousand barrels of production per day.

Also in the Santos basin, we increased exposure to the Carcará discovery, where we now plan to move ahead with the appraisal works in order to start production in the first half of the next decade.

It is also worth noting that Galp and its partners sanctioned in June the project for the allocation of a floating liquefied natural gas unit in the Coral South area, in the Rovuma basin in Mozambique. This is the first development commitment in this important large-scale discovery, where we are working to establish that region as one of the main and most competitive global hubs for the production of LNG. We are now committed to move forward with the project that will serve as the anchor for the onshore development of the Mamba area.

We believe that our current portfolio is already competitive in a lower-carbon economy. Not only will we benefit from the greater relevance of natural gas in our production profile, which has a lower carbon intensity than oil, as our portfolio of already sanctioned projects is profitable at an oil price of around $25/bbl, unparalleled at a global scale.

In the downstream, we operate in a wide range of activities, from refining to the marketing of oil products. We generate energy. We sell natural gas and electricity. We explore new business models focused on services and mobility. We aim to continuously reduce the carbon intensity of our activites, and we are working towards developing a competitive and differentiated renewable energy portfolio.

During 2017, we continued to optimise operations, adapting our activity to the consumption pattern in Iberia and exploring opportunities in international markets. We have developed a client-focused approach and launched a set of digital and proximity marketing initiatives, targeting a positive and convenient experience.

We continue to develop the marketing of oil products activity in selected countries in Africa, taking advantage of the demand growth in such market. We are investing in logistics parks in this region, which will allow us to expand our presence in markets where we have competitive advantages.

Building up on our commitment to grow and create shared value, we identify opportunities and develop our activities fostering the progress of the communities where we are present. We incorporate the principles of sustainability and good governance into our strategy, culture and values, assuming the safety and protection of our people, the environment and our assets, whilst fostering innovation and the development of outstanding human capital.

The Company's organic development allowed us to be free cash flow positive during 2017, anticipating this moment against previously forecasted and already considering an additional important expansion of our upstream portfolio in Brazil. And despite the new cycle in which we position ourselves today, we will continue to proceed with strict financial discipline.

We have the foundations for the new cycle that now begins. Our strategy is supported on a strong financial position and the ability to generate increasing cash flow, making even more robust Galp's value oriented growth plan.

I thank our shareholders for their trust, and thank Galp's employees for their contribution to the 2017 results and for their dedication and commitment to the success of our Company. I also thank our clients, suppliers and partners, because without their contribution we would not be who we are today.

Galp will remain faithful to itself, while adapting to a new normal.

Carlos Gomes da Silva
CEO

1.2.

Our businesses

Exploration & Production

Our E&P portfolio includes over 50 projects across seven countries at various exploration, development and production stages. These projects span across three core areas: the Santos basin pre-salt, in Brazil; offshore Angola and Mozambique. In 2017, we reached the 100 thousand barrels per day production milestone.

EXPLORATION **APPRAISAL** **OIL AND NATURAL GAS PRODUCTION**

Refining & Marketing

We are a leading player in Iberia, operating across the refining and marketing of oil products activities. We hold an integrated refining system with a total processing capacity of 330 thousand barrels of oil per day and a wide distribution network for oil products in Iberia and in selected African countries.

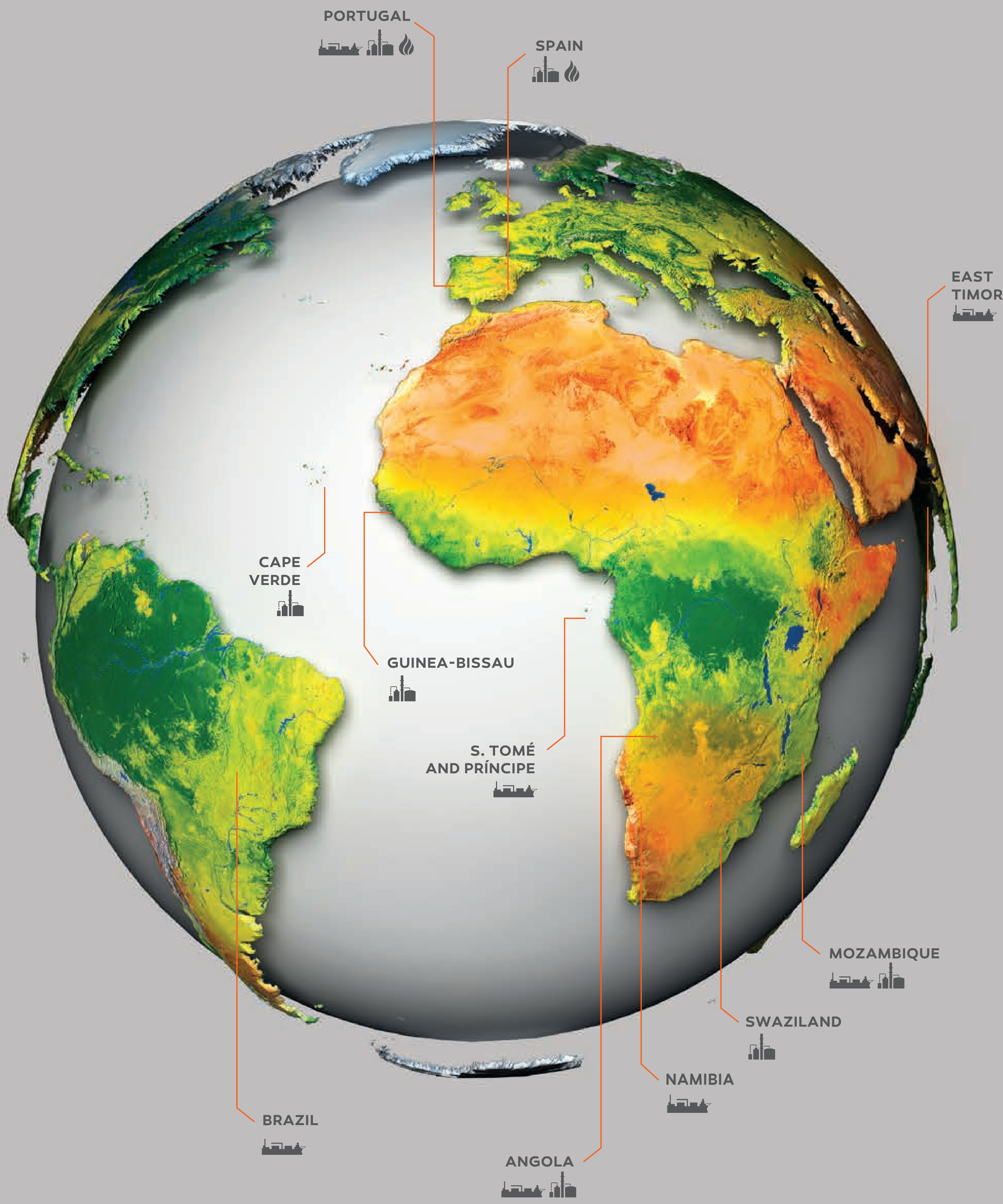
REFINING **LOGISTICS** **MARKETING OF OIL PRODUCTS**

Gas & Power

We are focused on the supply of natural gas in Iberia and we have been consolidating our trading activity in the international markets. The Company holds a power generation portfolio and has been expanding its presence in the Iberian electricity market, positioning itself as an integrated energy supplier.

MARTEKING OF NATURAL GAS AND ELECTRICITY **NG/ LNG TRADING** **POWER GENERATION**

With operations ranging from exploration to marketing of oil products and natural gas, Galp offers efficient and environmentally sustainable energy solutions to consumers looking for the most flexible solutions for their home and mobility needs, as well as for **industries** looking to increase their productivity. This is the basis of the business that we have developed around the world.


PORTUGAL
SPAIN
EAST TIMOR
CAPE VERDE
GUINEA-BISSAU
S. TOMÉ AND PRÍNCIPE
MOZAMBIQUE
SWAZILAND
NAMIBIA
BRAZIL
ANGOLA

1.3.

Highlights of 2017

100 thousand barrels of daily production

The focus on upstream development has allowed Galp's oil and gas production to more than triple in the last three years, with the main driver being the development of the Lula and Iracema fields. In 2017, we reached another milestone, exceeding a production of 100 thousand barrels of oil equivalent per day (kboepd).

We took the final investment decision for the **Coral South project in Mozambique**

Together with our partners in the development of Area 4 in Mozambique, we took the final investment decision (FID) regarding the Coral South project, the first commitment to start developing the large natural gas discoveries in the Rovuma basin. Coral South will consist of the production of liquefied natural gas (LNG) through a floating unit (FLNG) with c.3.4 million tonnes per annum (mtpa) capacity.

Increased exposure to the **Brazilian pre-salt**

Through our subsidiary Petrogal Brasil, we acquired a 20% stake in the Carcará North license in the Santos basin, under the 2nd Production Sharing Bidding Round in Brazil. We also agreed the acquisition of an additional 3% stake in block BM-S-8, increasing exposure to the Carcará discovery.

Operational **efficiency** in the R&M business

The high availability of our refining system allowed us to benefit from the strong refining margins in the international market. We continued to optimise our activities, increase energy efficiency in the refining process and develop our client-centric marketing approach.

New G&P **technological** platform

We have launched a new technological platform comprehending a totally innovative solution developed to the needs of the natural gas and electricity marketing business, which promotes agility and efficiency.

Acknowledgements

CDP A LIST 2017 CLIMATE

CDP A LIST 2017 WATER

EXTEL IDENTIFYING EXCELLENCE

Issuance of **€500 m** in the debt market

We issued notes maturing in February 2023 and with a yearly coupon of 1.0%. The notes were issued under the Euro Medium Term Note (EMTN) programme and are listed on the London Stock Exchange.

Acknowledgement of our **sustainable activity**

Once again, we were considered one of the global leaders in corporate sustainability, with Galp being the only company in the sector to be included in the Climate and Water A List by the CDP, acknowledged in both climate change and water stewardship.

Market indicators

	2015	2016	**2017**
Average exchange rate (EUR:USD)	1.11	1.11	**1.13**
Average exchange rate (EUR:BRL)	3.70	3.85	**3.61**
Dated Brent average price (USD/bbl)	52.4	43.7	**54.2**
Heavy-light crude price spread (USD/bbl)	(1.4)	(2.1)	**(1.4)**
UK NBP natural gas price (USD/mmbtu)	6.2	4.7	**5.8**
U.S. Henry Hub natural gas price (USD/mmbtu)	2.6	2.6	**3.0**
LNG Japan and Korea price (USD/mmbtu)	7.5	5.7	**7.1**
Benchmark refining margin (USD/bbl)	5.2	3.1	**4.2**
Iberian oil market (mton)	60.1	62.2	**63.2**
Iberian natural gas market (mm^3)	31,497	32,338	**36,048**

Financial indicators

€m (except otherwise noted)	2015	2016	**2017**
Turnover RCA	15,504	13,119	**15,204**
Ebitda RCA	1,538	1,411	**1,869**
Ebitda IFRS	1,174	1,389	**1,980**
Ebit RCA	969	772	**1,063**
Ebit IFRS	423	544	**1,135**
Net income RCA attributable to the shareholders of Galp Energia SGPS, S.A.	639	483	**602**
Net income IFRS attributable to the shareholders of Galp Energia SGPS, S.A.	123	179	**614**
Capital expenditure	1,283	1,218	**1,008**
Cash flow from operations	1,547	1,297	**1,632**
Post-dividend free cash flow	(80)	(246)	**149**
Net debt	2,422	1,870	**1,886**
Net debt to Ebitda RCA	1.6x	1.3x	**1.0x**
Dividend per share (€/share)	0.4147	0.4977	**0.5500**

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Forbes 2017 GLOBAL WORLD'S BEST EMPLOYERS 2000

FTSE4Good

1.4. Value creation model

Inputs

FINANCIAL CAPITAL

€11,494 m
Cost of goods sold RCA

€1,545 m
Supply and Services RCA

€317 m
Salaries and benefits

€1,008 m
Capital expenditure

€24 m
in the protection of people, the environment and assets

NATURAL CAPITAL

10.8 10³ m³
Raw water

1,911 TJ
Purchased electricity

€5.7 m
investment in eco-efficiency in refining

49,815 TJ
Primary energy

114 mmboe
Raw materials processed

HUMAN CAPITAL

6,389
Employees

42%
Women

€474
Training per employee

560 thousand hours
Training in the past three years

49
Nationalities

11
Countries

160
Hirings

INTELLECTUAL CAPITAL

€21 m
Investment in R&D

213
Galp scholarships
in 11 years

more than €100 m
Investment in R&D between 2017-2020

71
Masters in Petroleum Engineering

SOCIAL AND RELATIONAL CAPITAL

59.18%
Free float

3,336
Suppliers

99%
Local hiring

52 relevant partnerships
with sector entities an associations

>75%
Local procurement

42,500
Hours of volunteering

Business model

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

Business segments

Exploration & Production

748 mmboe
2P Reserves

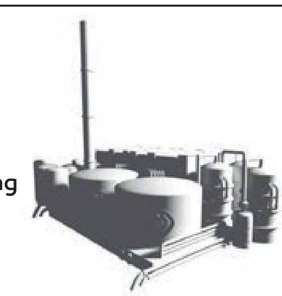
1,352 mmboe
2C contigent resources

51 projects

7 countries, including three core countries: Brazil, Mozambique and Angola

93 kboepd
WI average production

Refining & Marketing



330 kbpd
Refining capacity

1,459
Service stations

18.5 mton
Oil products sales

8.9 mton
Sales to direct clients

Gas & Power

0.6 million
clients

173 MW
Cogeneration capacity

7.3 bcm
Total sales of NG/ LNG

5,172 GWh
Sales of electricity

Vision

Integrated energy player that develops profitable and sustainable businesses.

Governance model

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

Commitment to stakeholders

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

Galp Values

Trust | Partnership | Agility
Innovation | Sustainability

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

Commitment to generating sustainable value

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

Outputs

€15,204 m
Turnover RCA

€1,869 m
Ebitda RCA

€1,632 m
Cash flow from operations

€602 m
Net income RCA attributable to the shareholders of Galp Energia SGPS, S.A.

1.0 x
Net debt/ Ebitda RCA

€0.55
Dividend per share

5.7 10³ m³
Waste water

3
Containment losses that reached the environment

2,782 t
CO_2 (*Flaring*)

30.1 kt
Waste

0.23 Tier 1
0.47 Tier 2
Process Safety Events

5.4 m³
Containment losses that reached the environment

3.62 mton CO_2 (scope 1)
228 kton CO_2 (scope 2)
632 kton CO_2 (scope 3)
emissions

29%
Waste recovered

0.8 LTIF
Last Time Injury Frequency

0
Fatalities

94%
Retention of trainees 2016/2017 program

2.4%
Turnover

4.7%
Absenteeism

98%
Employees assessed

€7.19
Human capital ROI (return on investment)

€2.8 m
Galp 21 energy savings

7
Technology programmes in E&P

10%
Galp 21 projects energy reduction

22 projects
R&D in E&P in Brazil

6
Projects of CO_2 capture and reuse

€5.4 m
In community investment

€14,382 m
economic value distributed

€3.1 m
in relevant partnerships with sector entities and associations

12
Whistle-blowing reports received

over 3,500
energy classes in the past seven years

67%
Solved

€3.1
SROI of the educational projects

1.5.

Addressing materiality

Understanding the challenges of the external context and emerging issues that may influence the sustainable value creation of our business is a continuous exercise. It leads us to a constant review of the identification of aspects with potential material impact on the ability to generate value in the short, medium and long term, for our Company and for all stakeholders.

Knowing and prioritising these aspects allows us to focus on what is most relevant and establish a strategy for dialogue and engagement with stakeholders, that seeks to respond effectively to interests and expectations, through the various existing communication channels.

The identification of relevant aspects is performed through a comprehensive materiality analysis process, which is systematically reviewed, taking the Global Reporting Initiative guidelines as our benchmark, as well as the Five-Part Materiality Test proposed by AccountAbility, the United Nations Environment Programme and Stakeholder Research Associates. The process of materiality analysis thus includes four major steps:

1. Identification of the material issues;
2. Internal assessment;
3. External assessment;
4. Materiality matrix.

In 2017, we reviewed the materiality matrix, prioritising the most relevant aspects, throughout the entire value chain, for our business and for our stakeholders.

In order for the definition and scope of the 17 material matters to be correctly understood during the internal and external relevance assessment process, the following context information was provided:

Acting ethically and responsibly

Risk management
Risk and opportunity management in each geography and context, and at all levels of the Organisation, in an integrated manner, at a strategic, financial, operational and compliance level.

Corporate governance
Governance model guided by a set of principles that aim at transparency and effectiveness in the execution of the corporate strategy and in the creation of long-term value.

Ethics, transparency, and compliance
Promoting an operation that is transparent, ethical and in compliance with the applicable laws or regulations, contributing to the adoption of these principles by its partners.

Engagement with stakeholders

Dialogue and stakeholder engagement
Establishing dialogue, engagement and partnership relationships with stakeholders, with a view to generating value for society.

Local community development
Promotion of social, economic and environmental progress in the regions where Galp operates in, aligned with the Sustainable Development Goals, and considering the nature of the Organisation's activities and respective skills.

Sustainable supply chain management
Sustainability risk and opportunity management throughout the value chain, through an integrated supplier analysis and assessment.

Valuing human capital

Diversity, equal opportunities and non-discrimination
Commitment to promoting equal opportunities and non-discrimination, and creating value through diversity.

Talent attraction and retention
Attracting, monitoring and developing talent in a global context of high competitiveness and volatility.

Training and development
Training and personal development programmes that contribute to the execution of Galp's strategy.

Energy and climate

Adequate portfolio to meet energy needs
Through a balanced portfolio, contributing to meeting energy needs and minimising the activity's carbon intensity, responding to energy and climate challenges.

Energy efficiency of operations, products and services
Adoption and incorporation of energy efficiency solutions in the design of products, operations and services, contributing to the proper management of the carbon

footprint throughout their life cycle and throughout the entire value chain.

Disclosure of financial climate-related information
Related to risk, strategy, governance model, performance and commitments, promoting responsible and informed investment and supporting stakeholders' decision-making.

Protection of people, the environment and assets

Sustainable use of resources
Preservation, efficient and sustainable management and use of resources at all stages of the life cycle of facilities, products and services.

Biodiversity and ecosystems
Preservation of biodiversity and ecosystems in all geographies Galp operates in and throughout the projects' life cycle, maximising the positive impact on natural capital.

Health, Safety and Environment
Acting in accordance with the best health and safety practices, aiming at the protection of people, the environment and assets.

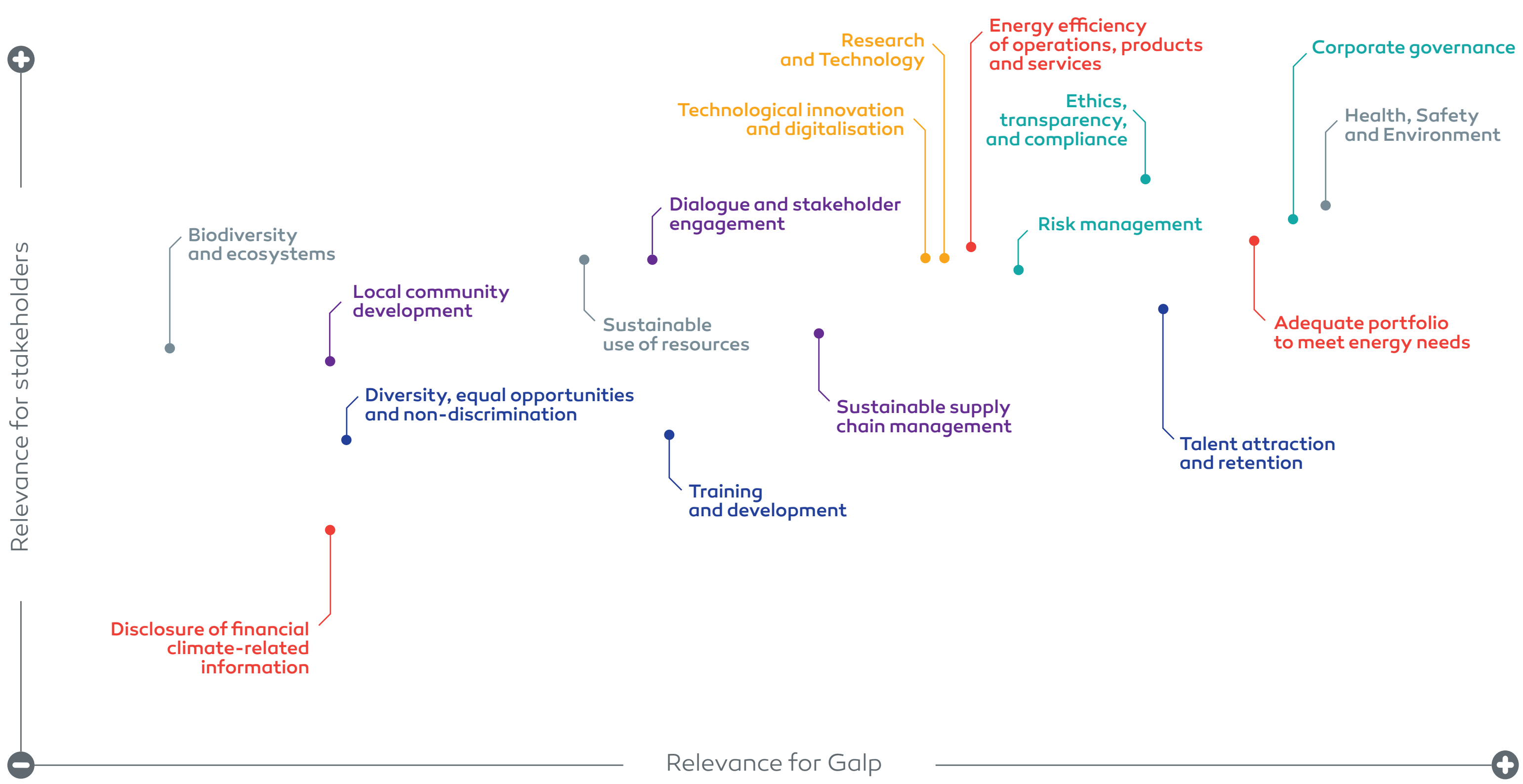
Innovation, research and technology

Technological innovation and digitalisation
Development of innovative and distinctive businesses, including low-carbon businesses, and the development of intelligent and connected energy solutions.

Research and Technology
Investment in Research and Technology and partnerships with the technical and scientific community and associations.

Materiality matrix

We acknowledge that our decisions must be guided by a progressively integrated weighting of the various risks and opportunities, whilst considering the rights and expectations of those who are affected by our business. This way, the aspects that are identified as the most relevant in this exercise are those highlighted in this report, and are the same where Galp focuses its efforts in, in an agile and productive manner, contributing to the continuous improvement of its performance, whilst building relationships of trust within society, and generating shared value.



1.6.

How we contribute to sustainable development

Galp's performance on key sustainability indexes

In 2017, Galp was once again acknowledged for its practices leading to the generation of sustainable value, and remains present in numerous sustainability indices. We highlight our presence in the Dow Jones Sustainability Indices (DJSI) and in the Climate and Water A List of CDP.

Dow Jones Sustainability Index

Galp was included in the DJSI for the sixth consecutive year. At DJSI Europe, in a universe of ten Oil & Gas Upstream & Integrated companies, we were one of the two selected companies. In the DJSI World index, Galp remained in the restricted group of nine companies, from a universe of 79, and placed in the 93rd percentile of the ranking of its sector. At the environmental level, Galp leads the world ranking for the first time, a result based on its high performance in the «Climate Strategy» and «Eco-Operational Efficiency» categories.

CDP

Galp was considered a global leader in corporate sustainability, and was ranked on the Climate and Water A List by the CDP.

We were one of only 25 companies, and the only one in the energy sector, to be double-acknowledged for our actions in managing environmental risks, reducing carbon emissions and improving water stewardship.

17 pillars for a sustainable future

Governments and citizens around the world have contributed to the creation of a global model of sustainable society that aims to ensure prosperity and general well-being, as well as the environment's protection.

The 17 Sustainable Development Goals (SDG) were endorsed by world leaders at the General Assembly of the United Nations on 25 September 2015 and are ambitious guidelines for a sustainable development in the coming years - by 2030 - which can only be achieved with the commitment and dedication of each and every one of us: ordinary citizens, civil society, companies and governments.

We are committed to the future

For Galp, the SDG are beyond commitments. They shape our business model and our actions because they are objectives that we share and integrate into our activity on a daily basis: with a focus on people, respect for human rights, security, reduction of inequalities and fight against climate change.

We share and add value in all the geographies we operate in, we work together with all our stakeholders with a clear objective: ensuring an increasingly more effective respect for human rights, protecting the environment more efficiently, while always seeking innovative solutions to move towards a low-carbon economy with a reduced ecological footprint, and simultaneously ensuring an increasingly broader access to energy, as we believe that this is a critical factor for social and economic development.

We see the 17 SDG as an integrated set of fundamentally important objectives for a sustainable future, but when framed in our sector of operations and in our specific activity, they take on different preponderances and, for that reason, we have grouped them into three major blocks.

We are committed to generating shared value by identifying opportunities and linking Galp's success to the progress of the communities in which we operate.

7. Affordable and clean energy

Ensure access to affordable, reliable, sustainable and modern energy for all.

8. Decent work and economic growth

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

12. Responsible consumption and production

Ensure sustainable consumption and production patterns.

13. Climate action

Take urgent action to cambate climate change and its impacts.

17. Partnerships for the goals

Strenghten the means of implementation and revitalise the global partnership for sustainable development.

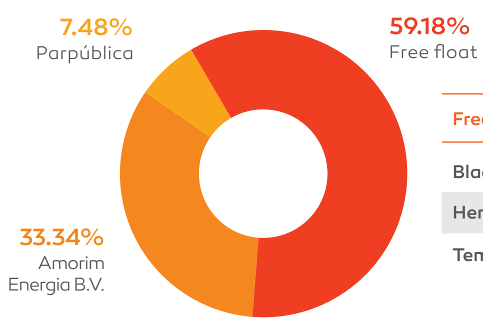
1.7.

Galp in the capital markets

Information to shareholders

Galp's share capital is comprised of 829,250,635 shares, 93% of which are admitted to trading on Euronext Lisbon. The remaining shares are indirectly held by the Portuguese state through Parpública – Participações Públicas, SGPS, S.A. (Parpública), and relate to the privatisation process of the Company.

Shareholding structure at 31 December 2017



Free float of which:	
BlackRock	2.45%
Henderson	2.34%
Templeton	2.03%

For further information about our shareholding structure, please refer to section 6. Corporate Governance, Part I, A.II, or our website.

Share capital distribution

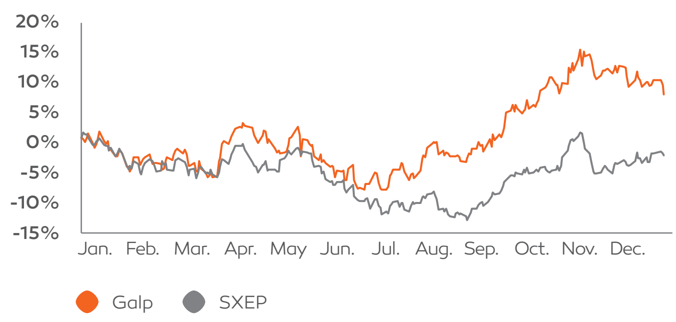
At the end of 2017, about 83% of the free float, or 49% of the total shareholder base, was held by institutional investors from around 36 countries spanning five continents. Investors outside Europe accounted for 49% of the free float and are largely concentrated in North America, where institutional investors accounted for 33% of the Company's free float. Individual investors account for approximately 2% of Galp's share capital.

Galp's share performance

At the end of 2017, Galp had a market capitalisation of approximately €12.7 billion (bn), an 8% increase over 2016. Total shareholder return for the year, including share price appreciation and dividends paid, was 12%.

During 2017, Galp's stock overperformed the SXEP (the European index for the Oil & Gas sector), which ended the year with a 2% devaluation. It is important to note that the price of dated Brent increased around 21% during 2017.

Galp stock performance against SXEP in 2017



Source: Bloomberg

In 2017, 319 million Galp shares were traded in the regulated market (Euronext Lisbon), corresponding to 38% of Galp's free float. Considering the operations in regulated and non-regulated markets, and according to the best available information, the total recorded traded volume was c.1.1 bn shares, or an average of 2.3 million shares traded daily, corresponding to 130% of the Company's free float.

During 2017, Galp's share hit a high of €16.61 on November 9, and a low of €12.92 on July 7.

Analyst coverage

As of December 31, 2017, the average target price out of the 25 analysts covering Galp's share was €16.26, with 36% expressing a Buy recommendation, 56% a Hold recommendation and 8% making a Sell recommendation.

During 2017, Fidentiis Equities resumed coverage of Galp's share and Mediobanca initiated coverage, while Tudor Pickering, Holt & Co. ended coverage. The evolution of the recommendations and target prices issued by the various institutions can be followed on our website.

Dividend distribution

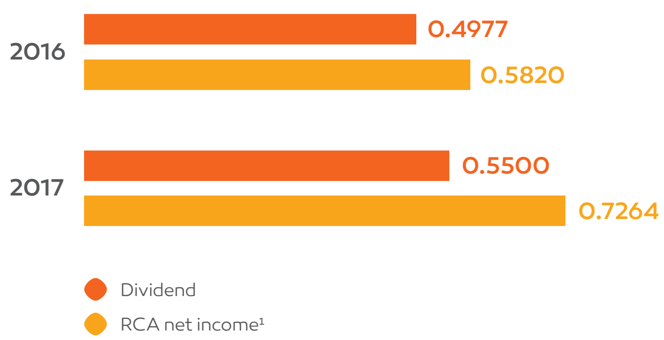
Galp will continue to ensure it has the capital required to implement the planned investment programme, which is critical to the success of the strategic execution. Dividend distribution will continue to be dependent on cash flow generation, value accretive investment opportunities and financial discipline.

Considering cash flow generation in 2017 and the Company's solid capital structure, the Board of Directors will propose a cash dividend of €0.55 per share related to 2017, at the General Shareholders' Meeting to be held in May 2018, corresponding to a 10% YoY dividend increase.

It is worth noting the payment of an interim dividend approved by the Board of Directors of €0.25 per share in September 2017.

Therefore, based on the share price as of December 31, 2017, the implicit dividend yield of Galp's share was 4%.

Dividends and RCA net income[1] (€/share)



[1] Attributable to the shareholders of Galp Energia SGPS, S.A.

Participation in the General Shareholders Meeting

Galp's Annual General Shareholders Meeting was held on May 12, 2017, with its main agenda including the approval of the Annual Report and Accounts for 2016, resolving on the proposal for the allocation of the 2016 year result, the ratification of the co-optation of the new members of the Board of Directors, namely Paula Amorim as Chairman and Marta Amorim as a member, as well as the general appraisal of the members of the Company's Governing Bodies, including the Board of Directors.

A total of 1,085 shareholders attended the General Shareholders Meeting, in person or duly represented, representing approximately 78.34% of the Company's share capital. All proposals submitted to the General Shareholders Meeting were approved by majority.

Information to bondholders

In November 2017, the Company conducted a debt issuance under the EMTN programme for a total amount of €500 m, maturing in February 2023 and with a coupon of 1.00%. The notes are listed on the London Stock Exchange.

Under the EMTN, we have already issued a total of €1.5 bn of debt. This programme is part of the Company's financing strategy, which aims at diversifying its sources of funding and extending the average debt maturity.

Debt issuance under the EMTN programme

Title	ISIN	Date of issuance	Maturity	Amount	Coupon	Yield at year-end (%)	Chg. since pricing (bp)
Galp 4.125% 01.2019	PTGALIOE0009	25-11-2013	25-01-2019	€500 m	4.125%	0.02	-423
Galp 3.000% 01.2021	PTGALJOE0008	14-07-2014	14-01-2021	€500 m	3.000%	0.57	-256
Galp 1.000% 02.2023	PTGALLOM0004	15-11-2017	15-02-2023	€500 m	1.000%	1.12	5

Exchangeable bonds

Whilst Galp has not issued exchangeable bonds, debt instruments exchangeable into Company shares are traded in the market.

In September 2017, the exchangeable bonds Parpública had placed on the market in the last phase of the Company's privatisation process, corresponding to a 7% stake in Galp's share capital, reached maturity, with Parpública not having dispersed its qualified holding in the market as foreseen in the aforementioned privatisation process.

The bonds exchangeable into Galp shares issued in 2013 by Amorim Energia B.V., corresponding to approximately 3% of the Company's share capital, mature in June 2018 and pay a coupon of 3.375% per year. The exercise price is €15.89.

Leonardo Fragozo, Replicant FPSO – Brazil, 2018

Photo by Arlindo Camacho, Galp Lisbon - Portugal, 2018

She usually says she is a hybrid between a Chemical Engineer and a Mechanical Engineer.

After having reinvented herself many times, Delmira Duarte now ensures continuous improvement of the relationship with Gas & Power customers.

2.1.

Anticipating risks and opportunities

We live in a complex world defined by great volatility and uncertainties.

In order to ensure the sustainability of the Company, we test the resilience of our strategy to different scenarios. Anticipating the risks and opportunities related to every scenario is critical to maximising long-term value creation.

We have built four contrasting scenarios, with different levels of technological and regulatory disruption, which we consider to be the critical uncertainties for the energy sector.

Below, we briefly describe each of the scenarios tested, with different outputs regarding Oil & Gas demand and the global energy mix.

1. Without new technological disruptions and disparate regulatory guidelines, the world departs from the sustainability objectives.

Actual greenhouse gas emissions exceed the defined limits, and world leaders are unable to reach new consensuses on environmental policies.

Emerging economies continue to insist on their right to promote growth through abundant and cheap energy sources, while developed countries implement protectionist measures and limit migratory flows to fight long-term unemployment and social instability.

Geopolitical tension increases, with regional conflicts hampering investment in infrastructure and the desired integration of transnational energy systems.

Global energy demand continues to be supported by conventional technology and on fossil resources, being unable to significantly reduce energy intensity. Air pollution is one of the main issues of large urban centres, but there are no structural changes that allow a substantial reduction of emissions. Many cities set restrictions on car traffic, not only because of environmental issues but also because of congestion, encouraging the emergence of a number of car-sharing and ride-hailing solutions, which partially replace the role of public transport. The electric vehicles cannot be affirmed as an alternative, because the batteries do not have sufficient autonomy to face the cities' long traffic lines.

Several nations with unconventional oil and gas resources follow the example set by the U.S. at the beginning of the century, creating strong local industries that make it more difficult to make a political decision to replace fossil fuels. Due to lack of technological development, renewable energies cannot be affirmed as an alternative, and remain as a niche solution in developed countries.

2. In a world with little technological advances, successive regulatory measures are implemented globally to try to meet environmental objectives.

The collective commitment made by the major world nations to set a limit on greenhouse gas emissions by the end of the century was renewed year after year by policy-makers and transposed into national regulations. In the absence of technological disruptions that would accelerate the energy transition, the replacement of fossil fuels – mainly coal and oil – was achieved through additional layers of public policies, namely with the implementation of CO_2 quotas and prices, and with heavy investment in energy efficiency solutions. Natural gas and nuclear power play a pivotal role in replacing coal as the main source of primary energy for power production because of the few technological advances in battery development for utilities.

In most countries there is a reinforcement of public transport services, which is the result of a strong public investment, and urban planning promotes pedestrian or bicycle circulation, to the detriment of the car.

Urban mobility is mostly carried out by electric vehicles because of the prohibition or strong limitation to the use of internal combustion vehicles in the cities, although the low autonomy of the vehicles prevents them from being a true alternative for long journeys or for heavy vehicles, in which hydrogen competes with natural gas to replace diesel. With the strong limitation to the use of fuel oil and a competitive position favourable to diesel, LNG also gains a significant weight in maritime transport.

Aviation fuel price is significantly aggravated by CO_2 rates and biofuel incorporation obligation. The railway transportation gains relevance as an alternative, with several high-speed projects replacing air transport for regional connections.

3. Technology is the centre of a complex and closed society turned in on itself.

The permanent technological acceleration created shock waves at a political and social level, which led to the fragmentation of society and to the reinforcement of more informal mechanisms of power and hierarchy. With the majority of the world population living in urban centres, large metropolises have become new city-states, while rural areas are virtually deserted. This new framework prevents the building of an overall global political consensus, so environmental concerns are primarily local in combating pollution of large urban centres.

Public decision-makers are unable to keep up with society's dynamism, often renouncing their historic regulatory role and, thus, there is no longer a more integrated view of market equilibria. Urban mobility is mainly provided by private individuals, who offer clients the most varied collective and individual transportation options, ranging from hoverboards to drones. Almost all of these solutions are electrical, with wireless hyperchargers and super batteries making the charging process almost unnoticeable.

The world is experiencing a process of continuous digitalisation and resulting dematerialisation, with concepts such as «virtual and augmented reality», «internet of things» and «3D printing» becoming common, and resulting in an increased weight of electricity at the final energy consumption level.

The global mobility of people was affected by the alternatives of virtual and augmented reality, which replaced a relevant part of the meetings and face-to-face trainings, trips to congresses and seminars, and even gave rise to a market niche for virtual tourism. Remote working has also increased, allowing many workers to only move occasionally to their employer's facilities, making corporate spaces significantly smaller.

Most non-perishable goods – in homes, cars, and even in clothing – have some sort of data generation, causing an explosion of information flows, and its associated energy consumption. The sharp reduction in the cost of renewable energy, together with large-scale storage solutions, allows for greater penetration of these alternatives and the multiplication of off-grid systems, with many buildings, neighbourhoods and factories becoming energetically independent. This movement leads to an under-investment in public electricity grids and gives rise to a more disordered and decentralised electrical system.

New material and intelligent resource management solutions also enable continued energy efficiency gains across all sectors, mitigating the effect of a society where energy is always present.

4. Adequate public policies help to promote a society that is capable of reconciling economic growth with a reduction of energy intensity.

Politicians, entrepreneurs, and academics from all walks of life have worked together over the past few decades to develop the global programme to eliminate fossil fuels by the end of the century. The articulation of adequate public policies with strong technological entrepreneurship has significantly increased the share of renewable energy in the energy mix, hence mitigating the environmental impact of fossil fuels. The term «Sustech», which combines sustainability and technology, was considered the word of the year, symbolically representing the new global paradigm of a more balanced world.

The advent of tailor-made production solutions in the so-called «factories of anything», the result of technological advances in robotics, materials and artificial intelligence, allowed the production of goods to be brought closer to the consumption centres, reducing the energy footprint of the global flow of goods. The food industry also underwent structural changes, redirecting itself to less energy-intensive products, as a result of behavioural changes and progress in the area of genetic manipulation. The best example of this change was the strong growth of the hydroponic industry, which allows the production of food within urban areas.

The strong public investment in the modernisation of road infrastructure has made it possible to accelerate the transition to autonomous vehicles, reconciling its presence with the gradually lower number of manned vehicles. This revolutionary change made it possible to reduce road accidents and contributed positively to the economy through the additional productivity of increased life expectancy and savings in health expenses and vehicle repair costs.

Widespread autonomous vehicles, along with the multiple mobility management solutions available also altered the transportation ownership paradigm. The majority of people in urban areas request means of transport that are tailored to their needs and do not worry about their operational management, which is taken care of by specialised companies.

Susete Patrício, photovoltaic installation - Portugal, 2018

2.2.

Our strategy

To ensure that Galp is resilient under the various projected scenarios, we reflect in our strategy the main guidelines that aim to secure a resilient and agile organisation, prepared for a complex and uncertain world.

Galp's strategy remains focused on developing a resilient upstream portfolio, embedded with an efficient and competitive downstream business, supported by innovative and differentiating solutions that promote the transition into a lower carbon economy.

This strategy is supported by a strong financial capacity and on a culture which is client-centred and grounded on partnerships, and which will continue to foster a more agile, innovative and technologically advanced corporate environment. With this approach, Galp is preparing to face the energy sector's challenges and dynamics, within an uncertain and complex context.

Upstream

In the upstream, Galp continues to ensure the sustainability of its E&P portfolio, which should be competitive and profitable in any expected oil and carbon pricing scenario. Our strategy focuses on identifying new opportunities in geographies where we have a competitive advantage or a strategic angle, namely through exploration and discovered resources opportunities, in order to sustain the competitiveness of future production growth while maintaining a balanced exposure to gas. The main priorities will continue to be the disciplined execution of the existing projects and to extract more value from them.

Downstream

In the downstream, Galp is focused on adapting to new product specifications and consumption patterns, embedded in an open, digital and sharing economy; a world where consumer's behaviour is permanently changing, and with a growing cross-industry competition, where competitors are less evident. Galp will focus on improving the efficiency and conversion capabilities of its refining system, whilst continuing to strengthen its competences in trading commodities, leveraging existing opportunities in the global energy markets. It will seek to develop African clusters, expanding within its respective hinterlands.

Energy transition

Oil & Gas will remain core to Galp's strategy, but the Company will develop new solutions and explore business opportunities supported by low-carbon energy sources, addressing the challenges posed to its industry.

Galp aims to play an active role in changing the energy paradigm, in particular by anticipating new trends; by adapting its portfolio to future needs, creating synergies with the present activity whenever possible; consolidating the Company's knowledge and enhancing asset diversification, with the corresponding risk reduction, namely through lower carbon intensity energy, as is the case of renewables differentiated solutions.

We acknowledge that the structural changes in energy consumption will boost new solutions that are innovative and increasingly sustainable at an economic, environmental and social level.

Innovation and new business models

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

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

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

We continue to invest in innovation, research and technological development, crucial for the continuous extraction of value from our assets and for the creation of new business models, as well as for the sustainability of the Company and the communities we operate in.

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

Future service station concept

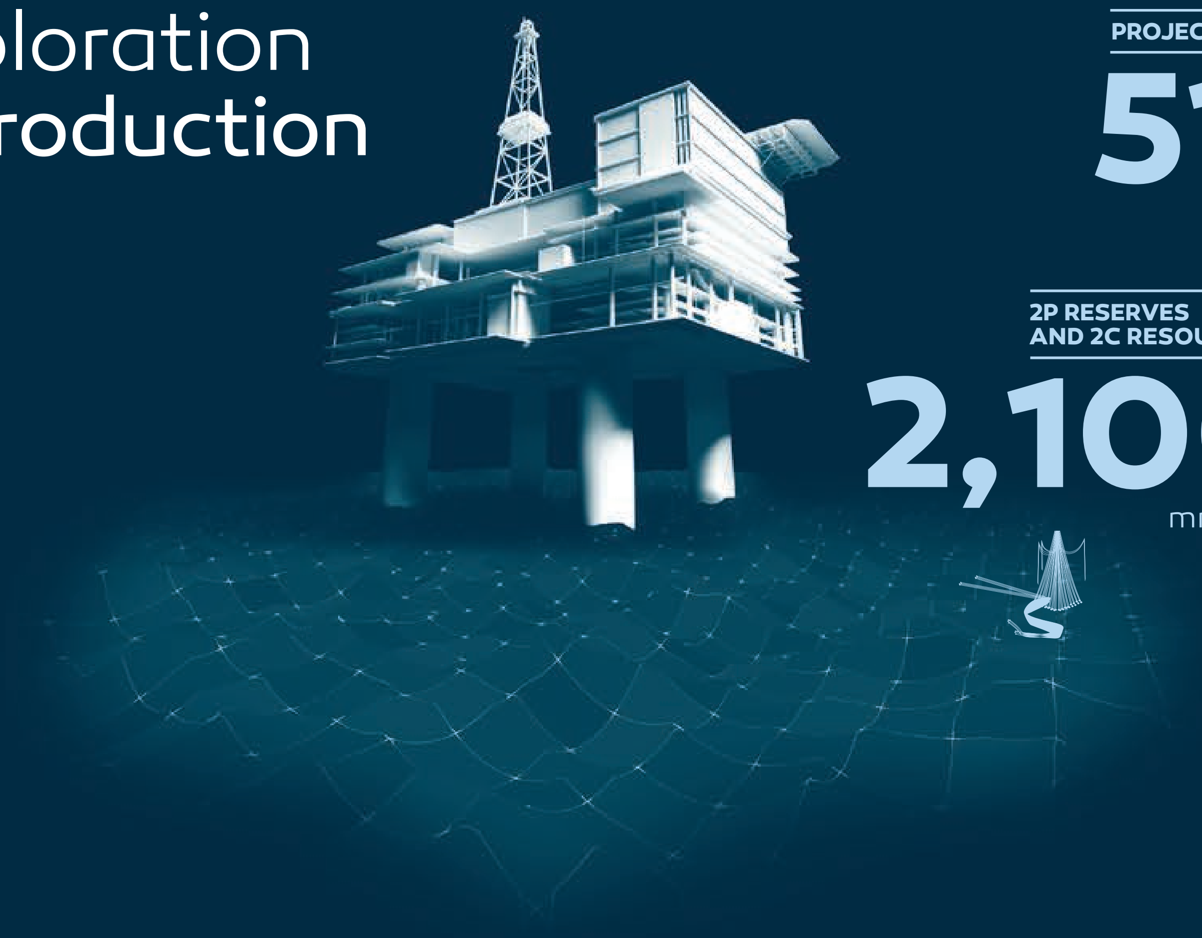
Photo by Jardiel Carvalho, Replicant FPSO - Brazil, 2018

Leonardo Fragozo certainly doesn’t lack energy.

This “Carioca”, as Rio de Janeiro locals are known, has studied engineering and philosophy. He is now our responsible for the technical support of the platforms in which the company has a participation in Brazil.

3.1.

Exploration & Production



PROJECTS

51

2P RESERVES AND 2C RESOURCES

2,100
mmboe

2017 highlights

- We achieved a production of 100 kboepd, with the 2017 average standing at 93.4 kboepd, an increase of 38% compared to 2016, on the back of the Lula project execution, in Brazil.
- Start of production of the first replicant unit, FPSO #7, and FPSO #6 reaching plateau production in the Lula field.
- Increased exposure to the Brazilian pre-salt with the acquisition of a 20% stake in the Carcará North license and the acquisition of an additional 3% stake in block BM-S-8.
- FID for the Coral South project in the Rovuma basin in Mozambique, and farm-in of ExxonMobil in the consortium for the development of Area 4, who assumed operatorship of the midstream project.
- Progress in the conversion of the two FPSOs to be allocated to block 32 in Angola, as well as in the drilling and completion of wells related to the Kaombo project.
- Execution of the 3D seismic data acquisition programme in four blocks in the Sao Tome and Principe offshore.
- 2P reserves increased 11% to 748 mmboe at year end; 2C contingent resources increased 2% to 1,352 mmboe.

WI AVERAGE PRODUCTION

93.4

kboepd

Key figures

	2015	2016	2017
N.º of employees	229	228	**240**
2P reserves (mmboe)	701	673	**748**
2C resources (mmboe)	1,342	1,320	**1,352**
Average working interest production[1] (kboepd)	45.8	67.6	**93.4**
Average net entitlement production[1] (kboepd)	43.2	65.1	**91.5**
CO_2 emissions[2] (tCO_2e/boe)	23.2	13.7	**9.4**
Average sale price of oil and natural gas ($/boe)	43.5	37.7	**47.6**
Production cost ($/boe)	9.8	7.7	**8.2**
Amortisation[3] ($/boe)	14.8	11.9	**12.0**
Ebitda RCA (€m)	352	494	**913**
Ebit RCA (€m)	142	239	**507**
Capital expenditure (€m)	1,103	1,039	**852**

Note: unit values on a net entitlement basis.

[1] Includes production of natural gas which was exported; excludes gas which was consumed or injected.

[2] Considers 100% of emissions and oil and natural gas production from operated blocks and the working interest from non-operated blocks.

[3] In RCA, it includes provisions for abandonment.

E&P projects portfolio

Country	Block(s)	Basin	Type	# Projects	Key projects	Stage	Consortium [1]
Brazil (via Petrogal Brasil)	BM-S-11	Santos	Ultra-deep water	2	Lula Iracema	Appraisal, Development & Production	Galp 10% Petrobras 65%* Shell 25%
	BM-S-11 A	Santos	Ultra-deep water	3	Iara	Appraisal & Development	Galp 10% Petrobras 42.5%* Shell 25% Total 22.5%
	BM-S-8	Santos	Ultra-deep water	1	Greater Carcará	Exploration & Appraisal	Galp 17%[2] Statoil 36.5%*[2] ExxonMobil 36.5%[2] Barra Energia 10%
	Carcará North	Santos	Ultra-deep water	1	Greater Carcará	Exploration & Appraisal	Galp 20% Statoil 40%* ExxonMobil 40%
	BM-S-24	Santos	Ultra-deep water	2	Sépia East Júpiter	Exploration, Appraisal & Development	Galp 20% Petrobras 80%*
	POT-T-480/479/436	Potiguar	Onshore	1	Sanhaçu	Production	Galp 50% Petrobras 50%*
	SEAL-T-412/429	Sergipe- Alagoas	Onshore	1	Rabo Branco	Production	Galp 50%* Petrobras 50%
	BM-POT 16	Potiguar	Shallow to ultra-deep water	2		Exploration	Galp 20% Petrobras 30%* BP 30% IBV 20%
	BM-POT 17	Potiguar	Shallow to ultra-deep water	3		Exploration & Appraisal	Galp 20% Petrobras 40%* BP 40%
	BM-PEPB-783/839	Pernambuco-Paraíba	Deep to ultra-deep water	2		Exploration	Galp 20% Petrobras 80%*
Brazil	POT-M-764	Potiguar	Ultra-deep water	1		Exploration	Galp 20% Petrobras 40%* BP 40%
	BAR-M-300/342/344/388	Barreirinhas	Shallow to deep water	4		Exploration	Galp 10% Shell 50%* Petrobras 40%
	PN-T-182/136	Parnaíba	Onshore	2		Exploration	Galp 50%* Petrobras 50%
	PN-T-166/150	Parnaíba	Onshore	2		Exploration	Galp 50% Petrobras 50%*
Angola	Block 14	Lower Congo	Shallow to ultra-deep water	8	BBLT TL Kuito	Development & Production	Galp 9% Chevron 31%* Sonangol 20% Eni 20% Total 20%
	Block 14k	Lower Congo	Shallow to ultra-deep water	1	Lianzi	Development & Production	Galp 4.5% Chevron 36.75%* Total 31.25% Sonangol 10% Eni 10% SNPC 7.5%
	Block 32	Lower Congo	Ultra-deep water	2	Kaombo	Appraisal & Development	Galp 5% Total 30%* Sonangol 30% China Sonangol 20% ExxonMobil 15%
Mozambique	Area 4	Rovuma	Ultra-deep water	2	Coral South Mamba	Development	Galp 10% Eni 25%* (ind. via MRV) ExxonMobil 25%* (ind. via. MRV) CNPC 20% (ind. via. MRV) Kogas 10% ENH 10%
Namibia	PEL 82	Walvis	Deep to ultra-deep water	1		Exploration	Galp 40%*[2] ExxonMobil 40%[2] NAMCOR 10% Custos 10%
	PEL 83	Orange	Deep to ultra-deep water	1		Exploration	Galp 80%* NAMCOR 10% Custos 10%
Sao Tome and Principe	Block 5	Rio Muni	Ultra-deep water	1		Exploration	Galp 20% Kosmos 45%* Equator 20% ANP 15%
	Block 6	Rio Muni	Ultra-deep water	1		Exploration	Galp 45%* Kosmos 45% ANP 10%
	Block 11	Rio Muni	Ultra-deep water	1		Exploration	Galp 20% Kosmos 65%* ANP 15%
	Block 12	Rio Muni	Ultra-deep water	1		Exploration	Galp 20% Kosmos 45%* Equator 22.5% ANP 12.5%
Portugal	Gamba	Alentejo	Shallow to ultra-deep water	1		Exploration	Galp 30% Eni 70%*
	Lavagante	Alentejo	Shallow to ultra-deep water	1		Exploration	Galp 30% Eni 70%*
	Santola	Alentejo	Shallow to ultra-deep water	1		Exploration	Galp 30% Eni 70%*
	Camarão	Peniche	Shallow to ultra-deep water	1		Exploration	Galp 100%*[2]
East Timor	Block E		Shallow to ultra-deep water	1		Exploration	Galp 10% Eni 80%* Kogas 10%

* Operator.
[1] For the full name of the companies, refer to Note 5.6.1 of the appendix to Galp's consolidated statements.
[2] Subject to deal completion / request authorisation.

Evolution of reserves and resources

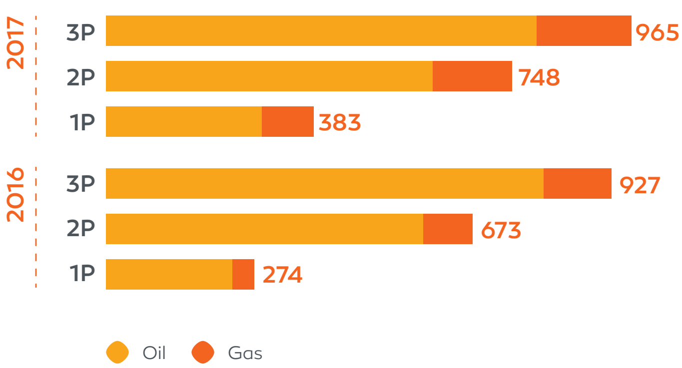
Galp's reserves and resources have been subject to an independent audit by DeGolyer and MacNaughton (DeMac).

In 2017, proved and probable (2P) reserves increased 11% YoY to 748 mmboe. This increase mainly resulted from the FID regarding the Coral South project, in the Rovuma basin in Mozambique, despite having been partially offset by production during the year. Natural gas reserves increased YoY and account for around 20% of total 2P reserves.

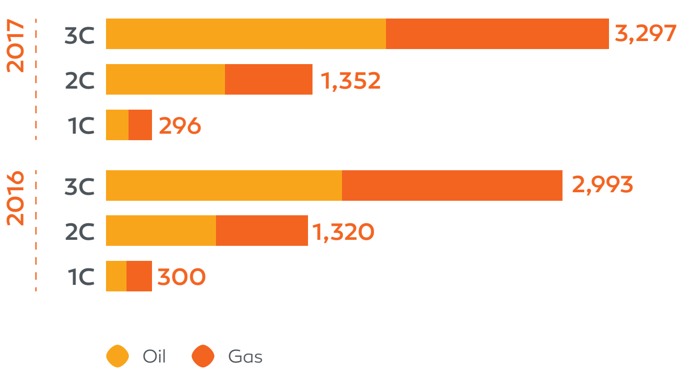
2C contingent resources increased by 2% YoY to 1,352 mmboe, on the back of the acquisition of a stake in Carcará North, in Brazil. Natural gas resources accounted for c.40% of the total and were mainly located in the Rovuma basin.

Risked prospective resources at year end stood at 566 mmboe.

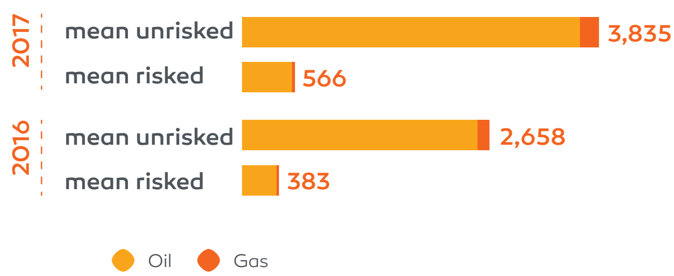
Reserves (mmboe)



Contingent resources (mmboe)



Prospective resources (mmboe)



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

Responsible activity

Galp is governed by a responsible activity, focusing on a safe operation, and applying the reference standards in energy management and emissions.

In this sense, we are committed to scaling new E&P projects to zero flaring under normal operating conditions, by joining the Zero Routine Flaring by 2030 initiative as an E&P operator. Current projects are being adapted to reduce emissions, with a registered gas flaring volume of 1,109.5 $10^3 m^3$ in 2017. This volume is expected to be reduced upon the implementation of the energy production project, through the reutilisation of the gas produced.

Development and production activity

The most relevant development projects include two of the largest oil and natural gas discoveries in recent decades, located in block BM-S-11, in the pre-salt Santos basin, in Brazil; and in Area 4, in the Rovuma basin, in Mozambique, respectively.

In 2017, the Company reached the 100 kboepd production milestone, with the average working interest production for the period standing at 93.4 kboepd, up 38% YoY, reflecting the increased production from Brazil.

In Brazil, working interest production was 85.5 kboepd, a 48% increase YoY, benefiting from the development of the Lula and Iracema projects, namely FPSO #6 reaching plateau production and the first replicant FPSO (FPSO #7) starting production in May.

In Angola, working interest production was 7.9 thousand barrels of oil per day (kbpd), down 19% YoY, impacted by the natural decline of the producing fields in block 14.

Net entitlement production rose around 41% when compared to 2016, to 91.5 kboepd, following the production growth from Brazil.

Brazil

We have several projects in the development and production stages in the Santos basin.

Lula and Iracema

Lula and Iracema fields, in block BM-S-11, are currently the major contributors to Galp's production.

The Brazilian pre-salt is a benchmark in the industry, not only for the size and quality of its reservoirs, but also for the operational efficiency achieved in the development of projects like Lula and Iracema, with Galp and its partners fostering sustainable value creation and a strong innovation culture.

During the year, the focus continued to be on the implementation of the development plan, through the start of a new production unit, the installation and connection of wells and other equipment, and the connection to the gas infrastructure.

The Lula and Iracema projects currently have seven units in operation, six of them producing at plateau levels and one in the ramp-up stage.

FPSO #6, allocated to the Lula Central area, reached plateau production during the year, only 11 months after first oil and ahead of plan. FPSO #7, the first replicant unit allocated to the project, started operating in the Lula South area in May, and had five connected producer wells at the end of the year.

The remaining FPSO units produced steadily at plateau levels throughout the year, although being impacted by maintenance activities. These activities are planned to ensure the integrity of the infrastructures and its operation under optimal conditions.

Lula and Iracema projects

Two FPSOs in Lula are expected to start production during 2018.

Galp is committed to maximising the value of its assets, namely in optimising its operations and increasing the recovery of discovered resources. The oil recovery factor in the Lula and Iracema fields increased to 31%, with the focus being in potentiating a further increase in the recovery factor.

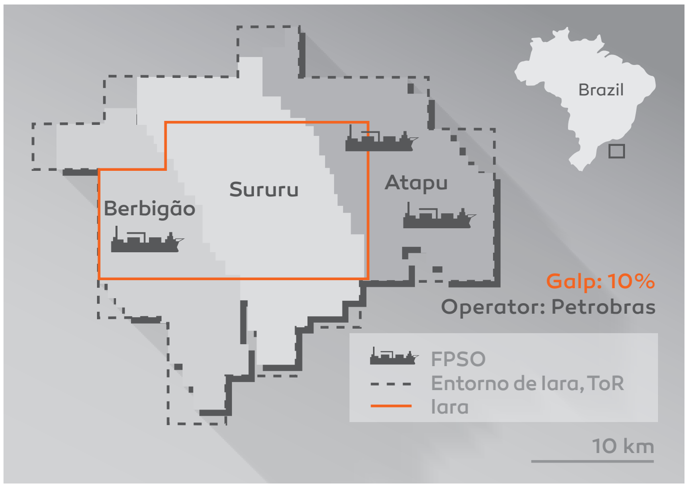
Greater Iara

The Iara project is composed of three accumulations, designated as Atapu, Berbigão and Sururu, in BM-S-11 and extending to the Entorno de Iara area (Transfer of Rights).

The initial development plan for the project was submitted in 2015 to the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) and provides for the installation of three units.

The project partners, Petrobras for the Transfer of Rights area and Pré-Sal Petróleos S.A. (PPSA), are currently negotiating the Production Individualisation Agreement (PIA) that will define the terms of the unitisation between the three fields and the Transfer of Rights area to be developed under the Greater Iara project.

Fields in the Iara and Entorno de Iara areas



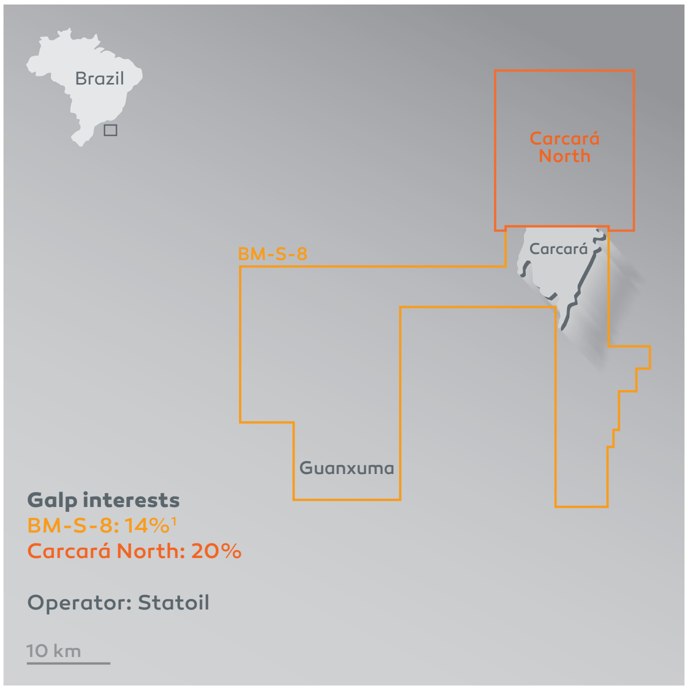
During 2017, the partners proceeded with the seismic and processing works, in order to reduce volumetric uncertainty and improve reservoir representation, thus optimising the development concept.

The Iara drilling campaign proceeds, with partners having completed by the end of 2017 the drilling of nine producer wells and two injector wells out of the total of 51 planned development wells. For 2018, an Extended Well Test (EWT) is planned in the Sururu area.

Greater Carcará

The Greater Carcará project, which is estimated to have recoverable volumes of at least 2 bn bbl, includes the Carcará area, in block BM-S-8, as well as its extension to Carcará North area.

BM-S-8 and Carcará North



[1] Contigent to transaction conclusion (3% additional stake).

Galp is currently present in the consortium of block BM-S-8 with a 14% stake, having agreed with Statoil, through Petrogal Brasil, to acquire an additional 3% stake, for c.$114 m, with part of the payment contingent on meeting certain conditions.

The Carcará discovery extends beyond block BM-S-8, to Carcará North area, which was subject to bidding under the 2nd Production Sharing Bidding Round held by ANP in 2017. Through Petrogal Brasil, we acquired a 20% stake in this area, while Statoil (operator) and ExxonMobil acquired a 40% stake each. The consortium offered a profit oil share of 67.12%, and the signing bonus was around $930 m. The work plan for the area includes a commitment to drill an exploration well.

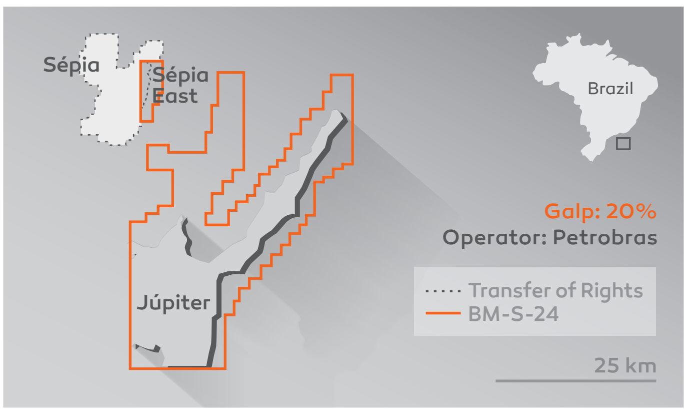
During 2017, the activities in the Carcará discovery, in block BM-S-8, were focused on assessing the exploration and appraisal campaign conducted, in order to deepen the knowledge on the reservoir characteristics and to better define the area's drilling and completion plan. The studies for defining the gas export system solution also proceeded, together with the remaining pre-development activities.

In 2018, it is worth noting that the consortium is undertaking a DST in the Carcará Northwest well to test the well's productivity and to improve the knowledge of reservoir characteristics in this area. The consortium is also planning an appraisal well in the Carcará North area during the year.

Sépia East and Júpiter

Block BM-S-24, in which Galp holds a 20% stake, comprises the Júpiter and Sépia East areas in the Brazilian pre-salt.

Block BM-S-24



Sépia East

The Sépia East area will be subject to unitisation with the Sépia field (Transfer of Rights, 100% Petrobras), and negotiations are currently underway between the block BM-S-24 consortium and Petrobras.

The start of production of the unitised Sépia field is planned for 2021, through a unit with a daily capacity of 180 kbbl and 6 mm^3 of gas.

The appraisal works indicated excellent results regarding oil quality as well as the reservoir's porosity and permeability.

Júpiter

The partners for block BM-S-24 were conceded a five-year extension of the exploration period in 2016, which will allow the continuation of the field's technological development studies.

The studies are mostly focused on the reservoir, on the guarantee of fluid outflow, field development infrastructure, on CO_2 transport, subsea separation of produced fluids and on different types of metallurgy to apply in well completions.

Emergency response in Brazil

Galp privileges a preventive stance in all the geographies where it operates, making this a daily routine throughout the life of the projects and the assets. Despite this, we are prepared to deal with any unwanted event at any time, which is why in all geographies there are structured emergency response mechanisms. Typically, these plans include the resources defined in the Individual Emergency Plan of each facility, as well as an Emergency Plan for Oil Leakage for each geographic area. In this, complementary actions and response procedures are presented for events that involve oil spills that exceed the limits of the installation, offshore or onshore. These procedures are prepared, planned and trained, and drills are carried out periodically at various levels.

Onshore projects

We are operators in the Rabo Branco producing field and have a stake in the Sanhaçu field, located in the basins of Sergipe-Alagoas and Potiguar.

The Sanhaçu field is located in block POT-T-479 in the Potiguar basin, and started production in 2012. The Rabo Branco field, located in the Sergipe-Alagoas basin, was declared commercial in 2012 and is also in production.

A responsible operator

In 2017 we concluded the first stage of research and monitoring of fugitive emissions, namely methane, throughout the Rabo Branco concession.

The results obtained demonstrate a low rate of fugitive emissions, occasionally identified, demonstrating the unit's good mechanical integrity conditions, and the equipment's adequate management.

- 633 points monitored.
- The majority of the mapped points did not show perceptible leaks to the meter.

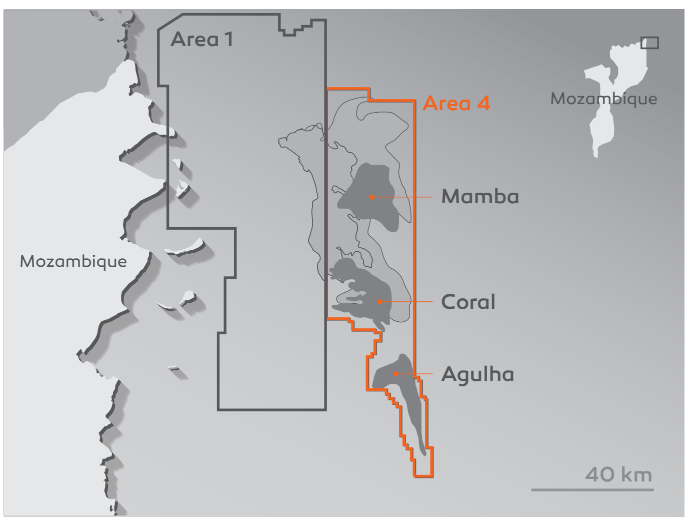
Mozambique

The Coral and Mamba discoveries in Area 4, in the Rovuma basin, are expected to contain about 85 trillion cubic feet (tcf) of gas initially in place (GIIP).

The size of the discovered resources position the Rovuma basin as one of the world's most relevant regions for the natural gas industry, and will be decisive for the increased weight of gas in Galp's production portfolio, thus contributing to the transition to a lower-carbon economy.

During 2017, ExxonMobil acquired an indirect 25% stake in Area 4, through Eni East Africa S.p.A. Eni will continue to lead the Coral South project and the remaining upstream operations in Area 4, while ExxonMobil will lead the construction and operation of onshore LNG infrastructure.

Rovuma Basin



Coral South

In 2017, the consortium for the development of Area 4 took the FID for the Coral South project.

This project involves the construction of an FLNG unit with a capacity of around 3.4 mtpa of LNG that will be connected to six wells. The FLNG unit will be allocated to the southern part of the Coral discovery, which is exclusively located in Area 4 and contains around 16 tcf of GIIP.

The EPCIC contract for the FLNG unit was awarded to the Technip, JGC and Samsung consortium. Contracts relating to the upstream, namely for the drilling rig, for subsea and umbilical production systems, were also awarded.

The investment for upstream and midstream development is estimated at about $7 bn and production is expected to start in 2022.

In addition, the consortium secured a financing package of $4.7 bn with a group of ECAs (Export Credit Agencies) and international financial institutions.

Mamba

The Mamba discovery stands out for the size and quality of its resources, its location and potential economies of scale, and its competitiveness compared to other LNG projects.

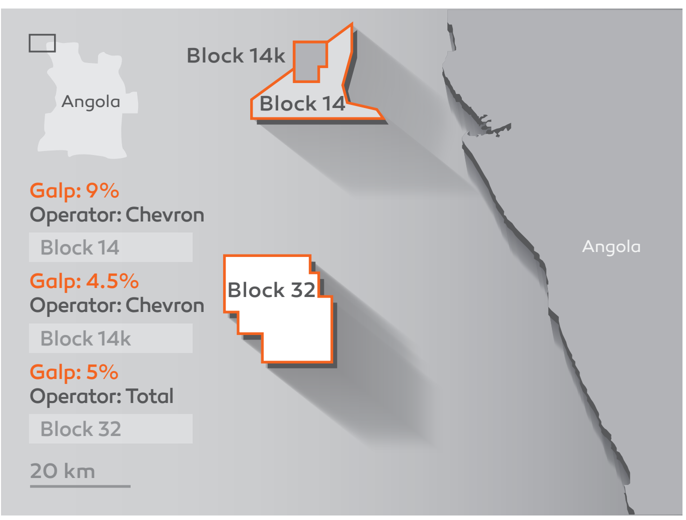
During 2017, we proceeded with the analysis of Engineering, Procurement and Construction (EPC) technical and commercial proposals for upstream and midstream solutions.

Considering that the discovery's reservoirs extend between Area 4 and the adjacent Area 1, the unitisation agreement, which has already been concluded and submitted by the partners to the Mozambican Government, is pending on approval.

Angola

Galp has producing assets in blocks 14 and 14K, through two operating platforms, and also holds a stake in the Kaombo project in block 32, which is under development.

Block 14/14k and block 32, Angola



During 2017, conversion works proceeded on the two FPSOs to be installed in the Kaombo project, with a processing capacity of 125 kbpd each. Production from this project is expected to start in 2018.

At the end of 2017, the area already had 22 drilled wells out of a total of 59 planned for the Kaombo field development.

With regards to block 14/14k, the Benguela-Belize-Lobito-Tomboco (BBLT), Tômbua-Lândana and Kuito fields are in the natural decline phase.

Assets in the exploration phase

Galp has a diverse portfolio of exploration projects, centred on the Atlantic basin.

Guanxuma, Brazil

The drilling of the Guanxuma prospect, located in the Brazilian pre-salt block BM-S-8, is planned for 2018, and the rig is already contracted.

Blocks 5, 6, 11 and 12, Sao Tome and Principe

The exploration portfolio in Sao Tome and Principe includes four offshore blocks, block 6 – where Galp is the operator – and blocks 5, 11 and 12, where the Company holds a 20% stake.

In 2017, we concluded a large 3D seismic data acquisition programme in the country, throughout 16 thousand km². Seismic data is currently being processed and interpreted. This operation was subject to an environmental impact study, with mitigation measures for potential impacts currently operational.

PEL 82 and PEL 83, Namibia

Galp's position in Namibia consists of two exploration licenses in the country's offshore, PEL 82 in the Walvis basin and PEL 83 in the Orange basin.

In 2017, the studies on the area's geological assessment continued, as well as the processing of the 2D seismic data in the PEL 83 blocks.

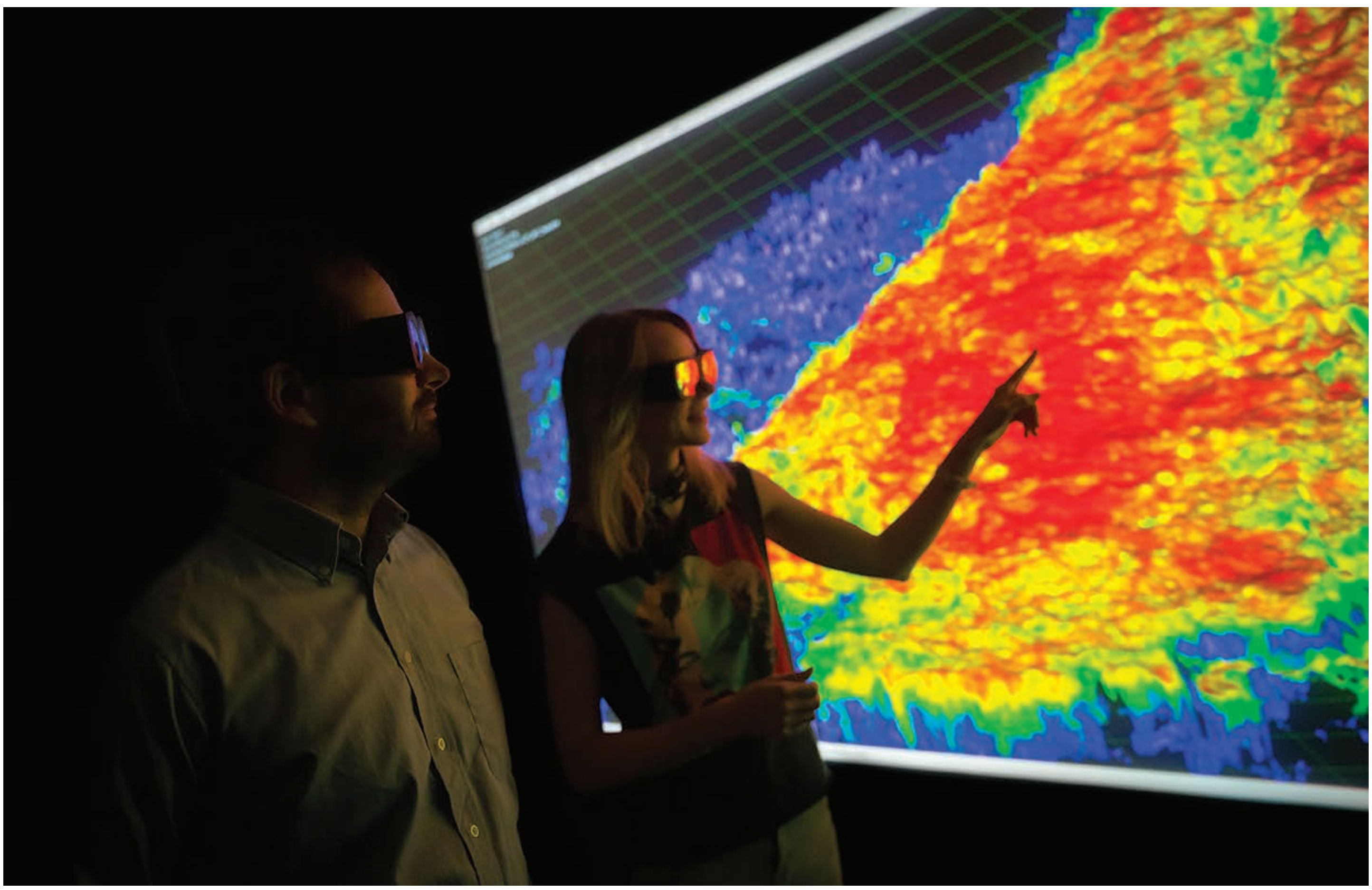
In 2018, we highlight the sale of a 40% stake in PEL 82 to ExxonMobil, with Galp keeping 40%, as well as the 3D seismic acquisition campaign works in the license.

Alentejo and Peniche Basins, Portugal

The exploration portfolio in Portugal currently includes four offshore blocks, of which three in the Alentejo basin and one in the Peniche basin.

In the Alentejo basin, works during the year focused mainly on preparing to drill the first well, Santola-1.

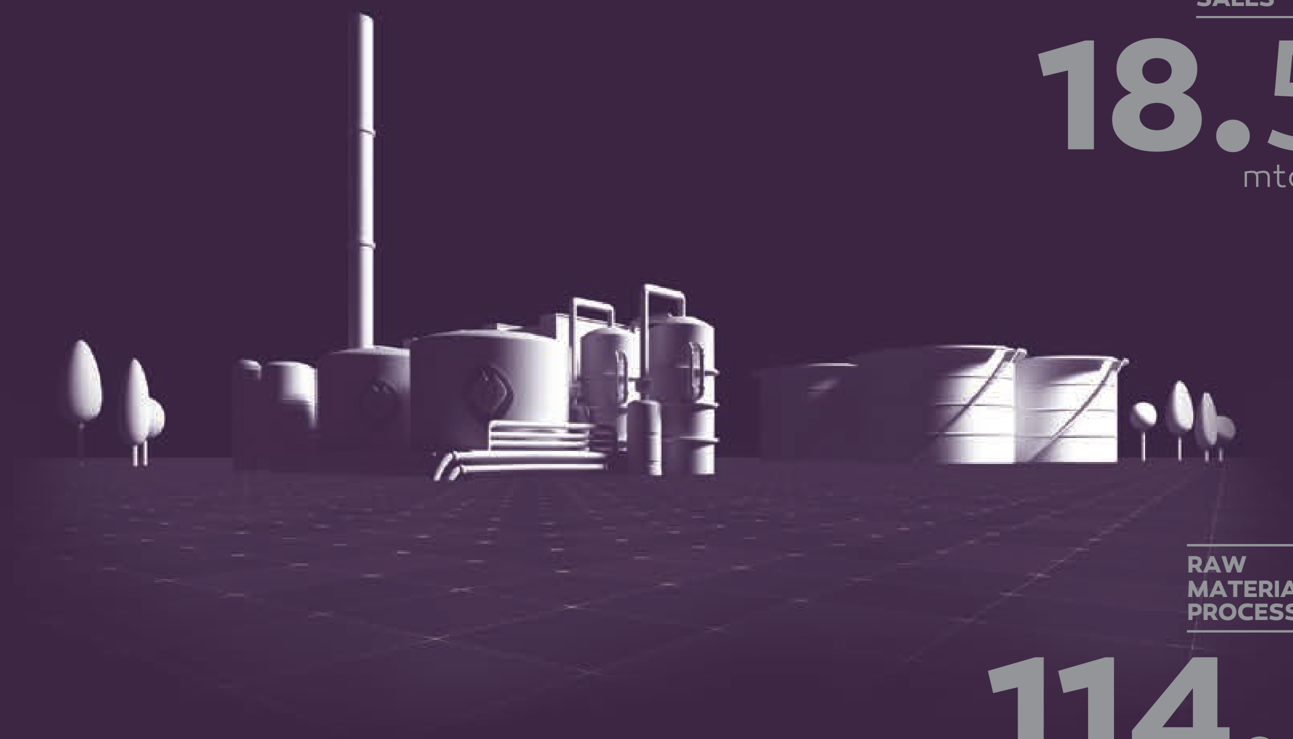
In the Peniche basin, all blocks were abandoned during 2017, with the exception of Camarão where a request was made for the transmission of the contractual position of 100% to Galp.



Gil Machado & Natalia Hoska, Galp Lisbon - Portugal, 2017

3.2.

Refining & Marketing



Oil PRODUCTS SALES

18.5 mton

RAW MATERIALS PROCESSED

114.2 mmboe

2017 highlights

- Increase of Galp's refining margin to $5.8/boe, benefiting from the favourable margins in the international market and the high availability of the refining system.
- Execution of projects aiming to increase the energy and operational efficiency of refining activities.
- Growth of the Iberian oil products market, mainly benefiting from the increased tourism activity in the region.
- Development of projects and new digital platforms to improve the value proposition with our clients.

SERVICE STATIONS

1,459

SALES TO DIRECT CLIENTS

8.9 mton

Key figures

	2015	2016	2017
N.º of employees	5,512	5,482	**5,406**
Raw materials processed (kboe)	114,572	109,727	**114,191**
Galp refining margin ($/boe)	6.0	4.3	**5.8**
Refining cash costs[1] ($/boe)	1.6	1.7	**1.7**
CO_2 emissions (tCO_2e)	4,134,479	4,195,632	**4,436,330**
Total water consumption per treated feedstock (m^3/ton)	0.54	0.55	**0.44**
Percentage of water reutilised	19%	23%	**15%**
Oil products sales (mton)	18.2	17.8	**18.5**
Sales to direct clients (mton)	9.1	8.8	**8.9**
Number of service stations	1,463	1,462	**1,459**
Number of convenience stores	828	834	**823**
Ebitda RCA[2] (€m)	779	576	**785**
Ebit RCA (€m)	504	257	**418**
Capital Expenditure (€m)	110	153	**145**

[1] Excluding refining margin hedging impact.

[2] In 2015, includes the contribution from the trading activity related to oil produced, which was reallocated from the R&M to the E&P business from 2016 onwards.

Galp operates an integrated refining system comprising two refineries in Portugal.

The integration of refining and marketing of oil products activities brings a competitive advantage. Galp markets most of its products in Iberia, where it holds a comprehensive oil products distribution network, making it one of the reference operators in the region. We also operate distribution and marketing activities in selected African markets.

We benefit from logistics advantages through the access to several maritime terminals and storage facilities in Iberia, and we are also developing logistics terminals projects in Mozambique.

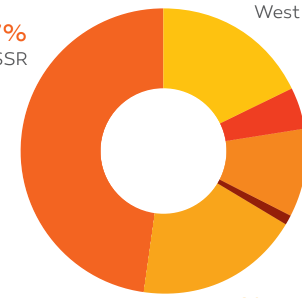
Galp aims to ensure the integrated optimisation of the R&M business, aiming to maximise value creation through sustained margin growth with permanent focus on cost reduction, and optimisation of capital employed. Additionally, in order to implement and disseminate a client-centric culture, supported on operational efficiency and continuous improvement, we are implementing a programme based on the Kaizen methodology.

Sourcing and trading

Galp manages the sourcing of crude oil and other raw materials, taking into account several factors, such as the maximisation of the refining margin, the sourcing diversification strategy, as well as the specific characteristics of the refining system.

During the year, Galp imported crude oils from 15 countries, with medium and heavy crude accounting for 84% of total imports.

Crude sources in 2017



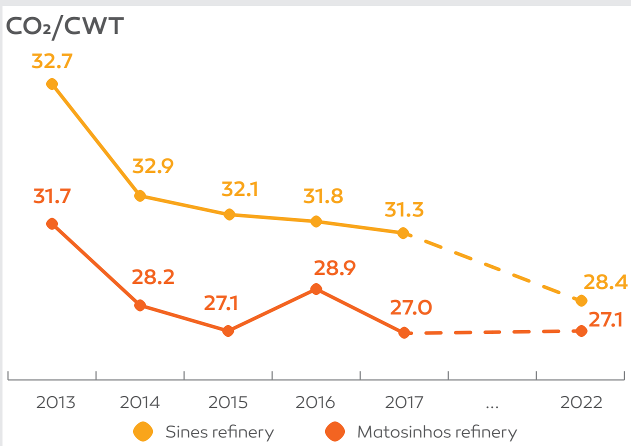
Atish Jaientilal, Galp - Maputo, Mozambique

Refining

Galp has a modern and complex integrated refining system, comprising the Sines and Matosinhos refineries, with a crude oil processing capacity of 330 kbpd. The system has a hydrocracking and fluid catalytic cracking (FCC) unit at the Sines refinery for the production of medium and light distillates, respectively, as well as a visbreaker unit and aromatics and base oils plants at the Matosinhos refinery. Its combined Nelson complexity index is 8.6.

Energy efficiency in refining

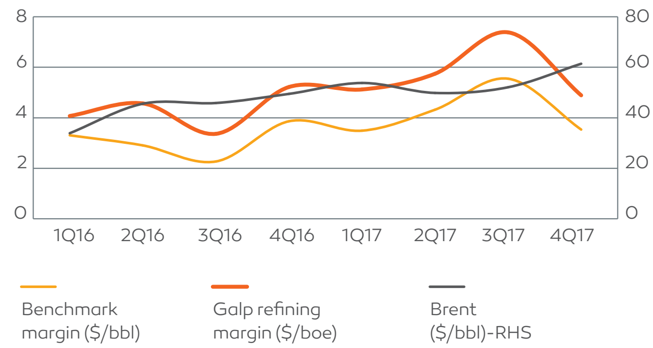
- We work towards reducing refining carbon intensity:



Note: In 2016, a technical planned outage occurred in Matosinhos refinery.

- The Matosinhos refinery has been in the first quartile of the Solomon reference regarding energy efficiency since 2015 and we have assumed that both refineries will reach this quartile in 2021.
- By 2020, we will invest c.€45 m in eco-efficiency projects, avoiding the emission of more than 120 kton CO_2e.
- By 2022, we will cut the carbon intensity 25% in Sines refinery and 15% in Matosinhos refinery, based on 2013.

Galp's refining margin vs. benchmark and Brent



Galp has been developing and implementing projects aimed at gradually increasing its refining margin by $1/boe by 2020 through initiatives to increase conversion and energy efficiency, requiring marginal investments in the expansion of current equipment.

Research and technological development

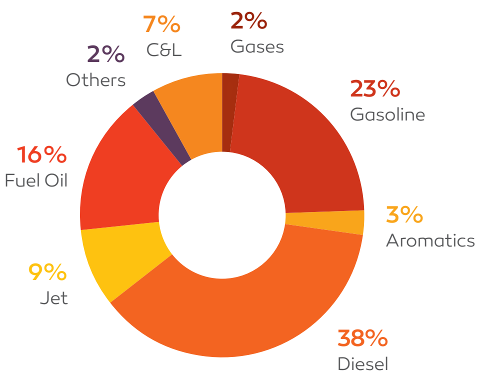
Under the PhD Programme in Refining, Petrochemical and Chemical Engineering (EngIQ), in partnership with Portuguese universities, we are developing projects that aim to extract more value from our sourcing, refining and logistics activity.

- Training hour load in 2017: 3,816.
- Number of Galp employees trained to date: 188.

Galp's focus on a Reliability Centered Maintenance (RCM) programme consists of managing the equipment life cycle, in order to increase the units' predictability and availability. During 2017, our refineries achieved a high conversion rate, which allowed us to benefit from the favourable market environment.

Approximately 15.9 million tonnes (mton) of raw materials were processed, with crude accounting for 91% of the total. Middle distillates and gasoline were the most relevant products within the Company's production mix.

Refineries' production in 2017



An introduction in 2020 of a 0.5% cap on the sulphur content of marine fuels by the International Maritime Organization (IMO) will represent a disruption of the market as we know it today. Given the uncertainties deriving from this regulatory change, Galp is analysing both the alternatives for the supply of fuel according to the new specifications, and also the possible alternatives to adapt its refining system to the new requirements.

Biofuels

Galp operates an industrial unit in Sines, Enerfuel, focused on the transformation of waste oils and waste animal fats into second generation FAME (fatty acid methyl ester) biodiesel. In addition, we became producers of second generation biofuels by co-processing vegetable oil together with gasoil, obtaining a final diesel fuel undistinguishable from diesel of fossil origin.

Regarding the introduction of biofuels in Iberia, in accordance with the goals established by the European Commission and the respective countries, Galp will continue to pursue the goal of incorporating 10% by 2020 in gasoline and diesel, using the various complementary renewable sources at its disposal. In 2017, Galp introduced around 248 10^6 m^3 of biofuels in Portugal. In Spain, around 133 10^6 m^3 of biofuels were introduced, also in compliance with local legislation. Through the introduction of biofuels in the road market, we have contributed to prevent 458 kt CO_2.

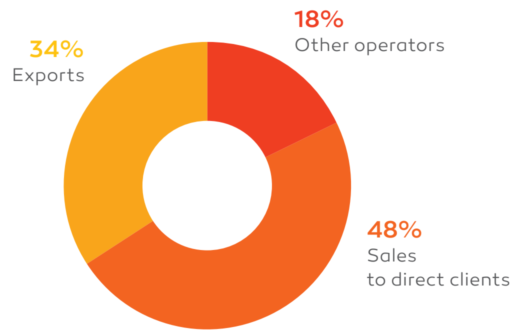
Marketing of oil products

We are a relevant player in Iberia, where we operate a distribution network for oil products. We have also been consolidating our position in African countries where attractive market growth is expected, and in an activity that allows for synergies with the Company's remaining businesses.

Our focus is the marketing of oil products under Galp's own brand, both through the Company's service station network and through the direct sale to wholesale clients. Galp also supplies other operators in Iberia and operates in the export market.

In 2017, 18.5 mton of oil products were sold, a 4% increase YoY, benefiting from the growth of the Iberian oil products market and the high availability of the refining system.

Sales of oil products in 2017



Sales to direct clients

Oil products sales to direct clients, both through the Galp brand service station network and through sales to wholesale clients, is mostly focused in Iberia, but also in some specific African markets, where Galp considers being able to create more value, and where the presence of the brand is perceived as differentiated.

In 2017, sales to direct clients increased 1% YoY to 8.9 mton, on the back of the economic upturn in Iberia. Sales volumes in Africa accounted for around 10% of all sales to direct clients, up 1 p.p. YoY.

Galp's retail network at year-end comprised a total of 1,459 service stations, of which 1,300 in Iberia and 159 in Africa. Galp retains its leadership position in the retail market in Portugal and is a relevant player in Spain.

We remain focused on differentiating our value proposition by providing a service of excellence and focusing on innovative products. In that regard, in 2016, Galp launched a new fuel range, Evologic diesel and gasoline, with additives which allow for higher savings, extended engine life and greater efficiency. In 2017, this fuel range accounted for more than 50% of sales of automotive fuel.

In the retail segment, sales increased 2% to 2,754 kton. Non-fuel products sold at service stations accounted for over 10% of total sales in the retail segment. During 2017, we developed and tested new digital point-of-sale communication formats that will enable us to modernise the purchase experience and improve engagement with customers, allowing for the generation of additional revenues. We highlight the launch of new digital interaction tools which will allow for a two-way communication and customer feedback model.

In order to enhance our client proximity, we proceeded with our partnership with the largest food retail group in Portugal, Sonae, reaching in 2017 a c.1.7 million client base.

In the wholesale segment, volumes sold increased 2% YoY, with a number of sub-segments, such as aviation, benefiting from the increase in tourism in Iberia.

Sales to other operators and exports

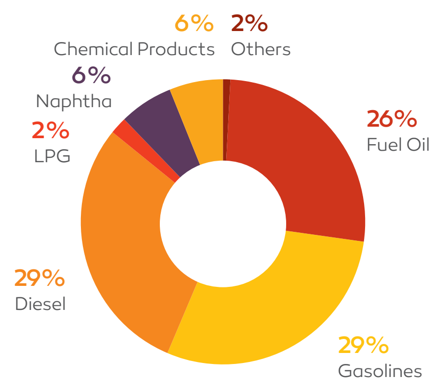
In response to a greater demand for oil products in Iberia, Galp supplies other operators, positioning itself as one of the most important suppliers of the Portuguese market. In 2017, Galp sold 3.3 mton to other operators, corresponding to 18% of total marketed volumes.

In 2017, exports outside the Iberian Peninsula totalled 6.2 mton, up 6% YoY, due to the increase in the volume of products available for sale considering the high availability of the refining system.

Fuel oil, gasoline and diesel accounted for 26%, 29% and 29% of total exports, respectively, destined mostly to Spain, USA and France.

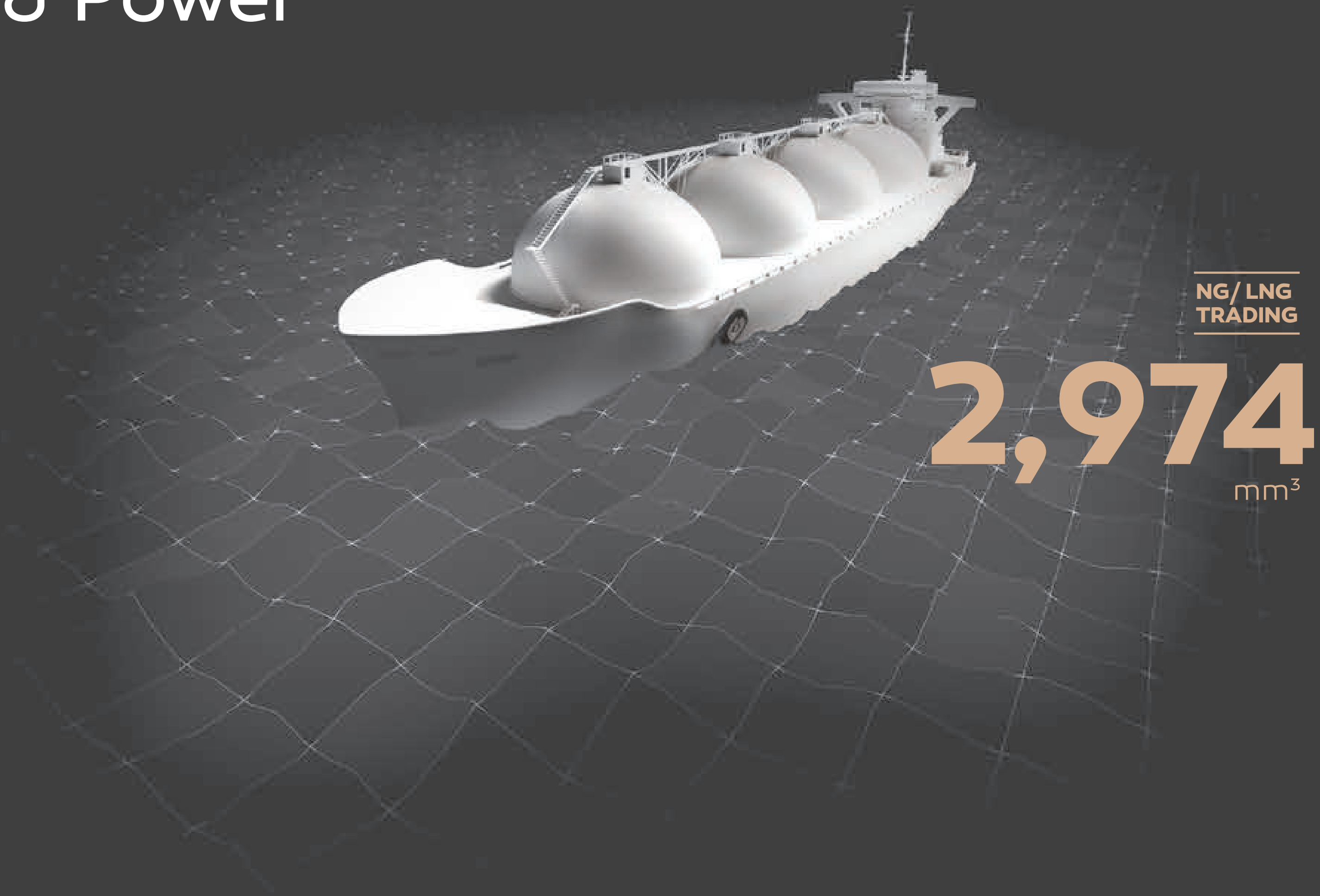
Benefiting from the advantage of the refining system's location, Galp has been placing heavier gasoline components in the North American market, particularly in the East Coast, used for blending purposes.

Exports per product in 2017



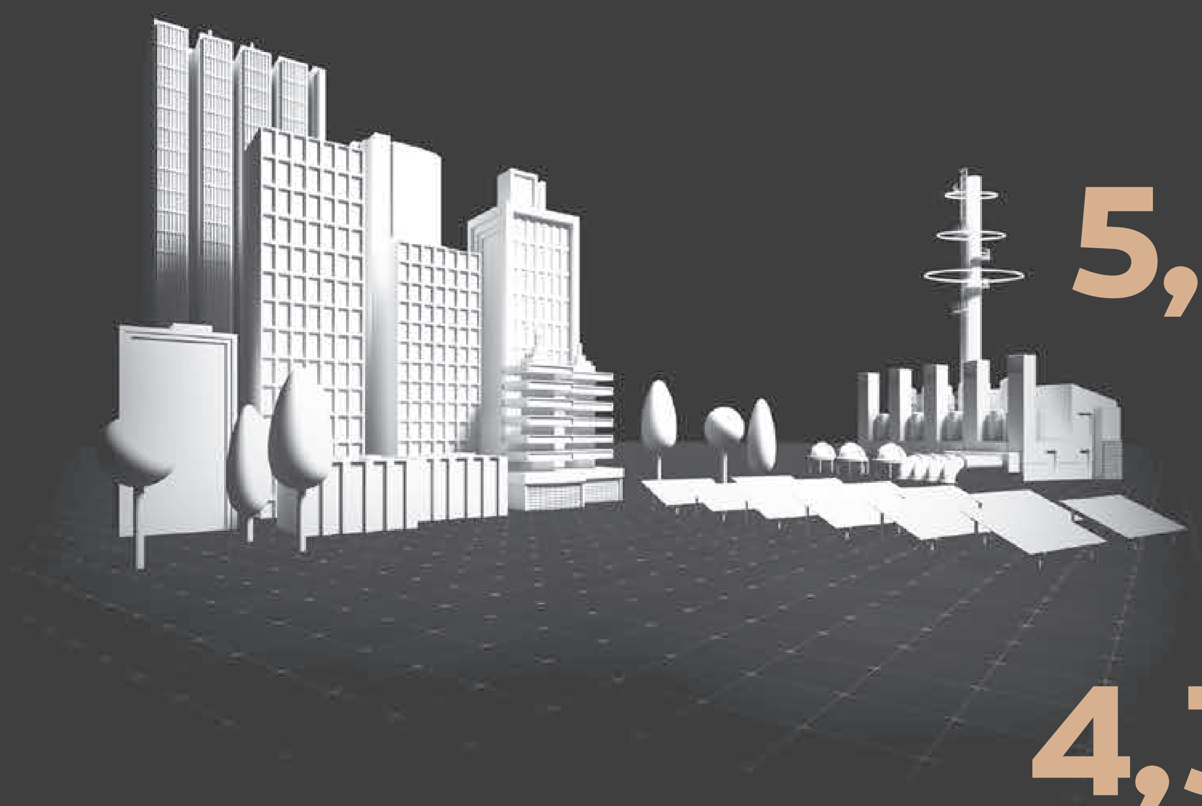
3.3.

Gas & Power



2017 highlights

- We sold more than 7.3 bcm of natural gas and LNG, with sales of natural gas to direct clients up 16% YoY to 4.4 bcm.
- We remain focused on integrating natural gas and electricity marketing activities, reinforcing our position as an integrated energy operator.
- We have launched a new technology platform tailor-made to the needs of the natural gas and electricity retail customers.
- Developing new client-centred solutions through the use of digital platforms.



SALES
OF
ELETRICITY

5,172
GWh

NG SALES
TO DIRECT
CLIENTS

4,374
mm^3

Key figures

	2015	2016	2017
N.º of employees[1]	514	178	**157**
Sales of NG/LNG in trading (mm^3)	3,822	3,285	**2,974**
Natural gas sales to direct clients (mm^3)	3,843	3,780	**4,374**
Sales of electricity to the grid (GWh)	1,299	1,614	**1,548**
Electricity sold to clients (GWh)	3,336	3,396	**3,625**
CO_2 emissions[1] (tCO_2e)	280,949	320,042	**18,118**
Ebitda RCA[1] (€m)	382	313	**141**
Ebit RCA[1] (€m)	303	253	**112**
Capital Expenditure[1] (€m)	65	23	**7**

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

Galp's G&P business combines natural gas sourcing and supply activities, which have been gradually integrated with electricity generation and supply.

Supply and trading

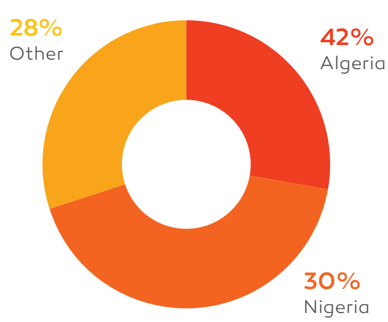
Galp's supply activity consists of the sale of natural gas and electricity, mainly in Iberia, where the Company has reinforced its integrated energy supply.

Galp also operates in the international natural gas market, through its natural gas network and LNG trading activity.

Sourcing

Galp holds natural gas and LNG long-term sourcing contracts with Sonatrach in Algeria, and Nigeria LNG in Nigeria, respectively. These provide for the sourcing of 5.7 bcm per year and expire gradually from 2020.

Natural gas sourcing in 2017



Natural gas supply from Algeria is done via the Europe Maghreb (EMPL), Al-Andalus and Extremadura pipelines, where Galp holds stakes.

Equity stakes in international gas pipelines

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

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

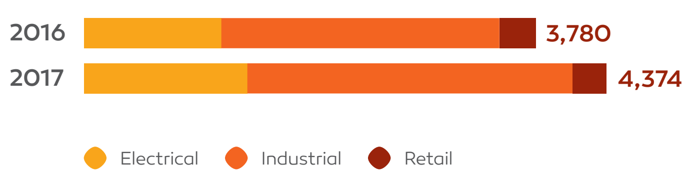
The remaining natural gas requirements are met through operations in the spot market.

Sales to direct clients

Galp supplies natural gas to over 530 thousand customers in the industrial, electrical and retail segments in the Iberian market, from a total of 644 thousand Gas & Power customers.

In 2017, the Company achieved record sales to direct clients, with the supply of 4,374 mm^3 of natural gas during the year, up 16% YoY, following the acquisition of customers in the industrial segment.

Natural gas sales to direct clients (mm^3)



In the electrical segment, natural gas volumes sold increased 218 mm^3 to 1,397 mm^3, as a consequence of higher energy production from natural gas as opposed to hydroelectric energy sources in Iberia.

In the electricity business, in which Galp has been focusing in order to reinforce its portfolio of products and services, volumes sold totalled 3,625 GWh in 2017, a 7% increase compared to the previous year.

In 2017, we have launched a new technology platform comprehending an innovative solution developed to the needs of the natural gas and electricity supply business, which promotes agility and efficiency with the aim of improving our client services.

Additionally, Galp acquired during 2017 a 25% stake in a start-up that, through a digital platform, enables gas, electricity and services to be delivered to customers in a simplified and useful manner.

Galp has also been exploring new business opportunities in order to boost its integrated energy offer.

These include developing projects related to the implementation of sustainable natural gas and LNG operations, providing our customers and partners with innovative energy solutions that allow them to substantially reduce their emissions. In 2017, we carried out the first LNG sourcing operation to a ship in a Portuguese port, and we currently have two service stations to supply LNG to road transportation.

Through Galp Energy Solutions, we also implement technological solutions and offer integrated energy efficiency services that benefit our customers, reducing costs and emissions. During 2017, Galp developed, alongside its clients, energy efficiency solutions which originated in a reduction of 292 tCO_2/year.

Trading

Galp develops its NG/LNG trading activity in the international market, and has also consolidated its position in European gas markets, such as Spain, France and the Netherlands, through the natural gas network trading activity.

In 2017, traded volumes stood at 2,974 mm^3, compared to 3,285 mm^3 in the previous year. It should be noted that the lower opportunities found in the LNG market were partially offset by the increase in the contribution of network trading.

Power

Galp holds two cogeneration units in Portugal, installed in the Sines and Matosinhos refineries, with an installed capacity of 173 MW. Those are important natural gas consumption points, as well as important energy sources for the refineries' operation.

The Company also has 12 MW installed capacity at a wind farm in Portugal. In 2017, we produced 161 GWh which corresponds to 62.3 kton CO_2 avoided and €4.3 m in avoided energy imports.

Electricity sales to the grid were 1,548 GWh, following higher volumes sold in Portugal.

Galp aims to be present in power generation from differentiated renewable activities that are competitive, particularly within a context of lower carbon intensity.

Regulated distribution infrastructure

The regulated infrastructure business involves the distribution of natural gas in Portugal.

Galp participates in nine natural gas distributors in Portugal, operating a 12,890 km network, through the associated company GGND.

The remuneration rules on this activity are defined by the Portuguese Energy Market Regulator (ERSE). The rate of return expected for the 2017-2018 period was revised from 6.20% to 6.65%, reflecting the yields of benchmark bonds in the period.

Photo by Arlindo Camacho, Photovoltaic installation - Portugal, 2018

Susete Patrício likes to escape from her comfort zone because “opportunities are born out of adversity”.

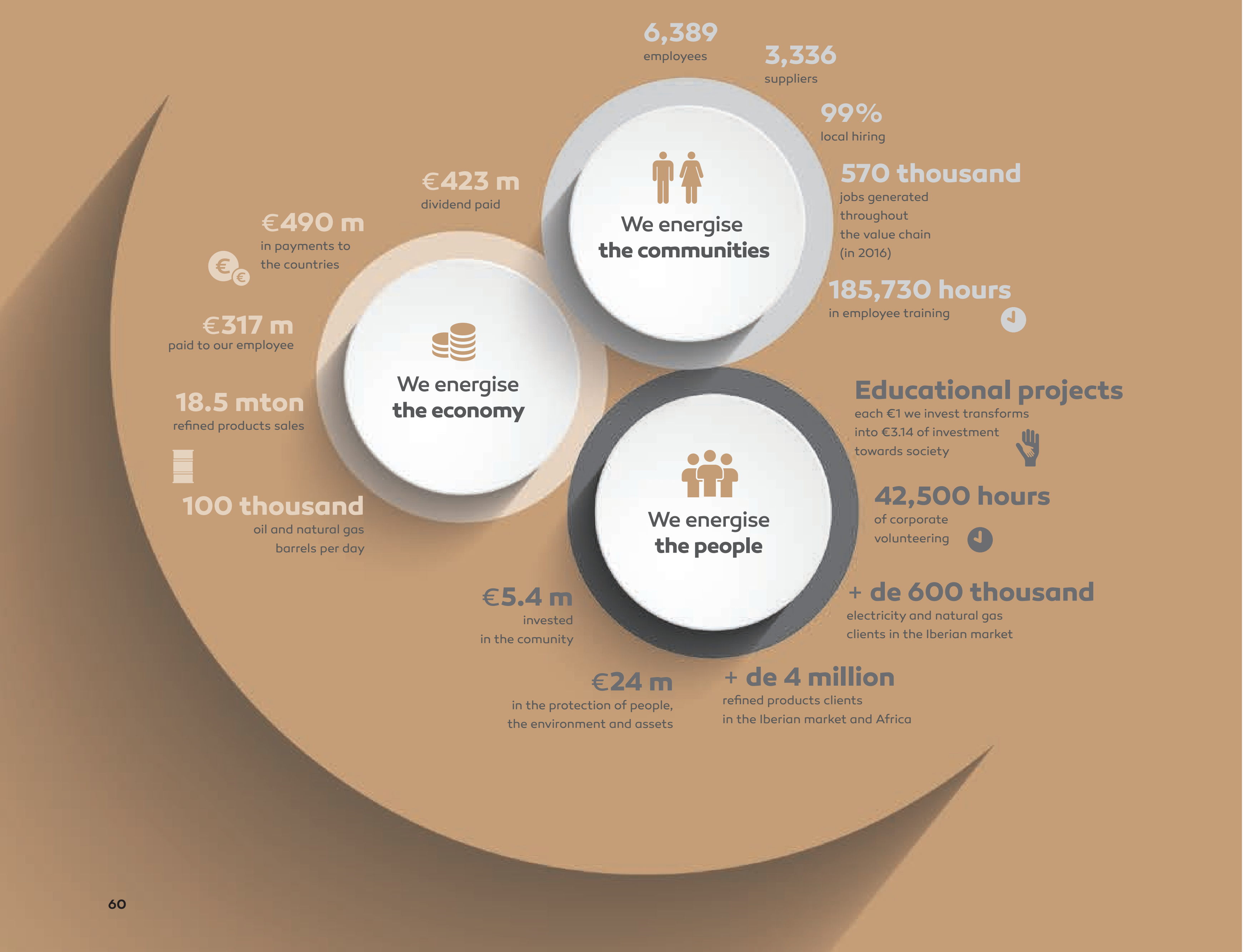
She recharges her batteries with the renewable energy generated in long walks through nature.

How we create and distribute value

We face the challenges that the world presents to us every day, mindful of the impact that our actions have on society. Therefore, we act ethically and responsibly, sharing with society the value we create. We do this through the creation of direct and indirect employment, by valuing our human capital, promoting the development of local economies, streamlining our supply chain and distributing and reinvesting the wealth generated.

It all starts with our 6,389 employees, who mirror the principles we believe in: creating sustainable value, working in partnership and promoting equal opportunities. It extends to the expected contribution from our projects to improve people's lives and to promote the economic and social development of the communities in which we are involved, in the 11 countries where we are present.

We are committed to the safety of our people and assets, the protection of the environment, and the respect for human rights. We are an active player in the world's transition to a low-carbon economy, ensuring in an increasingly diversified, innovative and sustainable manner the access to energy as an essential factor for progress, whilst minimising our environmental footprint.



4.1.

The transformation **has already begun**

The energy sector has been undergoing profound changes, which are expected to intensify in the coming decades. It is today characterised by its volatility and complexity.

The world has also changed, and in a context of decarbonisation of the economy and change of the mobility paradigm, creating long-term value requires innovative solutions and the development of new businesses.

That is why we promote innovation and technological development, cooperation and shared knowledge, vital factors to maximise the value we extract from our portfolio, and also to the sustainability of the Company and the communities where we operate.

To address the transformational challenges of the industry, we will continue to invest in the transition to a business model supported by digital solutions and information systems. Thus, we are committed with our employees' development and we encourage agility in decision-making in a context of high complexity and uncertainty.

We promote technological training and foster knowledge networks through partnerships. Innovation projects are developed in-house or in partnership with reference players or scientific and technological entities.

The strategic agenda for innovation that we redefined in 2017 was based on a scenario planning exercise from which we identified four major axes:

Galp 4.0

We intend to adapt our assets to the new industry paradigms.
To this end, we promote programmes which allow us to extract more from our businesses, particularly from upstream and refining, oriented to the future and to the transition to a low carbon economy.

Galp in a smart world

We seek to explore the opportunities arising from profound technological changes.
We adapt to the new trends of mobility |and study the provision of services and solutions for future homes and cities: smart, comfortable, secure, digital and interconnected.

Digital transformation

We execute our strategy, taking advantage of the opportunities that arise from digitisation at all levels of the Organisation.
We have made Galp a more agile, flexible and competitive company.

Businesses of the future

We explore opportunities that arise from new technologies and business models, adapting, strengthening and developing Galp beyond its borders.
We think in the long term, and in a disruptive way.

- Investment in innovation and technology development: €21 m in 2017, of which 57% in E&P projects.
- Strategic commitment: increase investment in innovation and technology development in order to reach more than €100 m from 2017 to 2020.

Using technology to break down barriers

Given the increasing complexity of exploration and production activities, it has been Galp's priority to develop its technological dimension, capitalising on innovative solutions that allow it to create value in the projects in which it participates, but also on the possibility of licensing and extending the use of these technologies to other projects, with the aim of creating an additional source of value.

During 2017, we initiated and gave continuity to a set of projects around seven technological programmes:

1. Methodologies for the appraisal and research of hydrocarbons;
2. Modelling and characterisation of reservoirs;
3. Technologies and methodologies for drilling and completion;
4. Management and simulation of reservoirs for maximising hydrocarbons recovery;
5. Infrastructure technologies for offshore production and distribution;
6. Flow assurance;
7. Production and primary processing systems dedicated to CO_2 management.

In Brazil, 22 research projects were presented to ANP, of which six are focused on the extraction and reuse of CO_2 in our hydrocarbon production projects in the pre-salt of the Santos basin.

These projects aim to assess the increase of the oil recovery factor through the reinjection of CO_2, the use of CO_2 as a raw material in industrial processes, the development of a sustainable and competitive solution for the separation of CO_2 and the optimisation of the equipment to be used, mitigating potential effects of corrosion, among others.

Application of big data to upstream

Galp is developing a cognitive computing system applied to seismic interpretation in partnership with an international reference entity.

The main purpose of the project is to develop a cognitive system prototype that increases the seismic data interpretation capacity of geoscientists through combining physical models, visual analysis and computer vision techniques, integrated with the acquired knowledge.

The application of big data may contribute to increased productivity and accelerate the learning curve. It may also reduce the exploration risk by improving the quality of interpretations.

New energy models for a new mobility paradigm

As reference operators in Portugal we have been analysing and fostering new energy models for mobility. Although the long-term penetration rate of electric vehicles (EVs) is uncertain, it may accelerate in a regulatory scenario that is more favourable to the decarbonisation of the economy.

In this context, we continued to expand the electric vehicles fast-charging network, which we expect to reach a total of 36 fast-charging points installed by 2018, 18 of which were already in operation at the end of 2017, in partnership with Mobi.e and with the main car brands.

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

From the real to the virtual

Anticipating opportunities, we analysed new business models backed by digital solutions. We have developed a customer-centric approach by redesigning our digital offering with a set of websites that are segmented according to the needs of the final customer.

In the oil products marketing business, we have opened up direct channels for customer relationship, including a new mobile application dedicated to the retail customer.

In the G&P business, we acquired a 25% stake in a start-up in Spain that, through a digital platform, will enable the combined offer of gas, electricity and services in a more agile way. In Iberia, we highlight the launch of a new technology platform that will increase operational efficiency and improve customer experience.

Knowledge sharing

In this 'smart world' in which we live in, the efficient management of consumption linked to technology emerges as an opportunity. Created 10 years ago, the university cooperation programme Galp 21 supports two dozen students annually to carry out an energy diagnosis in companies and to propose more rational solutions and behaviours. The programme – previously called Galp 20-20-20 – is the largest of its kind in Portugal and has already benefited 213 grantees since 2007.

In 2017, 116 measures were proposed, of which 21% were adopted by the participating entities. These measures will lead to a reduction of 10% in annual primary energy consumption and 9% in annual CO_2 emissions. Since its beginning, this program allowed energy savings of €2.8m to our customers.

From 2018 onwards, the programme is expected to start addressing the challenge of the circular economy, with projects that promote the rational use of all resources, and not just energy.

For more detail on the innovation projects developed by Galp, see our website.

Margarida Sousa, Galp Lisbon - Portugal, 2018

4.2.

Because people are **our best energy**

We promote the development and recognition of the people who work with us, respecting and valuing their individuality, regardless of their gender, ethnicity, religion or sexual orientation.

Our team is formed by people of 49 different nationalities. We promote local hiring, fostering the development of communities in which we are present, and thus 99% of our employees work in their country of origin.

Professional category	Total	< 30 years	30-50 years	> 50 years	Men	Women	Portuguese	Other nationalities
Top managers	**53**	0	22	31	47	6	42	11
First line managers	**190**	0	93	97	145	45	160	30
Middle managers	**426**	1	275	150	265	161	347	79
Specialists	**1,674**	175	1,115	384	1,028	646	1,104	570
Other	**4,046**	435	2,768	843	2,247	1,799	1,842	2,204
Total	**6,389**	**611**	**4,273**	**1,505**	**3,732**	**2,657**	**3,495**	**2,894**

Our values are guided by the principles of diversity and equal opportunities, total opposition to any practice of discrimination, and the promotion of a culture of social integration.

We have been part of the Business Forum for Gender Equality (IGEN) since 2014, an initiative of the Portuguese Commission for Equality in Labour and Employment (CITE). We have been making commitments in this context, having in 2017 approved the Plan for Equality for 2018, with the commitment to:

- create an internal and permanent group for reflection and action on gender equality;
- periodically carry out awareness-raising sessions related to the theme;
- promote development programmes for women, including career management guidance and support.

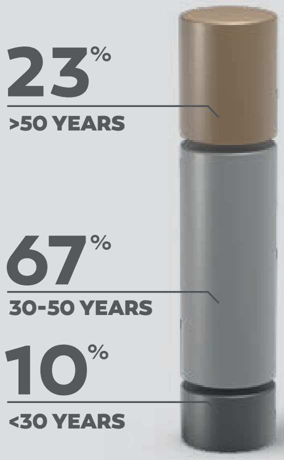
In 2017, we also held a series of conferences on diversity and gender equality, addressing how organisations are managing these issues.

In Spain, for example, we are among the 30 most commited companies to diversity and gender equality according to Intrama, a human resources consultant who prepares an annual study on Spanish businesses.

In addition to the gender equality, we are committed to a young talent attraction policy that largely results from our proximity to the academic world. The focus is on the Generation Galp trainee programme, which identifies and develops young people with high potential. In addition to several activities aimed at promoting the culture and values of the Company, this programme simultaneously manages the expectations for the future through career development plans and training. Around 90% of the trainees from the last two programmes remained in the Company after the first year.

Our people

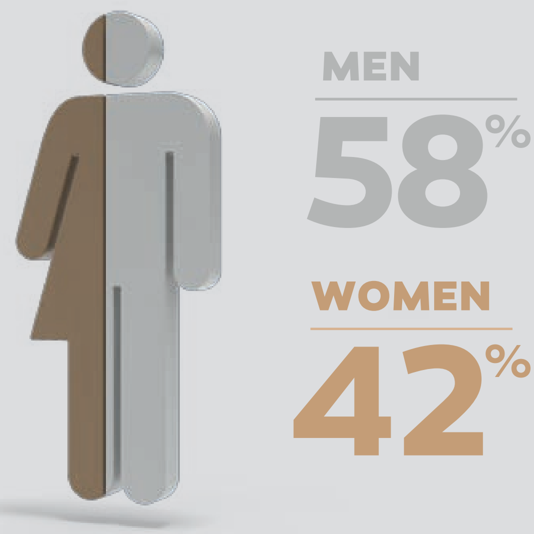
Age distribution



11
COUNTRIES

49
NATIONALITIES

6,389
EMPLOYEES AROUND THE WORLD



Distribution by region

Galp has earned the distinct honor of being one of the world's top energy companies, a Thomson Reuters 2017 Top 100 Global Energy Leader. This recognition honors companies that have demonstrated a commitment to energy leadership across eight pillars of performance: Financial, Management and Investor Confidence, Risk and Resilience, Legal Compliance, Innovation, People and Social Sustainability, Environmental Impact, and Reputation.

We invest in our people

In an increasingly competitive context, in which retention of talent is a decisive factor, we ensure the training and development of our human capital.

Our performance assessment process is based on continuous feedback, favouring a 360° evaluation, particularly for managers with leadership functions, including middle management. This means that each employee is evaluated by their managers, their team and their peers.

The assessment includes individual and team performance goals, aligned with the strategic business objectives. It also includes behavioural skills, ensuring that employees can identify themselves with, and embrace the Company's culture and values.

In order for each employee to be able to respond to the demand levels presented by the new challenges, we define personalised and individual development programmes focused on their personal and professional growth path. To this end, we ensure adequate succession plans and frame development opportunities in our strategic challenges.

We provide the conditions for each employee to achieve their maximum potential and enable a career progression according to their ambitions. Mapping High Potential, aimed at high-potential employees, and Galp Leap, aimed at management, are just two examples of the plans we have been implementing.

In addition, we develop the skills of our people, either through on-the-job training, through practice in the work context, or through formal courses, thus ensuring the adaptation to a constantly changing world.

Manuela Simões, Serra do Açor - Portugal, 2017

To further complement this, we promote recognition, namely through peer credits, in which colleagues can compliment each other, in an organic and spontaneous manner through the Got It programme.

We believe in expanding knowledge

We have developed several training programmes in order to develop the skills of our teams.

FormAG

Advanced management training programme that complements the training of senior management and young people with high potential in the fields of advanced management, energy and behaviour. The main objective of this project is to prepare the employees for functions of increasing responsibility within the Company, also promoting internal networking. Since its launch in 2010, 854 employees (management level) have been involved in the programme.

Kaizen

Programme focused on the retail activity of the R&M business with the objective of improving operational performance. It started in 2017, covering 2,500 employees in 400 service stations.

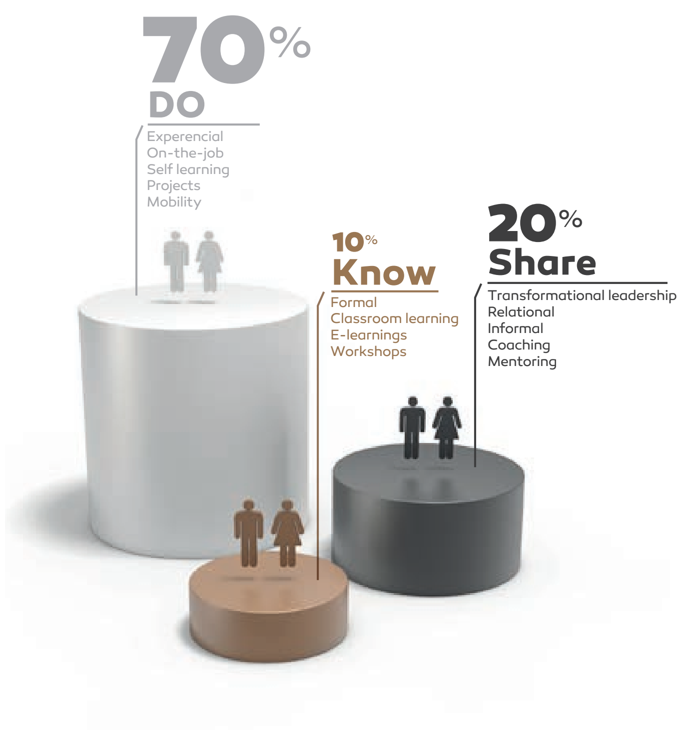
Masters in Petroleum Engineering

A higher education programme developed by the Institute of Oil and Gas (ISPG) in partnership with the Scottish University Heriot-Watt (HWU) that offers a learning experience strongly based on the specific needs of the oil and gas industry and, in particular, on Galp's ambitious portfolio of exploration and production projects. This programme, launched in 2014 and now in its 4th edition, has already 71 graduates.

Transparency in attitudes

Galp's relationship with its employees is grounded in its ability to hear and act on their opinions and concerns, in particular through an annual climate survey. This tool, which has been revised to address diversity issues, evaluates the employees' commitment, satisfaction and motivation. In 2017, about 60% of employees responded to the survey. The majority of our employees feel that Galp provides a work-life balance, and that their work is recognised and rewarded.

Learning



4.3.

Managing value with lower impact

We produce and deliver energy responsibly, protecting the environment, people and assets. This commitment, included in our Health, Safety and Environmental Policy, promotes continuous performance improvement, maximisation of the positive impact from our activities, and the consequent minimisation of the negative impact.

We promote the preservation of resources and we are committed with the transition to a low carbon economy. We are focused on the energy efficiency of our operations and the reduction of its carbon intensity. These objectives are reflected in the decision-making process of each project that we design and execute and which fit in our action policy: contribute to meeting the energy needs of the future, delivering energy in a responsible, efficient and profitable way.

Environmental protection

We set objectives and targets based on the relevance of operations and their effects on the environment. We work to:

- reduce resource consumption by activity level;
- reduce atmospheric emissions by activity level;
- increase waste recovery.

Targets and goals

Sines refinery

Indicator	Units	Performance 2018	Target
Standardised total water consumption per treated or processed feedstock	m^3/ton	0.54	0.53
Standardised NO_x emissions per treated or processed feedstock	g/ton	93	84
Standardised SO_2 emissions per treated or processed feedstock	g/ton	458	418
Emissions of standardised particulate matter per treated or processed feedstock	g/ton	13	12

Matosinhos refinery

Indicator	Units	Performance 2018	Target[1]
Standardised total water consumption per treated or processed feedstock	m^3/ton	0.57	0.60
Standardised NO_x emissions per treated or processed feedstock	g/ton	82	85
Standardised SO_2 emissions per treated or processed feedstock	g/ton	15	20
Emissions of standardised particulate matter per treated or processed feedstock	g/ton	11	10

[1] The targets set for the Matosinhos refinery reflect the technical outage for maintenance in 2018.

To achieve these goals, we believe that adopting models inspired by the circular economy, and through partnerships, may be one of the keys to success in reducing the global environmental footprint.

ECO-ZEMENT Project

- Evaluation of the marketing potential of the catalyst used in the FCC unit of the Sines Refinery, as raw material for the cement industry.
- 1.2 kton per year reuse potential.

This approach represents an opportunity to increase the Company's competitiveness, anticipate and manage risks through the redesign of processes and products, the development and implementation of new business models and the optimisation of resources.

We incorporate and assess environmental, safety and health requirements from the design phase of an operation to its completion.

We are committed to environmental protection through the efficient use of resources, and monitor our performance to this end.

We periodically monitor and assess the environmental impacts and risks of our operations in all the geographies where we are present, having established mitigation and protection plans to this end.

Evolution of environmental performance

	2014	2015	2016	2017	Refining[1]
Direct energy consumption per primary source (TJ)	44,992	49,286	45,712	**49,815**	99%
Purchase of electric energy (TJ)	1,862	2,008	1,728	**1,911**	85%
Total consumption of raw water (103 m^3)	10,058	10,535	10,176	**10,812**	88%
Waste water (10^3 m^3)	5,562	6,543	6,336	**5,697**	89%
Waste produced (ton)	22,680	25,434	27,215	**30,115**	69%
Number of primary containment losses discharged into the environment[2]	11	8	4	**3**	-
Volume of primary containment losses discharged into the environment (m_3)[2]	10	99	5	**5**	-
GHG emissions under EU-ETS (ton CO_2eq)	3,211,746	3,496,077	3,424,131	**3,578,168**	-
NO_X emissions (ton) (scope 1)	1,295	1,691	1,571	**1,617**	-
SO_2 emissions (ton) (scope 1)	5,134	6,008	5,233	**5,664**	-
Particulate matter emissions (ton) (scope 1)	243	250	183	**227**	-
Carbon Footprint - direct emissions (ton CO_2e) (scope 1)	3,481,132	3,766,626	3,759,931	**3,624,706**	-
Carbon Footprint- indirect emissions (ton CO_2e) (scope 2)	161,626	273,458	171,950	**228,035**	-
Gas Flaring - E&P (m^3)	1,360,737	967,854	783,168	**1,109,485**	-
Volatile Organic Compounds (VOC) emissions - Refineries (ton)	3,235	3,240	3,274	**n.a.**	-

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

Galp's carbon footprint

unit: t CO_2e	Total 2015	Total 2016	Total 2017	Scope 1 2017	Scope 2 2017	Scope 3 2017	% without the use of products
E&P (Operated)	2,562	2,132	15,963	15,935	29	0	0.36%
R&M	4,134,479	4,195,632	4,436,330	3,580,591	225,179	630,561	98.92%
G&P[1]	280,949	320,042	18,118	18,041	77	0	0.40%
Others	17,559	14,895	14,286	10,139	2,750	1,396	0.32%
Total WITHOUT using products	4,435,548	4,532,691	**4,484,697**	**3,624,706**	**228,035**	**631,957**	**100%**
Use of products	35,805,980	35,852,675	36,419,882	0	0	36,419,882	-
Total WITH using products	40,241,528	40,385,366	**40,904,579**	**3,624,706**	**228,035**	**37,051,838**	**-**
E&P (Non-operated)	366,800	324,292	353,510	353,510	0	0	-

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

We study and thoroughly measure our impact

We are concerned with the preservation of biodiversity and ecosystems, participating in programmes for the protection and recovery of species and habitats in several areas where we develop our projects, particularly in Brazil, in cooperation with our partners.

In Sao Tome and Principe, where we are operators in one of the several blocks in which we are present, we share data on species observation with international environmental organisations.

We evaluate our impact on natural resources, particularly in protected and sensitive areas, or those that are prone to water scarcity.

Only 4% of Galp facilities are located in water scarcity areas.

100%

Percentage of Galp's operations whose biodiversity risk is monitored.

100%

Percentage of Galp's operations whose water use risk is monitored.

-6%

The direct energy consumption from primary sources per treated feedstock in refining compared to 2016.

-2%

The consumption of raw water per treated feedstock in refining compared to 2016.

Note: Evaluation carried out according to the Integrated Biodiversity Assessment Tool (IBAT) and Global Water Tool.

2017

Our goals

ZERO personal, material and environmental accidents with significant impact.
0.5 of LTIF (Lost Time Injury Frequency) for 2018.
2020 Galp as industry benchmark for LTIF.

Our achievements

ZERO fatalities.
Reduction of the Total Recordable Injury Rate compared to the last years.

People are our most valuable asset

Safety is a priority in all our projects. We respect the value of human life, the communities where we operate and the preservation of our assets' value.

Lost-time injury in the Galp universe

	2015		2016		2017	
	Number of accidents	Frequency Index	Number of accidents	Frequency Index	Number of accidents	Frequency Index
Employees	24	1.9	10	0.8	13	1.1
Contractors	3	0.4	8	0.8	4	0.4
Employees and contractors	27	1.3	18	0.8	17	0.8

LTIF by region

	2015			2016			2017		
	South America	Africa	Europe	South America	Africa	Europe	South America	Africa	Europe
Employees	0.0	0.8	0.8	0.0	0.8	0.8	0.0	0.0	1.3
Contractors	0.0	0.0	0.9	0.0	0.0	0.9	0.0	1.6	0.3
Employees and contractors	0.0	0.5	0.8	0.0	0.5	0.8	0.0	0.6	0.8

	2015	2016	2017	Target for 2018
Total Recordable Injury Rate	3.4	2.3	1.7	1.6

The process safety is at the heart of accident prevention, thus we monitor and analyse the process safety events occurring in our facilities. The safety of our operations is embedded on our culture and assumed by the top management, being reflected in the incorporation of the industry's best practices and in the setting of transversal objectives and goals.

Process safety in the Galp Universe

	2015	2016	2017	Target for 2018
Tier 1	0.32	0.17	0.23	0.17
Tier 2	0.50	0.39	0.47	0.38

We act in accordance with the best practices in the area of health in order to protect our human capital, from employees to service providers, to the benefit of the communities where we operate.

In 2017, we launched several initiatives within the scope of occupational health, ensuring medical surveillance of all employees and the prevention of new occupational risks arising from new production processes and also from the working conditions in new geographies.

We promote health and well-being, trying to minimise the impacts of population aging, of more sedentary lifestyles and high levels of stress, or of any other factor specific to the geographical areas where we are present, such as epidemics, contagious diseases and risk behaviours.

EQSE management system

We monitor how we meet our commitments through internal and external audits. In 2017, 40 Environment, Quality, Safety and Energy (EQSE) audits were carried out, corresponding to an implementation rate of 97%, involving 50 internal auditors and 33 external auditors.

274	findings
86	non-conformities
188	improvement opportunities
380	actions
152	actions arising from non-conformities
228	actions arising from improvement opportunities

34 qualifications of their management systems in 2017:

- Environment (ISO 14001);
- Quality (ISO 9001);
- Safety (OHSAS 18001);
- Energy (ISO 50001);
- Laboratory accreditation (ISO/IEC 17025).

Good practices that propagate

We extend our practices along our supply chain by establishing policies and principles with which our suppliers commit, because it is through partnerships that we are able to strengthen the results that we aspire to achieve regarding the protection our people, environment and assets.

Indicators relating to the supply chain's characterisation and performance.

- 3,336 suppliers;
- 529 tier 1 critical suppliers;
- 61% of tier 1 critical suppliers certified;
- 16 audits to tier 1 suppliers.

4.4.

We use our Energy to create more energy

The communities and the environment that surround our operations in the 11 countries where we are present are of the utmost importance. We play an influential role in local sustainable development, promoting the well-being of the population through social projects namely aimed at providing access to energy and education.

We are committed to the socioeconomic development of the surrounding communities, creating a relationship of trust and ongoing dialogue. This is how we build the success of our operations, minimising risk and sharing value.

These principles are enshrined in our Corporate Social Responsability Policy, available on our website.

We ensure respect for human rights

Our involvement in the communities is guided by a policy of respect and promotion of human rights, to which we encourage our partners and suppliers to adhere to. This commitment is reflected in the Code of Ethics and Conduct and in the Human Rights Policy, available in our website, and ensures the defence and promotion of human rights in all geographies where we operate, promoting the continuous improvement of the tools that support its application.

In 2017, Galp promoted a human rights assessment in the locations where it operates, defining a risk matrix for each country that will be taken into account for purposes of engaging with local partners during the life cycle of projects.

In the same year, Galp became a member of the Voluntary Principles on Security and Human Rights organisation, which disseminates the best practices on this topic to companies in the industry.

We promote access to energy and education

Among the several projects that have an impact on the communities' development, we highlight two due to their impact:

Promoting sustainable practices among young people

As the major driver from human development, education deserves a special attention and is the target of projects such as Mission UP, Power UP and Switch UP. These programmes target Portuguese parents, teachers and students, focusing on changing behaviours related to waste, and promoting more efficient energy consumption habits.

Last seven years

+ de 3,500
energy classes

1.3 million
of students

missão up

+1 million
students

113 thousand members
of the educational community

3,514
Schools of the 1st Cycle of Basic Education

power up

254
schools of the 2nd and 3rd cycles of Basic Education

+5 thousand
students envolved

Promoting access to energy in communities in Mozambique

In 2017, Galp signed a tripartite protocol between the Mozambican institution Fundo Nacional de Energia (Funae, National Energy Fund), the Galp Foundation and Galp, for the installation of solar photovoltaic systems in rural communities in the country, providing them with affordable energy. The project was chosen based on the evaluation of 105 competing projects promoted by 25 different entities within the scope of the Community Investment Plan in Mozambique.

We involve the community

Galp is committed to continuously improve performance in community investment, considering the long-term shared value creation and alignment with the defined strategy, having developed a Community Investment Policy which can be found on our website, where we assume the challenge of being a reference partner to the communities where we have activity, with the aim of promoting their social and economic development.

Galp's involvement with the communities where it operates goes beyond the direct investment in projects that benefit the populations in the areas of education, well-being and the environment.

We also promote citizenship actions through the Galp Voluntária project, which provides annually a time bank for employee volunteering.

1,590 volunteers

42,632 volunteer hours

30 volunteer actions

In the last two years we have supported many volunteer actions. We highlight the Terra de Esperança movement, a partnership between the Galp Foundation and the National Association of Forestry, Agriculture and Environment Companies (ANEFA) to reforest areas that were affected by the forest fires in Portugal, through Galp's donation of 500 thousand trees of native species to the association.

As part of this initiative, we supported the largest environmental volunteer action ever undertaken in Portugal, involving around 600 people, among employees, partners and family members in the plantation of 7,500 trees over 8 hectares of burnt forest. We have also developed a digital platform that will allow this action to be extended to the whole Portuguese community who wish to join this initiative.

We measure the impact of our initiatives

With full transparency, Galp assesses the social impact of its projects, monitoring its return in benefit of the community. We have been members of the London Benchmarking Group since 2012.

	2017 (€k)
Motivation	
Charitable gift	2,182
Community investment	2,978
Commercial initiatives in the community	266
Global breakdown	
Rest of Europe	3,573
Middle East and Africa	1,853
Subject Focus	
Education	958
Health	690
Economic Development	1,6
Environment	773
Arts/Culture	215
Social welfare	1,932
Emergency relief	0
Other	857
Total (without management costs)	**5,427**
Total with management costs	**5,724**

Photo by Arlindo Camacho, Sines refinery - Portugal, 2018

Bringing the Sines and Matosinhos refineries to the digital world is Nuno Garrido's top challenge.

A PhD in Molecular Simulation, he wants the refineries to run in full harmony, just like the music he plays on the piano and on his trumpet.

5.1.

2017 highlights

- Ebitda RCA for 2017 reached €1.87 bn, on the back of the c.40% production growth in the upstream business and the solid operational performance from the downstream activities, whilst benefiting from the supportive macro environment evolution.
- E&P RCA Ebitda amounted to €913 m, up €419 m YoY, benefiting from increased production and higher average sale price.
- R&M RCA Ebitda increased €209 m YoY to €785 m, supported by the market environment and by the refineries' operational availability.
- G&P RCA Ebitda was €141 m, down €172 m YoY, reflecting the deconsolidation of GGND made in late 2016 and a weaker contribution from LNG trading.
- RCA net income attributable to shareholders reached €602 m, while IFRS net income attributable to shareholders was €614 m. The inventory effect was €96 m and non-recurring items accounted for €85 m.
- Post-dividend free cash flow (FCF) during 2017 was positive by €149 m, supported by the increased contribution from the development projects being executed, as well as by the competitiveness and resilience of the Company's portfolio.
- Capital expenditure reached €1.0 bn, already considering the payment of c.€150 m from the acquisition bonus for Carcará North in the Brazilian pre-salt.
- The Group's net debt at the end of 2017 stood at €1,886 m, in line YoY. The net debt to Ebitda RCA ratio fell to 1.0x.

Ebitda and Ebit by business segment in 2017 (€m)

	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Total	**1,980**	**(116)**	**1,865**	**4**	**1,869**
E&P	912	-	912	0	913
R&M	892	(110)	782	4	785
G&P	146	(5)	141	(0)	141
Others	30	-	30	(0)	30

	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Total	**1,135**	**(116)**	**1,019**	**43**	**1,063**
E&P	483	-	483	23	507
R&M	507	(111)	397	22	418
G&P	119	(5)	114	(2)	112
Others	25	-	25	(0)	25

Note: RCA values unaudited.

5.2.

Operating performance

Exploration & Production

RCA Ebitda amounted to €913 m, up €419 m YoY, benefiting from increased production and higher average sale price, which reached $47.6/boe, compared to $37.7/boe in 2016.

Production costs increased €76 m YoY to €242 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.

Amortisations, depreciation charges and abandonment provisions RCA amounted to €356 m, up €101 m YoY, reflecting the production growth. On a net entitlement basis, unit depreciation charges were $12.0/boe, in line with the previous year.

In 2017, RCA results were impacted, among others, by a €22 m write-off relating to the abandonment of exploration assets in Portugal and €23 m related to exploration assets in block 14/14k in Angola.

RCA Ebit stood at €507 m and IFRS Ebit increased to €483 m. Non-recurring items of €23 m resulted mainly from an impairment from production assets in block 14 in Angola.

Refining & Marketing

Ebitda RCA for the R&M business increased €209 m to €785 m, supported by the market environment and by the refineries' operational availability.

Galp's refining margin was $5.8/boe, compared to $4.3/boe the previous year. The spread to benchmark margin was $1.6/boe, as the Company captured a premium from gasoline exports to the USA, mainly during the third quarter.

Refining cash costs stood at €173 m, in line YoY. In unit terms, cash costs were $1.7/boe.

Refining margin hedging operations had a negative impact in Ebitda of €24 m during the year.

The marketing of oil products business benefited from the economic recovery in Iberia. The activity's contribution in Africa increased driven by higher volumes sold.

Depreciation charges and provisions RCA totalled €367 m, up €48 m YoY, following the revision of the useful life of certain refining assets at the end of 2016.

RCA Ebit was €418 m, while IFRS Ebit increased to €507 m. The inventory effect was €111 m.

Gas & Power

RCA Ebitda was €141 m, down €172 m YoY, reflecting the deconsolidation of GGND.

Ebitda RCA for the natural gas segment decreased €90 m YoY to €104 m, due to the lower contribution from the trading activity and to the negative impact from sourcing restrictions during the first quarter of 2017.

Ebitda RCA for the power business rose €18 m YoY to €37 m, as the previous year had been affected by lower cogeneration performance and by the lag in the natural gas purchase price indexes and the energy sold.

RCA Ebit decreased €141 m YoY to €112 m. IFRS Ebit was €119 m, compared to €251 m in the previous year.

RCA results from associated companies related to the G&P business reached €98 m, up €27 m YoY, on the back of the incorporation of GGND in this caption since the fourth quarter of 2016.

5.3.

Consolidated income

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

	2016	2017	Var.	% Var.
Turnover	13,119	**15,204**	2,085	16%
Costs of goods sold	(10,156)	**(11,494)**	1,339	13%
Supply & Services	(1,259)	**(1,545)**	286	23%
Personnel costs	(319)	**(317)**	(2)	(1%)
Other operating revenues (expenses)	26	**22**	(4)	(17%)
Ebitda RCA	**1,411**	**1,869**	**458**	**32%**
Ebitda IFRS	**1,389**	**1,980**	**591**	**43%**
Depreciation, Amortisation and Impairments	(636)	**(783)**	147	23%
Provisions	(3)	**(22)**	20	n.m.
Ebit RCA	**772**	**1,063**	**291**	**38%**
Ebit IRFS	**544**	**1,135**	**592**	**n.m.**
Net income from associated companies	85	**150**	65	76%
Financial results	(25)	**(28)**	(3)	(12%)
Net interests	(101)	**(75)**	25	25%
Capitalised interest	82	**89**	8	9%
Exchange gain (loss)	(9)	**(18)**	(9)	n.m.
Mark-to-market of hedging derivatives	17	**(0)**	(18)	n.m.
Other financial costs/income	(14)	**(23)**	(9)	(64%)
Net income before taxes and non-controlling interests	**833**	**1,185**	**352**	**42%**
Taxes[1]	(289)	**(490)**	201	70%
Non-controlling interests	(61)	**(92)**	31	51%
Net income RCA attributable to the shareholders of Galp Energia SGPS, S.A.	**483**	**602**	**120**	**25%**
Non-recurring items	(324)	**(85)**	(239)	(74%)
Net income RC attributable to the shareholders of Galp Energia SGPS, S.A.	**159**	**517**	**358**	**n.m.**
Inventory effect	20	**96**	76	n.m.
Net income IFRS attributable to the shareholders of Galp Energia SGPS, S.A.	**179**	**614**	**435**	**n.m.**

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

In 2017, RCA turnover increased 16% YoY to €15,204 m, mainly driven by the increase in the price of commodities and higher upstream production.

Operating costs RCA increased 14% during the period, and stood at €13,335 m, mainly due to the 13% increase in the cost of goods sold RCA. The 23% increase in the RCA cost of supply and services is mainly attributable to the increased production in Brazil.

RCA Ebitda was €1,869 m in 2017, up 32% YoY, supported by the performance of the E&P and R&M businesses. IFRS Ebitda was €1,980 m.

RCA Ebit went up €291 m to €1,063 m, while IFRS Ebit totalled €1,135 m.

RCA results from associated companies increased €65 m to €150 m, due to an increased contribution from the companies related to the E&P and G&P activities.

Financial results RCA were negative €28 m, in line with the previous year.

RCA taxes increased €201 m to €490 m, with taxes on oil and gas production reaching €239 m.

Non-controlling interests RCA, mainly attributable to Sinopec's stake in Petrogal Brasil, reached €92 m.

RCA net income attributable to the shareholders reached €602 m, while IFRS net income attributable to the shareholders was €614 m. The inventory effect was €96 m and non-recurring items accounted for €92 m.

CESE in Portugal had a negative impact on IFRS results of around €64 m. This provision related to CESE results from the strict applicability of accounting standards. However, in Galp's opinion, based on the opinion of renowned legal experts, the laws regarding CESE have no legal grounds and, accordingly, such amounts are not due.

Non-recurring items (€m)

	2016	2017
Non-recurring items impacting Ebitda	**42.1**	**4.0**
Accidents caused by natural events and insurance compensation	(1.2)	**(2.9)**
Gains/losses on disposal of assets	(1.5)	**(1.1)**
Asset write-offs	1.7	**0.6**
Employee restructuring charges	14.7	**3.1**
Advisory fees and others	0.2	**-**
Compensation early termination agreement for service and equipment	12.0	**-**
Litigation costs	9.7	**4.3**
Taxes from previous years	6.3	**-**
Non-recurring items impacting non-cash costs	**206.6**	**39.4**
Provisions for environmental charges and others	8.1	**14.4**
Asset impairments	198.5	**24.9**
Non-recurring items impacting financial results	**68.0**	**(16.2)**
Gains/losses on financial investments	(23.5)	**(13.4)**
Impairment of financial investments	91.5	**(2.8)**
Non-recurring items impacting taxes	**39.5**	**57.3**
Income taxes on non-recurring items	(24.2)	**(6.7)**
Tax deferrals on E&P	(10.3)	**-**
Income tax from previous years	5.9	**-**
Energy sector contribution taxes	68.0	**64.1**
Non-controlling interests	**(32.6)**	**0.4**
Total non-recurring items	**323.6**	**84.9**

5.4.

Capital expenditure

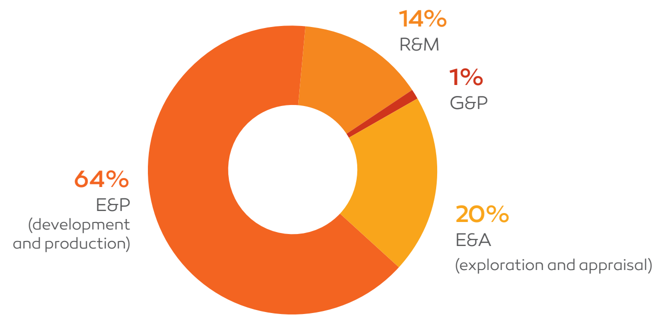
During 2017, capital expenditure reached €1.0 bn, considering the Carcará North signing bonus.

E&P accounted for 84% of the total, of which development activities in Brazil accounted for c.76%.

As part of the exploration and appraisal activities, in addition to the reinforcement of the Brazilian pre-salt portfolio through the acquisition of a 20% stake in Carcará North, it is also worth highlighting the 3D seismic data acquisition programme in Sao Tome and Principe, which was completed during the third quarter of 2017.

The capital expenditure in downstream activities reached €153 m, and was mainly aimed at refinery maintenance activities, downstream network development and programs to improve the customer experience.

Capital expenditure by segment (%)



Delmira Duarte, Contact Center G&P - Portugal, 2018

5.5.

Cash flow

Cash flow – Indirect method (€m, IFRS)

	2016	2017
Ebit	544	**1,135**
Dividends from associates	70	**134**
Depreciation, Amortisation and Impairments	835	**808**
Change in working capital	21	**(72)**
Corporate income taxes and oil and gas production taxes	(172)	**(373)**
Cash flow from operations	**1,297**	**1,632**
Net capex[1]	(1,054)	**(985)**
Net financial expenses	(101)	**(75)**
Free cash flow	**142**	**572**
Dividends paid	(387)	**(423)**
Post-dividend free cash flow	**(246)**	**149**
Others[2]	797	**(164)**
Change in net debt	**(552)**	**15**

[1] The full year of 2017 includes, among others, the payment of Carcará North signature bonus of c.€150 m and 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. In 2016, also includes the impact from the deconsolidation of GGND.

The full year FCF reached €149 m, considering the Carcará North signing bonus of c.€150 m and after the payment of dividends in the amount of €423 m.

The FCF generated post-dividends and expansion capex reflects the competitiveness and resilience of the Company's portfolio.

Cash flow – Direct method (€m, IFRS)

	2016	2017
Cash and equivalents at the beginning of the period[1]	**1,045**	**923**
Received from customers	15,156	**17,646**
Paid to suppliers	(9,094)	**(10,986)**
Staff related costs	(373)	**(344)**
Dividends from associated companies	70	**134**
Taxes on oil products (ISP)	(2,752)	**(2,825)**
VAT, Royalties, PIS, Cofins, Others	(1,571)	**(1,718)**
Corporate income taxes and oil and gas production taxes	(172)	**(373)**
Total operating flows	**1,264**	**1,534**
Net capex[1]	(1,074)	**(975)**
Net Financial Expenses	(120)	**(102)**
Dividends paid	(387)	**(423)**
Net new loans	(32)	**183**
Sinopec loan reimbursement	134	**90**
FX changes on cash and equivalents	93	**(135)**
Cash and equivalents at the end of the period[1]	**923**	**1,096**

[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 full year of 2017 includes, among others, the payment of Carcará North signature bonus of c.€150 m and the proceeds of €22 m from the sale of the 25% indirect stake in Âncora project.

5.6.

Financial position

Consolidate financial position (€m, except otherwise noted)

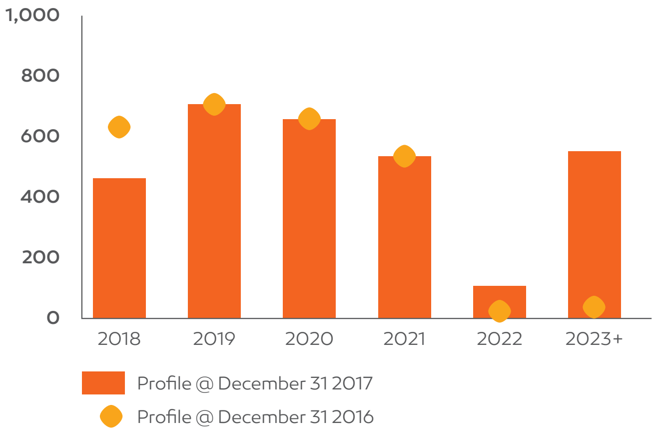
	Dec. 31, 2016	Dec. 31, 2017	Var.
Net fixed assets	7,721	**7,565**	(156)
Working capital	512	**584**	72
Loan to Sinopec	610	**459**	(151)
Other assets (liabilities)	(428)	**(645)**	(217)
Non-current assets/liabilities held for sale	(1)	**-**	1
Capital employed	**8,414**	**7,963**	**(450)**
Short-term debt	325	**551**	226
Medium-long term debt	2,578	**2,532**	(45)
Total debt	**2,903**	**3,083**	**180**
Cash and equivalents	1,032	**1,198**	165
Total net debt	**1,870**	**1,886**	**15**
Total equity	**6,543**	**6,078**	**(466)**
Total equity and net debt	**8,414**	**7,963**	**(450)**
Net debt to Ebitda RCA	**1.3x**	**1.0x**	

On December 31, 2017, net fixed assets stood at €7,565 m, down €156 m compared to the end of the previous year, as depreciation charges and exchange rate effects more than offset capital expenditure during the year.

Work-in-progress, mainly related to the E&P business, was €2,616 m at the end of the year.

The Group's net debt at the end of 2017 stood at €1,886 m, in line YoY. The net debt to Ebitda RCA ratio stood at 1.0x.

Debt reimbursement profile (€m)

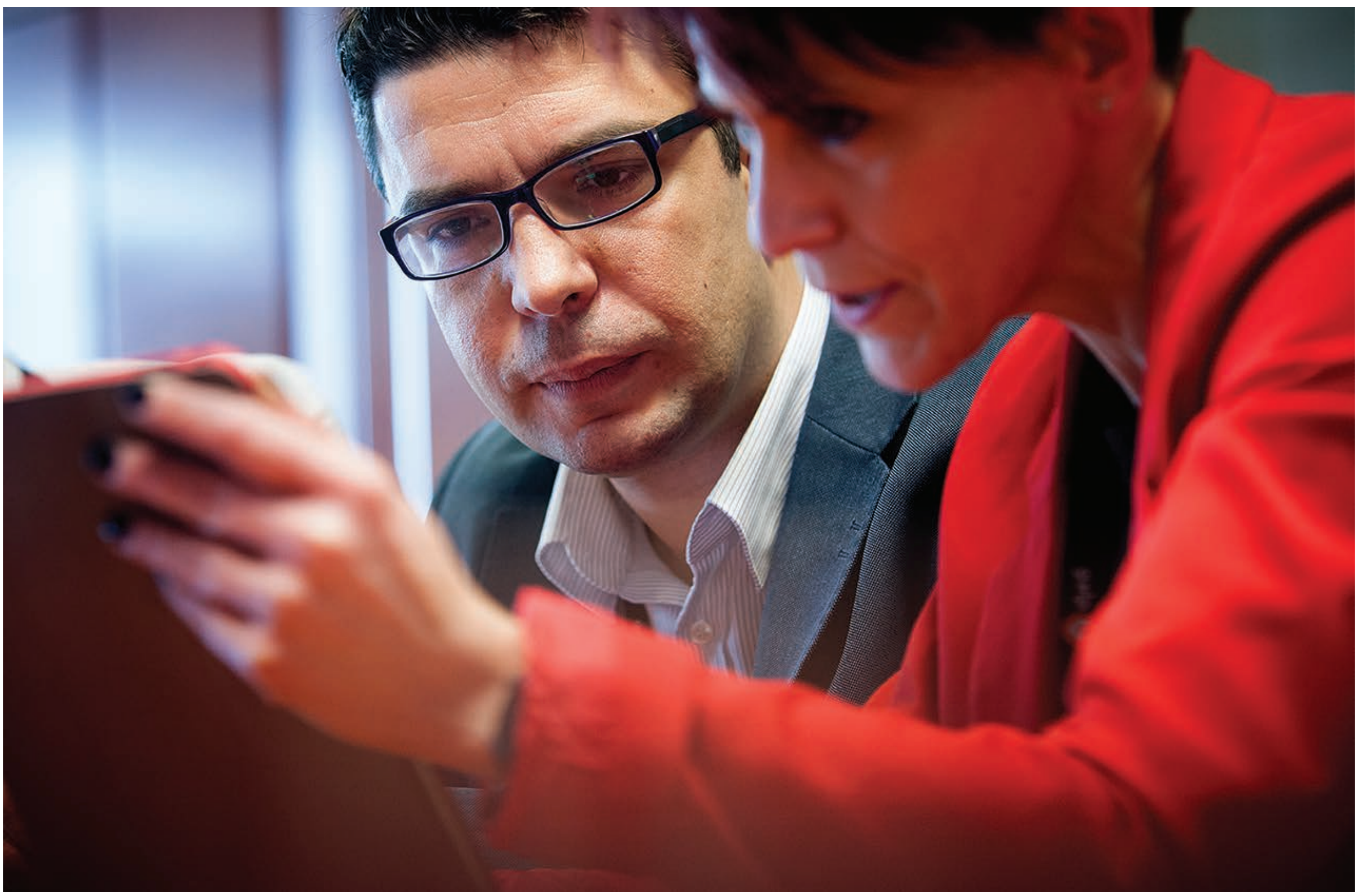


The average interest rate was 3.46% during the year.

During the fourth quarter, the issuance of €500 m debt securities with a 5-year maturity under the EMTN programme, with a coupon of 1%, should be highlighted.

At the end of the year, around 60% of total debt was on a fixed-rate basis. Debt had an average maturity of 2.5 years, and medium and long-term debt accounted for 82% of total debt.

At the end of 2017, Galp had unused credit lines of approximately €1.3 bn. Of this amount, around 70% was contractually guaranteed.



Stylianos Athanasopoulos, Galp - Madrid, Spain, 2018

Photo by Mauro Vombe, CFM station, Maputo - Moçambique, 2018

Atish Jaientilal promises he will not run out of energy when it comes to help develop Mozambique.

At 31, he is the project engineer for Galp's E&P business in sub-Saharan Africa.

The Chapter of this Report complies with governance code model set up by CMVM on CMVM Regulation No. 4/2013 on Corporate Governance, available at the CMVM website: http://www.cmvm.pt/en/Legislacao/National_legislation/Regulamentos/Documents/Reg4_2013.Governo.das.Sociedades.en.pdf and complies with article 245-A of Securities Code.

PART I

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

A - Shareholding structure

I - Capital structure

1. Capital structure (share capital, number of shares, distribution of capital by shareholder, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Article 245(A)(1)(a) of the Securities Code).

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

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

The remaining 58,079,514 shares are indirectly held by the Portuguese state through Parpública and are not listed. They represent 7% of the Galp's share capital and are a special category of shares undergoing a privatisation process and may be converted into ordinary shares by simple request sent to Galp, without the need for approval from any of the Company's corporate bodies.

Codes and tickers for the Galp share

ISIN	Listed on Euronext Lisbon	PTGAL0AM0009
	State-owned shares subject to privatisation process	PTGALXAM0006
Sedol		B1FW751
WKN		AOLB24
Bloomberg		GALP PL
Reuters		GALP.LS

2. Restrictions on the transfer of shares, such as clauses on consent for disposal or limits on the ownership of shares (Article 245(A)(1)(b) of the Securities Code).

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

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Article 245(A)(1)(a) of the Securities Code).

On 31 December 2017, Galp held no treasury shares.

4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in control of the company after a takeover bid, and the respective effects, except where due to their nature the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose such information pursuant to other legal requirements (Article 245(A)(1)(j) of the Securities Code).

Galp is not a party to any significant agreements that take effect, is amended or terminated, in the event of a change of control of the Company following a takeover bid. In accordance with normal market practice, certain financing agreements include change of control provisions with the possibility of debt holders to request early loan repayment amounting to €371.4 million.

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

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

The By-laws enshrine the "one share, one vote" principle, with no provisions or other legal instruments imposing any limitation on the number of votes that can be held or exercised by a single shareholder or by agreement with other shareholders.

In the same way, the By-laws do not contain any provisions preventing the takeover bids or establish any voting caps.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245(A)(1)(g) of the Securities Code).

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

II - Shareholdings and bonds held

7. Details of the natural or legal person who, directly or indirectly, are holders of qualifying holdings (Article 245(A)(1)(c) and (d) of the Securities Code) with details of the percentage of capital and votes allocated and the source and causes of attribution.

The shareholders and other entities must report to CMVM and to Galp qualifying holdings, in particular whenever the holding attributable to such shareholder or entity, reaches, exceeds or falls below the limits of 2%, 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of the voting rights corresponding to the Galp share capital. These reporting duties are applicable in most of the European countries, being applicable the Article 20 of the Securities Code in the Portuguese case, which can be viewed at CMVM website www.cmvm.pt.

On 31 December 2017, qualifying holdings in Galp's share capital, calculated in accordance with Article 20 of the Securities Code and reported to Galp, are presented in the following table.

Qualifying holdings in Galp's share capital on 31 December 2017

Shareholders	Number of shares	Percentage of voting rights
Amorim Energia, B.V.		
Holding	276,472,161	33.34%
Other attributable situations	0	0.00%
Total attributed	276,472,161	33.34%
Parpública - Participações Públicas (SGPS), S.A.		
Holding	62,021,340[1]	7.48%
Other attributable situations	0	0.00%
Total attributed	62,021,340	7.48%
BlackRock, Inc.		
Holding	20,307,726	2.45%
Other attributable situations	0	0.00%
Total attributed	20,307,726	2.45%
Janus Henderson Group plc[2]		
Holding	19,465,726	2.34%
Other attributable situations	0	0.00%
Total attributed	19,465,726	2.34%
Templeton Global Advisors Limited		
Holding	16,870,865	2.03%
Other attributable situations	0	0.00%
Total attributed	16,870,865	2.03%

[1] 58,079,514 of which are subject to a privatisation process.
[2] Henderson Group plc changed its name to Janus Henderson Group plc, after having acquired Janus Capital Group Inc at 30 May 2017.

In 2017 the following transactions related to qualifying holdings occurred in Galp's share capital:

In early 2017, BlackRock, Inc, Janus Henderson Group plc and Templeton Global Advisors Limited, held 2.45%, 2.34% and 2.03% shares, respectively, in Galp's share capital, based on the information provided to the Company in April 2014, September 2016 and April 2013, respectively.

On 21 March 2017, Standard Life Investments (Holdings) Limited notified Galp that its subsidiary company, Standard Life Investments Limited, increased its holding in Galp's share capital to 2.703% (above the 2% limit). Following this change, the indirect holding of Standard Life Investments (Holdings) Limited in Galp increased to 24,142,849 shares, representing 2.911% of the voting rights.

In July, Black Creek Investment Management Inc. notified Galp that on 24 July increased its holding in Galp's share capital, and the respective voting rights from 1.97% to 2.00%, having communicated the following month that it decreased its holding in Galp's share capital and respective voting rights from 2.00% to 1.99%, and thus no longer holding a qualifying holding.

Still in August, and following the merger of Aberdeen Asset Management PLC and Standard Life plc, with effects from 14 August 2017, Standard Life Aberdeen Plc communicated that its group's holding in Galp's share capital and the respective voting rights became 2.43%, 2.39% of which are held indirectly through shares and 0.04% are held through financial instruments.

In November, Standard Life Aberdeen Plc communicated to the Company that on 6 November decreased its indirect holding in Galp's share capital and respective voting rights from 2.12% to 1.96%, thus no longer holding a qualifying holding.

8. A list of the number of shares and bonds held by the members of the management and supervisory board.

The number of shares held by, or allocated to, members of the Board of Directors and the Audit Board, as well as changes occurred during the 2017 financial year, under Article 447 paragraph 5 of the Commercial Companies Code (CSC), is presented in Appendix 8.7 to this Report.

On 31 December 2017, none of the members of the Board of Directors held any bonds issued by the Company.

On 31 December 2017, the Chairman of the Audit Board held one Galp Energia, SGPS S.A. EMTN Notes, with a rate of 4.125%, maturing on 25 January 2019 and had performed no transaction of those debt instruments during 2017.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Article 245(A)(1)(i) of the Securities Code) with an indication as to the allocation date, time period within which such powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of powers and mode of implementing the powers assigned.

The Board of Directors has the typical powers of Company's management set forth in corporate legislation for the respective corporate governance model. The By-laws do not provide for any special powers for the Board of Directors, including with respect to the increase of Company's share capital.

The annual General Shareholders Meeting held in 2017 granted the Board of Directors the power to acquire and dispose of Company treasury shares and bonds. The timing and size of transactions are determined depending on market conditions and a set of criteria defined and approved by the General Shareholders Meeting, which are available on the Galp's website http://www.galp.com/Portals/0/Recursos/Investidores/SharedResources/Assembleias/EN/2017AG/Item_9.pdf

On 31 December 2017, Galp held no treasury shares or bonds.

10. Information on any significant business relationships between the holders of qualifying holdings and the company.

In 2017, there were no significant relationships of a commercial nature between owners of qualifying holdings and Galp.

B - Corporate Bodies and Committees

I - General Shareholders Meeting

a) Composition of the Board of the General Shareholders Meeting

11. Details and position of the members of the Board of the General Shareholders Meeting and respective term of office (beginning and end).

Under Article 11(2) of the By-laws, the Board of the General Shareholders Meeting consists of a Chairman, Vice-Chairman and Secretary, elected by the General Shareholders Meeting

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

Chairman: Daniel Proença de Carvalho
Vice-Chairman: Victor Manuel Pereira Dias
Secretary: Maria Helena Claro Goldschmidt

b) Exercising the right to vote

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number of percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245(A)(1)(f) of the Securities Code)

The By-laws enshrine the "one share, one vote" principle, with no provisions or other legal instruments restricting exercising of voting rights.

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

The right to vote is exercised pursuant to Article 10(1) of the By-laws, accordingly with the shareholders rights directive. Therefore any shareholder may participate, discuss and vote at the General Shareholders Meeting in person or by proxy, according to the following requirements:

a) on the date of registration, i.e., 00:00 (WEST) of the 5th trading day prior to the date of the General Shareholders Meeting, s/he is a holder of at least one share;

b) proves ownership of shares, by sending to the Chairman of the Board of the General Shareholders Meeting, until the date of registration, a declaration issued and sent by the financial broker with information on the number of shares registered and the registration date;

c) state the intention of participation in the General Shareholders Meeting, in writing, by sending, by the end of the 6th trading day prior to the date of the General Shareholders Meeting, to the Chairman of the Board of the General Shareholders Meeting and to the financial broker with whom the individual registration account is open.

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

Article 10(6) to (9) of the By-laws permits voting by mail, without any restrictions.

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

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or shareholders that are in any relationship as set out in Article 20(1) of the Securities Code.

The By-laws do not provide any limitation on the voting rights that may be exercised by a single shareholder or shareholders in any of the relationships with such shareholder established in Article 20 of the Securities Code.

14. Details of shareholders' resolutions that, imposed by the By-laws, may only be taken with a qualified majority, in addition to those legally provided, and details of such majority.

The resolutions of the General Shareholders Meeting are passed by simple majority of the votes cast, except where the law or By-laws require a qualified majority. Abstentions do not count in voting on resolutions of the General Shareholders Meeting.

Pursuant to the By-laws, a qualified majority of two-thirds of the votes cast is only required for the following matters:

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

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

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

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

II - Management and supervision

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

a) Composition

15. Details of corporate governance model adopted.

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

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

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

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

The allocation of responsibility for coordinating specific management areas of the Executive Committee to each of its members, which can be seen at section 29 of this chapter, without prejudice to the collective nature of the exercise of management functions by this body, promotes the effective monitoring of the Company's management and the use of synergies within each business unit and in the Company as a whole.

The Chairman of the Board of Directors has authority and responsibilities, in addition to those provided by law, By-laws and regulations, to coordinate and supervise relations between the Company and its shareholders, in accordance with the Company's objectives, the long-term shareholders' interests and ensuring the sustainable development of Galp's business.

Under the legal provisions applicable to the relationship between the non-executive members of the Board of Directors and the Executive Committee, namely in respect of monitoring by non-executive members of the Executive Committee's activity, in accordance with Article 407(8) of the CSC, the Chairman of the Board of Directors has the right to attend the meetings of the Executive Committee.

The Audit Board is responsible for exercising the oversight functions of Company's business in five key areas:

(i) supervision of the Company's activity;
(ii) control of the Company's financial information;
(iii) oversight of the internal risk management, internal control and internal auditing systems; and
(iv) receipt (and processing) of whistle blowing; and
(v) auditor independence protection.

The Statutory Auditor is responsible for control of the Company's financial information.

16. By-laws rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Committee and the General and Supervisory Board, where applicable (Article 245(A)(1)(h) of the Securities Code).

The members of the Board of Directors, including the Chairman, are appointed and replaced by the General Shareholders Meeting.

The shareholders also annually decide on the continuity of each director in the event of a positive appraisal of their performance, by vote of praise and/or confidence. The absence of a positive annual appraisal, through the attribution of a vote of no confidence, leads to the dismissal of the director in question, in accordance with the law.

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

The members of the Board of Directors are appointed for a term of four calendar years, with the year of appointment counting as a full year and may be re-elected one or more times. Members of the Board of Directors take office at the time of appointment and remain in office until the nomination, co-option or appointment of a substitute, except that a member who has resigned or has been removed, remains in office for the period established in the CSC.

In view of the national legal framework, which attributes to the shareholders the power to elect the members of the Board of Directors and limits the participation of the Board of Directors on matters of shareholders' competence, Galp doesn't have a nomination committee. In fact, such committee couldn't replace competency of the shareholders, according to Article 391 of CSC.

Usually, the Company has been involved in identification and selection processes of specific profiles to different management positions using international companies that are reputed and specialised in executive selection.

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

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

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

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

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

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

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

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

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

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

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

In accordance with the By-laws, if the proposal for the election of directors (except the director to be elected by the minority shareholders) is not approved by a majority of 55% of votes cast and with at least 40% of the share capital with voting rights, the shareholders that: (i) are qualified to participate in this election (not having voted in the election of the director appointed by the minority shareholders); (ii) have voted against that proposal or in favour of a proposal that has not been successful; and (iii) hold, themselves or in a group formed for this purpose, shares representing at least 25% of the share capital with voting rights, may submit and vote on proposals, electing among themselves a number corresponding to one third of the elected directors (not including the director elected by the minority shareholders who, by themselves or grouped with others for this purpose, are holders of share capital with voting rights of at least 10% and not greater than 20% under the above terms).

If the total number of elected directors is not divisible by three, the number of directors to be elected will be rounded up to the next whole number. Directors elected under this procedure automatically replace those who are in the final places of the initially approved list.

17. Composition of the Board of Directors, the Executive Committee and the General and Supervisory Board, where applicable, with details of the By-law's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end date of the term of office of each member.

In accordance with the By-laws, the Board of Directors has a minimum of 19 and maximum of 23 directors who are appointed for four year terms.

The current 19 members of the Board of Directors, elected at the General Shareholders Meeting of 16 April 2015 for the four-year term 2015-2018 are listed in the following table.

Members of the Board of Directors

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

18. Distinction to be drawn between executive and non-executive directors and, as regards non-executive members, details of members that may be considered independent or, where applicable, details of independent members of the General and Supervisory Board

18.1 The independence of the members of the General and Supervisory Board and members of Audit Board shall be determined in accordance with the applicable law and, as regards the other members of the Board of Directors, those who are not associated with any specific interest group within the company, nor under any circumstances capable of affecting their impartiality of analysing or decision-making is considered to be independent, particularly with regard to the following:

a) s/he has been an employee of the Company, or a company which is in a controlling or group relationship, in the past three years;

b) in the past three years, s/he has provided services or established a significant business relationship with the Company, or a company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person;

c) s/he is receiving remuneration paid by the Company, or a company that is in a controlling or group relationship, in addition to remuneration derived from carrying out the tasks as a member of the Board of Directors;

d) is living with a partner or a spouse, next of kin up to and including third degree, of member of the Board of Directors, or individually directly or indirectly holding qualifying holdings;

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

On 31 December 2017, the Board of Directors had 12 non-executive members (who remain in office on this date), among 19, corresponding to 63% of the total number of directors, which is an adequate number, given in particular Galp's shareholder structure and capital dispersion. The non-executive members engage in monitoring activities and continuous evaluation of the Company´s management to ensure effective capacity for monitoring, supervision, oversight and evaluation of the activity of the executive members.

The composition of the Board of Directors distributed between executive and non-executive members is in the next table:

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

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

Considering the criteria to determine the independence of non-executive members of the Board of Directors above mentioned and, based on their self-assessment for financial year 2017, the Board of Directors had the following five independent directors:

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

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

The Board of Directors decided to assign two non-executive independent members, Sérgio Gabrielli and Abdul Magid Osman, the special charge of monitoring the evolution of the Brazil and Mozambique markets, respectively, to ensure a detailed strategic analysis of these two central geographical markets for the Company´s activity.

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

19. Professional qualifications and other relevant curricular information of each member of the Board of Directors, the General and Supervisory Board and the Executive Committee, where applicable.

The members of the Board of Directors have acknowledged skills, variety of academic backgrounds and professional experience, as shown in the table below, which evinces diversity within the Board of Directors, in line with the diversity policy of the Board of Directors and Audit Board. The biography of each member is shown in Appendix 8.8 of this report.

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

The Diversity Policy of the Board of Directors and Audit Board, approved by the Board of Directors can be seen on Galp's web site https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Diversity_policy_for_the_board_of_directors_and_audit_board_-_Versao_publicada_-_EN.pdf

Galp commits, according with the competences of each body, to develop tending efforts to promote diversity in its Board of Directors and Audit Board, particularly in the following criteria: age, gender, geographical origin, academic background and professional experience, Galp recognises the benefits of diversity in the core of its Board of Directors and Audit Board, as a way to ensure better balance in its composition, enhance the performance of its members, reinforce the quality of the decision making and control processes, avoid the Group thinking effect and contribute to our sustainable development.

The current Board of Directors has appropriate and necessary diversity in light of the activities pursued by the Company and the strategy defined for the coming years, including in terms of origin and backgrounds. In fact, the Board includes members with origin from the countries where Galp is present – Portugal, Brazil, Angola and Mozambique.

In order to strengthen the competencies of the members of the Board of Directors, and ensure the adequate knowledge and monitoring by the non-executive members of the activities pursued by the business units, in 2017 it was implemented a knowledge development annual plan, having the members of the Board of Directors participated in training initiatives on Galp's businesses and on governance issues.

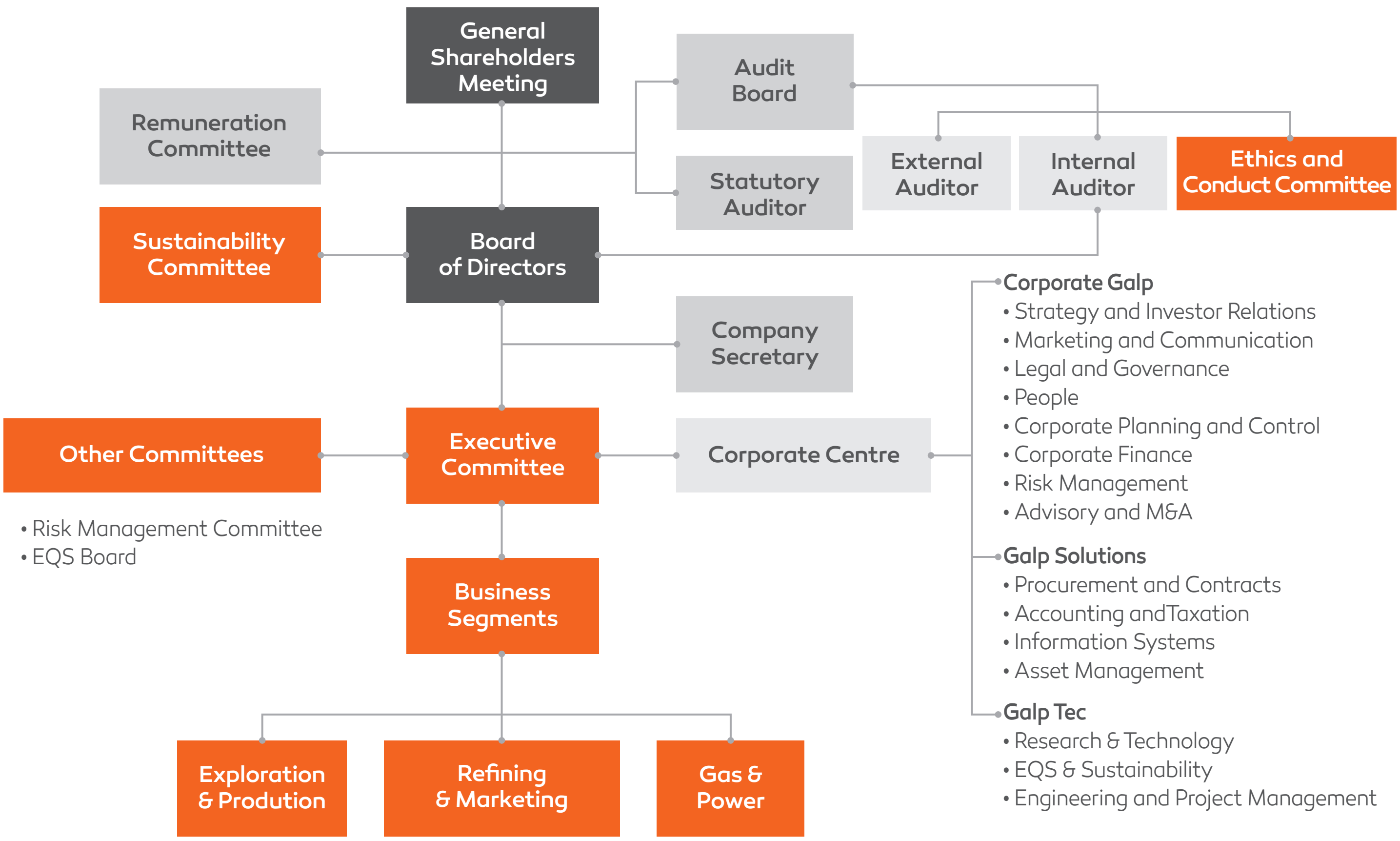
The implementation of diversity policy began with its approval by the Board of Directors on December 15, 2017, and its results will be reported in the governance report for 2019, the year in which the next General Elective Meeting of Galp will be held.

20. Customary and meaningful family, professional and business relationships of the members of the Board of Directors, the General and Supervisory Board and Executive Committee, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights.

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

21. Organisational charts or flowcharts concerning the allocation of powers between the Company's various corporate bodies, committees and/or departments, including information on the delegating powers, particularly as regards to the delegation of the Company's daily management.

Governance Model



Galp's current organisational structure is based on three business segments and a corporate center under the coordination of each of the executive directors, as described in section 29 of the present chapter of this report.

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

The corporate centre provides various services for the business units and Group companies, including planning and control, accounting, legal advice and human resources, and consists of the following three clusters of functions:

Galp Corporate - brings together the main functions of governance, strategy, guidelines and corporate control, monitoring the implementation of the Company's policies and goals. It integrates the following departments:

Strategy and Investor Relations	Define Galp's strategic guidelines, promoting clear strategic, operational and financial perception of the Company for its stakeholders.
Marketing and Communication	Define the Galp Group's communication strategy, coordinate and manage the corporate responsibility policy of the Company
Legal and Governance	Exercise and manage legal, governance and compliance functions and the corporate secretariat, for the Galp Group, particularly in aspects of legal support for business decisions, monitoring legal compliance and policies for compliance, definition and implementation of the process of organisation, operation and decision-making of the governing bodies, litigation management and prevention of legal risks.
People	Act as agent and facilitator for change, by attracting, integrating and developing the best talents, as well as ensuring their alignment with the Company's culture, values and strategy
Corporate Planning and Control	Set, monitor and consolidate Galp's budgeting, planning and control processes of the Company, challenge the performance of the business and the corporate centre and ensure their alignment with Galp's strategic objectives.
Corporate Finance	Propose and implement the Galp Group's financing strategy, ensuring the optimisation and diversification of its financial resources and integrated Treasury management.
Risk Management	Promote the implementation of the risk management policies in conjunction with business. Propose insurance policies, negotiate and manage the related contracts at whole Group level and manage health plans.
Advisory and M&A	Develop mechanisms for evaluating organizational units, evaluate opportunities for strategic growth and its impact on the Company's value, and coordinate M&A operations.

Galp Solutions - brings together service functions of a more transactional nature, with the clear objective of efficiency/effectiveness and a focus on metrics and quality of service provided at a competitive conditions. It integrates the following departments:

Procurement and Contracts	Maximise Galp's negotiation power, within the procurement function, by obtaining better value for money, while safeguarding health, safety and sustainable criteria and practices in the purchase of goods and services
Accounting and Taxation	Ensure the preparation of accounts for the Galp Group. Draft the respective management information reports from a general and cost accounting perspective. Ensure compliance with tax obligations under international taxation and the tax laws of the countries where Galp operates.
Information Systems	Promote the development and sustainability of Galp's business through efficient, effective, reliable, consistent, innovative information system management, oriented towards controlled processes and costs.
Asset Management	Ensure the management of Galp's non-related to business assets.

Galp Tec - brings together critical cross-cutting expertise to increase and protect the value of Galp. It integrates the following departments:

Research & Technology	Define and implement integrated policies and projects in innovation, technological and energy efficiency research, within the structure of the Galp Group's strategy and given the principles of value creation.
EQS & Sustainability	Promote the efficiency of processes, aiming at protecting people's environment and assets, with the creation of value for all stakeholders.
Engineering and Project Management	Manage Galp's projects to support its business, from the design phase until commercial commissioning, ensuring quality of execution and compliance with projects budgets and deadlines.

The Company's business segments are Exploration & Production's, Refining & Marketing and Gas & Power. For more detail see chapter 1.2 (Value Chain) of this report.

The Company's organisational model also foresees the existence of specialised committees as presented below.

Ethics and Conduct Committee

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

The Audit Board is the governing body overseeing the proper operation and implementation of the Code of Ethics and Conduct through the frequent and regular reporting of the CEC.

During the year 2017, the CEC held four meetings for analysing and deciding on forwarding reports of irregularities that were received, and participated in three meetings of the Audit Board, during which the due reports were provided to this body.

Risk Management Committee

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

This body met four times during 2017 and addressed the issues identified as most relevant from a risk perspective for the Galp Group, including risk associated with cybersecurity, compliance/reputation, disruptive events, project execution, business continuity, markets, dependence on partners, geopolitical issues, as well as the results from risk assessments that are deepened whenever deemed appropriate.

Within the Risk Management Committee, a working group operates focused on issues related to environment, quality and safety, compliance and regulatory changes. During 2017, the working group focused on the most critical risks in these matters and reported the findings of its evaluation to the committee.

At the level of the various business units works Risk and Credit Committees represented by the Risk Management Department, which participates also in working groups dedicated to the Galp Group's main projects, ensuring the alignment of risk management practices and effective communication with the Risk Management Committee.

Environment, Quality and Safety Board

The Environment, Quality and Safety (EQS) Board's mission is to assist the Executive Committee in promoting the principles that underpin the EQS culture of Galp by ensuring the implementation of the EQS strategic policies and objectives.

The Board is chaired by the executive director responsible for the EQS and Sustainability Department and secretariat by the head of such department and includes heads of the business units and relevant corporate departments.

In 2017, the EQS Board met twice and addressed the EQS performance (objectives and targets) and monitored the strategic EQS initiatives in the business.

b) Functioning

22. Availability and place where rules of the functioning of the Board of Directors, the General and Supervisory Board and the Executive Committee, where applicable, may be viewed.

The Board of Directors operates in accordance with the regulations governing organisation and operation approved by this body at its meeting of 16 April 2015, to take effect during the term of 2015-18, in accordance with Article 16 of the By-laws, available on the official Galp website at https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento_CA_EN_Web.pdf

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

In accordance with the provisions of Article 16(2) of the By-laws, the Board of Directors meets ordinarily once a month, unless otherwise determined by the Board of Directors and whenever convened by the Chairman or by any two directors.

The By-laws allow for the meetings of the Board of Directors to be held by electronic means and allow postal voting.

In 2017, the Board of Directors held 13 meetings, six of which were held by electronic communications.

The degree of attendance of the Members of the Board of Directors to this body's seven in-person meetings in 2017 is as follows:

Directors	% Attendance
Paula Amorim	100%
Miguel Athayde Marques	85.7%
Carlos Gomes da Silva	100%
Filipe Crisóstomo Silva	100%
Thore E. Kristiansen	71.4%
Sérgio Gabrielli de Azevedo	71.4%
Abdul Magid Osman	57.1%
Marta Amorim	85.7%
Raquel Vunge	85.7%
Carlos Costa Pina	100%
Francisco Rêgo	100%
Jorge Seabra de Freitas	100%
José Carlos Silva	100%
Pedro Ricardo	100%
Tiago Câmara Pestana	85.7%
Rui Paulo Gonçalves	100%
Luis Todo Bom	100%
Diogo Tavares	100%
Joaquim Borges Gouveia	100%

24. Details of competent corporate boards undertaking the performance appraisal of executive directors.

The Remuneration Committee, elected by the General Meeting, conducts the annual performance review of the executive and non-executive directors according to article 8 of the articles of association.

The Committee consults non-executive members to assess the qualitative performance of the executive members of the Board of Directors and considers compliance with economic, financial and operational objectives, as defined annually in the remuneration policy.

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

Also, pursuant to Article 376 of the CSC, at each General Shareholders Meeting, the shareholders make a general appreciation of the Company's management in general. That appreciation is expressed through a vote of confidence or distrust that may lead to the removal of the concerned director.

25. Pre-defined criteria for assessing executive directors performance.

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

The predetermined criteria for the performance evaluation of the executive directors for financial year 2017 are set out in section 69 of this Report's chapter.

26. Availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Committee, where applicable, and details of the positions held at the same time in other companies within and outside the Galp Group, and other relevant activities undertaken by members of these boards throughout the financial year.

The positions held by the members of the Board of Directors in other companies inside and outside the Galp Group, and other relevant activities carried out by members of these bodies in the 2017 financial year, are presented in Appendix 8.9 of this report.

In general, the members of the Board of Directors have a high degree of availability to exercise their functions, confirmed by their attendance at the meetings of the Board of Directors and the Executive Committee and by their work at Galp as annually certified by the Remuneration Committee under the qualitative performance assessment of the directors.

As is apparent from the table in Appendix 8.9 of this report, the duties exercised by Galp's executive directors in other companies are in the management bodies of Galp's direct or indirect subsidiaries. Accordingly, they are fully available for the positions of executive members of the Board of Directors,

With respect to the non-executive directors with the highest number of positions held in other companies, it is noted that they perform these functions within the same group (Amorim or Américo Amorim Group), which do not prejudice the exercise of positions and functions of monitoring, evaluation and supervision of executive management of Galp.

The legal and bylaw's regime of absences from the meetings of the Board of Directors provides for the removal from office or replacement of the member of the Executive Committee in question by another director, with the other director becoming non-executive.

In addition, Galp has the legal, statutory and regulatory mechanisms to prevent and deal with any conflicts of interest between directors and the Company in the exercise of other positions outside the Galp Group.

Pursuant to Article 398 of the CSC, directors shall not:

- engage in any activity in competition with the Company, or a company in a controlling or group relationship with it, alone or on behalf of a third party or perform duties in a competing company or be appointed for it, except if authorised by the General Shareholders Meeting;
- hold any position under an employment contract, which will be deemed terminated if entered into less than one year earlier or suspended if entered into more than one year earlier.

In addition, Article 14 of the Board of Directors Regulation establishes special arrangements for access to sensitive information applicable to members of the Board of Directors in a conflict of interest due to the exercise of an activity in competition with Galp, as authorised by the General Shareholders Meeting.

Also, to protect the Galp Group's interest in possible situations of conflict of interest between the Company and its directors arising from business between them and the Company, or companies in a controlling or Group relationship with Galp, Galp's regulatory standard, governing its Group's transactions with related parties, makes the implementation by Galp of significant transactions with related parties, subject to prior opinion of the Audit Board.

Moreover, the By-laws subordinate special corporate governance procedure to approve any business with shareholders in an amount exceeding €20 million to a deliberation in favour thereof by a qualified majority of two thirds of the directors.

c) Committees within the Board of Directors or Supervisory Board and Board Delegates

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and Executive Committee, where applicable, and the place where the rules of the functioning thereof is available.

Executive Committee

On 16 April 2015, the Board of Directors appointed the Executive Committee consisting of 7 directors, and approved the delegation of powers and regulations that defines the principles and rules of its organisation and operation, which can be viewed on Galp's website at https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento_CE_EN_Web.pdf

The Board of Directors considers that for performance evaluation of management or corporate governance specific committees exclusively composed by non-executive directors are not required.

This understanding is due to the corporate governance model implemented, which, as described in section 15 of this Chapter, includes a Board of Directors that assesses the operation of the governance system and largely consists of non-executive members (including the chairman), who monitor the overall performance of the Board of Directors and whether directors' profiles are appropriate for the exercise of their duties. In this context, it should also be noted that there is: A Remuneration Committee, which evaluates the performance of executive directors with the support of non-executive directors; and an Audit Board, which analyses the structure and governance practices adopted in order to verify their effectiveness. In addition, certain corporate governance matters are widely discussed in the Sustainability Committee.

Sustainability Committee

At Galp, management for sustainability is deemed strategic and involves the incorporation of principles, approaches and practices that favour the long-term value creation component. It, therefore, involves managing the creation of sustainable and lasting value that generates confidence in the future for the various stakeholders.

With the aim of creating sustainable value, in 2012 the Sustainability Committee was set up with a mission to ensure the integration of sustainability principles in the management of the Group, by promoting best industry practices in all business and corporate areas.

The Committee is chaired by the independent vice-chairman of the Board of Directors, while its permanent members are the Chairman of the Executive Committee, the executive director who coordinates the area of sustainability, the chief financial officer, the head of EQS and Sustainability Department the heads of the business areas and relevant corporate departments.

This body reports directly to the Board of Directors and the Executive Committee.

In 2017, the Sustainability Committee met four times with the agendas covering the following matters:

- analysing Galp's sustainability context, in particular on climate and energy challenges level, human rights, safety and environment, as a support to the strategy and development of operations in the different geographies;
- analysing Galp's performance and setting of commitments, objectives and goals, aligned with the best practices and benchmarking with peers and benchmark performers;
- defining the sustainability requirements at the business development, the plans for mitigation of deviations and analysing risks and opportunities;

28. Composition of the Executive Committee and/or details of the Board Delegates, where applicable.

Galp's Executive Committee currently consists of the following seven directors:

Chairman: Carlos Gomes da Silva (CEO)

Members: Filipe Crisóstomo Silva (CFO)
Thore E. Kristiansen
Carlos Costa Pina
José Carlos Silva
Pedro Ricardo
Tiago Câmara Pestana

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising such powers.

The Executive Committee is the body responsible for Galp's ongoing management, in accordance with the strategic guidelines defined by the Board of Directors and under the powers delegated to it by the Board, pursuant to Articles 17 and 18 of the By-laws and Article 407(3) and (4) of the CSC, and with the following limits:

1. The following are not delegated to the Executive Committee:

a) choosing the Chief Executive Officer;

b) co-opting of directors;

c) convening the General Shareholder Meetings;

d) approving annual management report and accounts;

e) providing deposits and personal or real guarantees by the Company;

f) changing registered office and capital increases, as provided in the By-laws;

g) deciding on merger, demerger and transformation projects of the Company.

2. The following are not considered ongoing Company management powers and are therefore not delegated to the Executive Committee:

a) approval of the strategic investments of the Company and its controlled companies and approval of the financing thereof;

b) approval of the strategic divestments of the Company and its controlled companies;

c) investment, particularly through the direct or indirect acquisition of interests, in companies that do not engage in the main operational activities pursued by the companies controlled by the Company (i.e., exploration, production, refining, transportation, marketing and distribution of oil and gas);

d) establishment of strategic partnerships in the context of the main operating activities pursued by the Company's controlled companies;

e) approval and modification of the strategic plans of the Company and its controlled companies engaged in the Galp Group's main activities;

f) approval of Galp Group's annual budget and business plans and amendments thereto in excess of 20% of the value of the budget item in question or 10% of the total annual budget amount;

g) transactions of the Company or its controlled companies, with related parties or with any shareholders of the Company, in a unit or total amount exceeding €20,000,000.00 (twenty million Euros);

h) definition and organisation of the Galp Group's corporate structure;

i) proposal and exercise of voting rights in the election of the Boards of Directors of the companies controlled by the Company;

j) issuance of bonds or other debt instruments by the Company or its controlled companies;

k) demerger, merger or dissolution projects of any the Company's controlled companies;

l) signing, by the companies controlled by the Company, of subordination agreements or parity group agreements.

Notwithstanding the limits on the delegation of powers referred to in paragraphs 1 and 2 above, the Executive Committee has a special duty of initiative and proposal, to the Board of Directors, in respect of the acts and matters referred to in section 2 above.

At the meeting of the Board of Directors held on 16 April 2015, the chairman of the Executive Committee defined a functional allocation, among the members of the Executive Committee, in respect of the business and activities of the Company and Group companies, under the terms set forth in its Regulations, notwithstanding the collective exercise of the powers of this body, as mentioned in the following page.

Specific operation areas of executive directors

	Carlos Gomes da Silva CEO	Filipe Crisóstomo Silva CFO	Thore E. Kristiansen COO	Carlos Costa Pina COO	José Carlos Silva COO	Pedro Ricardo COO	Tiago Câmara Pestana COO
Business Units			Exploration & Production	New Energies	Sourcing, Refining and Planning	Gas & Power	Iberian and International Oil Marketing
Corporate Centre	Marketing and Communication Investor Relations and Strategy People Legal and Governance Research and Technology	Corporate Planning and Control Corporate Finance Advisory and M&A Accounting and Taxation		Risk Management Information Systems EQS and Sustainability	Procurement and Contracts Asset Management Engineering and Project Management		

For matters of the ongoing management in the context of the requests of the operators of the various oil exploration blocks in which Galp is involved, including the development plans of the blocks and the approved budget and action plans, the Executive Committee delegated approval of the respective decisions, namely Authorization for expenditures, Cash Calls and Ballots to the executive directors Thore Kristiansen, Filipe Crisóstomo Silva and José Carlos Silva.

A range of mechanisms were adopted to ensure effective and efficient monitoring and control by the non-executive members of the activity of the Executive Committee and to facilitate the related duty to inform.

In fact, in accordance with the Regulations of the Board of Directors, the Chairman of the Executive Committee regularly informs the Chairman of the Board of Directors about the agenda of the meetings of the Executive Committee, the decisions taken in its meetings and other matters deemed relevant for the proper use of the powers and responsibilities of the Board of Directors. The Chairman of the Board of Directors and any other two non-executive directors may ask directly the Chairman of the Executive Committee for information on the business of the Executive Committee.

The calls and minutes of the meetings of the Executive Committee are sent to the Chairman of the Board of Directors and to the Chairman of the Audit Board.

In accordance with its regulations, the Executive Committee must meet once a week. In 2017, it met 43 times.

The main activities performed by the Executive Committee during 2017 in the exercise and within the limits of its responsibilities involve, among other things:

a) approval of operations to be carried out by the Galp Group's business units and companies;

b) assessment of monthly results;

c) approval of proposals for submission to the Board of Directors on matters pertaining to its exclusive powers, as set out in the By-laws and Regulations of the Board of Directors;

d) approval of significant transactions;

e) assessment of information from specialist committees, particularly in the area of risk management and sustainability;

f) approval of capital increase and reduction operations of the Galp Group companies, performance and reimbursements of ancillary services and supplies;

g) change to the by-laws of the Galp Group companies;

h) real estate purchases and sales;

i) approval of the comfort letters from the Galp Group companies;

j) definition of the voting behaviour and appointment of representatives in the General Shareholder Meetings of subsidiaries and other companies.

The description of the powers of the Sustainability Committee and a summary of activities undertaken in exercising such powers is provided in the previous section.

III - Supervision

(Audit Board, Audit Committee or General and Supervisory Board)

a) Composition

30. Details of the Supervisory Body (Audit Board, Audit Committee or General and Supervisory Board) representing the model adopted.

According to the adopted government model, the Audit Board is the body in charge of supervising the Company.

Pursuant to Article 413(1)(b) of the CSC, since Galp is a public company, its financial statements have to be examined by Statutory Auditors, who is not a member of the Audit Board., with their responsibilities stated in Article 446 of the CSC.

31. Composition of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, where applicable, with details of the By-laws' minimum and maximum number of members, term of office duration, number of effective members, date of first appointment, date of end of the term of office for each member and reference to the section of the report where such information is already included pursuant to paragraph 18.

Under the By-laws, the Audit Board consists of three permanent members and one substitute member, elected by the General Shareholders Meeting, which will also elect its chairman.

The members of the Audit Board are elected for a four-year term, together with the members of the remaining corporate bodies.

The following table lists the members of the Audit Board, elected at the General Shareholders Meeting on 16 April 2015 for the term of 2015-2018, their appointment dates and the end date of their term.

Name	Position	Date of first appointment	Term end date
Daniel Bessa	Chairman	2006.10.05	2018.12.31
Gracinda Raposo	Member	2011.05.30	2018.12.31
Pedro Antunes de Almeida	Member	2012.11.23	2018.12.31
Amável Calhau	Alternate member	2006.10.05	2018.12.31

32. Details of the members of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, where applicable, which are considered to be independent pursuant to Article 414(5) of the CSC and reference to the section of the report where such information already appears pursuant to paragraph 19.

Under Article 414 (5) of the CSC, any member of the Audit Board is considered independent if s/he is not associated with any specific interest group in the Company and is not in a situation that might affect his/her exemption from analysis or decision making, namely because:

a) s/he is a holder or is acting on behalf of a holder of qualified shareholdings greater than or equal to 2% of the Company's share capital;

b) s/he has been re-elected for more than two terms, whether or not they are consecutive.

The Audit Board currently has two independent members: Gracinda Raposo and Pedro Antunes de Almeida. As for the Chairman of the Audit Board, his appointment to complete the 2005-2007 term occurred following changes in the shareholder structure of Galp and rules agreed upon by the shareholders regarding the election of the members of the corporate bodies (Shareholders' Agreement, entered into in 2006 and terminated in 2015). In this sense, the 2008-2010 term should be considered as the first appointment. Taking the above into account and considering the recognised and prestigious reputation and business and scientific quality of the Chairman of the Audit Board, his independence must also be recognised.

33. Professional qualifications of each of the members of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, where applicable, and other important curricular information, and reference to the section of the report where such information already appears, pursuant to paragraph 21.

The members of the Audit Board have professional skills and qualifications suitable for their roles. Each member's professional profile is presented in Appendix 8.8 of this report.

b) Functioning

34. Availability and place where the rules on the functioning of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, where applicable, may be viewed, and reference to the section of the report where such information already appears pursuant to paragraph 24.

The powers of the Audit Board and its operating rules are defined in its Regulations, approved on 16 April, 2015 and available on the Galp website at https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Supervisory-board-regulations-2015.pdf

35. Number of meetings held and the attendance report for each member of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, where applicable, and reference to the section of the report where such information appears pursuant to paragraph 25.

Pursuant to Article 10(2) of its Regulations, the Audit Board must meet at least once per quarter and whenever the Chairman convenes it, at his own initiative or at the request of the Chairman of the Board of Directors, the Chief Executive Officer or the Statutory Auditor.

In 2017, the Audit Board held 15 meetings. The attendance of the Audit Board members to the meetings held in 2017 was 100%.

36. Availability of each member of the Audit Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, where applicable, indicating the positions held simultaneously in other companies inside and outside the Galp Group, and other relevant activities undertaken by members of these boards throughout the financial year, and reference to the section of the report where such information already appears pursuant to paragraph 26.

In general, the members of the Audit Board have a high level of availability for the performance of their roles.

Appendix 8.9 of this report presents the positions held by the members of the Audit Board in other companies during 2017.

c) Powers and roles

37. Description of the procedures and criteria applicable to the supervisory body for the purpose of hiring additional services from the external auditor.

In accordance with the legal framework for audit supervision approved by Law No 148/2015 of 9 September, which transposed into national law Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, procurement by Galp or any of its subsidiaries or Group companies of additional services from the external auditor or from any entity with which there is an investment relationship or which is part of the same network, depends on the previous authorisation from the Audit Board, in accordance with procedures set in the internal standard.

The Audit Board analyses the compliance with the independence requirements of the auditor, the possibility of being provided by him and their accommodation on the remuneration legal limit.

Additional services provided by the external auditor in 2017 are described in sections 46 and 47 of this report.

38. Other duties of the supervisory body and, where applicable, of the Commission for Financial Affairs.

The role of the Audit Board is to monitor the effectiveness of risk management, internal control and internal audit systems, as well as annually assess the operation of the systems and their internal procedures, strengthening the internal control environment through recommendations and suggestions for adjustment to the operation of the internal control and risk management systems.

The Audit Board monitors the operation of the corporate governance system adopted by Galp and compliance with legal and statutory requirements, as well as legislative and regulatory changes in the area of corporate governance, in particular the recommendations and regulations issued by the CMVM, and presents proposals for improvement of the Company's governance.

In accordance with the legal regime of audit supervision mentioned above, the Audit Board also has the following duties: (i) inform the Board of Directors of the results of the statutory audit, outlining the role and contribution the audit board made to the integrity of the process of preparation and disclosure of financial information: (ii) monitor the preparation and disclosure of financial information and make necessary recommendations to ensure its integrity; (iii) monitor the effectiveness of internal control and risk management and internal audit systems in relation to the preparation and disclosure of financial information, without interfering with independence; (iv) monitor the statutory audit of the individual and consolidated annual accounts, including execution, taking into account any findings and conclusions of the CMVM, in its capacity of the competent authority for audit supervision; (v) verify and monitor the independence of the Statutory Auditor or Statutory Audit Firm in accordance with the law, and in particular verify the adequacy and approval of the provision of other services, in addition to audit services;(vi) select and propose statutory auditors or audit to the General Shareholders Meeting for election, justifiably recommending the preference for one of them

The Audit Board's functions also include;
- issue an opinion on business between the Company and related parties, in accordance with the internal standard; and
- receive, through CEC, reports of irregularities submitted by the Company's shareholders, employees, customers and/or suppliers.

IV - Statutory auditor

39. Details of the statutory auditor and the partner that represents the statutory auditor.

Under Article 420(2)(b) of the CSC, the Audit Board is responsible for proposing the appointment of the Statutory Auditor or Company of Statutory Auditors to the General Shareholders Meeting.

The following Statutory Auditors were suggested by the Audit Board and approved by the General Shareholders Meeting on 16 April 2015, for the four-year term, 2015-2018:

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., registered in the Institute of Statutory Auditors under No. 183 and registered with CMVM under No. 20161485, represented by António Joaquim Brochado Correia, Statutory Auditor No. 1076, or by Ana Maria Ávila de Oliveira Lopes Bertão, Statutory Auditor No. 902, for role of Statutory Auditor; and José Manuel Henriques Bernardo, Statutory Auditor No. 903, as substitute Statutory Auditor.

40. State the number of years that the statutory auditor consecutively carries out duties with the Company and/or Galp Group.

Galp's Statutory Auditor has been consecutively in the role since 16 April 2015.

41. Description of other services that the Statutory Auditor provides to the Company.

Description of other services that the Statutory Auditor provides to the Company is in sections 46 and 47 of this chapter.

V - External auditor

42. Details of the external auditor appointed in accordance with Article 8 of the Securities Code and the partner that represents such external auditor in carrying out these duties, and the respective registration number at the CMVM.

The Galp Group's current external auditor is PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., registered with CMVM under No. 20161485, represented by its partner António Joaquim Brochado Correia, Statutory Auditor No. 1076.

43. State the number of years that the external auditor and respective partner that represents such external auditor in carrying out these duties consecutively with the Company and/or Group.

The external auditor and the respective partner have been operating consecutively with Galp and its Group since 2011, when they were appointed by the Audit Board upon tender procedure, for the term 2011-2013.

At the proposal of the Audit Board and in the Company's interest in ensuring continuity in the provision of audit services, Galp extended the external audit contract with PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. for 2014 and 2015-2018 terms.

44. Rotation policy and schedule of the external auditor and the partner that represents such external auditor in carrying out such duties.

Galp's external auditor's rotation policy which has been applied ensures the Audit Board's selection of the external auditor and related statutory auditor partner at the end of three terms through a process of prior consultation with the main internationally renowned auditors for a period of four years corresponding to the corporate bodies term.

Taking into account the aforementioned rotation policy and the recently published legislation on this matter, at the end of the current term (31 December 2018), the new rules of mandatory rotation of the statutory auditor/external auditor will be complied with through a selection by the Audit Board of a new auditor by a tender process already ongoing.

45. Details of the board responsible for assessing the external auditor and the frequency of such assessment.

The Audit Board, the contact point in the Company and the first recipient of information prepared by the external auditor, annually evaluates the activity of the external auditor, with a critical appraisal of its reports and other relevant documentation.

The Audit Board represents the Company, for all purposes, before the external auditor and, in accordance with Article 19(4) of the By-laws, is responsible for proposing to the General Shareholders Meeting the appointment of the Statutory Auditor/Company of Statutory Auditors and their remuneration, as well as dismissing them.

The external auditor's specific role in the legal audit and examination of accounts includes checking the application of the policies and systems governing the pay of corporate bodies and effectiveness and operation of the internal control mechanisms, reporting any detected deficiencies to the Audit Board.

The Audit Board ensures that the management organisation of the Company, particularly the relationship with the Board of Directors and the Executive Committee, involves providing the external auditor with the information and other conditions required for the respective service to be performed.

Each year the Audit Board, in its annual business report, shall present an assessment of the external auditor.

46. Details of services, other than auditing, carried out by the external auditor for the Company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for such recruitment.

In 2017, the external auditor provided the Company and its subsidiaries with the following non-audit services:

- Limited review on the accounts of a Group company required by concession contract;
- Galp's financial statements translations into English;
- Verification of Group natural gas companies accounts for regulatory purposes; Energy Services Regulatory Authority;
- Verification of financial ratio;
- Certification of the annual declaration of assets for the insurance company's policy Oil Insurance;
- Reports of Galp Energia España, S.A.U. for regulatory purposes;
- Issue of Letter of Comfort about Galp's debt issuance;
- Verification of sustainability report information;
- Consultancy on sustainability information provided;
- Certification of man power rate applicable in provision of services;
- Other small consultancy services.

In addition to the non-audit services mentioned above, in 2017, the statutory auditor provided the following services, required by law to the statutory auditor, which are excluded from the calculation of the fees limit applicable to the non-audit services:

- Validation of natural gas acquisition costs by Galp Gás Natural S.A. and other costs, required by Energy Services Regulatory Authority;
- Validation of "package annual statement" of Galp Energia España S.A. required by Ecoembalafes España S.A.;
- Validation of the "annual statement of acquisitions, sells and production of biofuels and others renewable fuels with the purpose of transportation" of Galp Energia España S.A. required by the Corporación de Reservas Estratéticas de Productos Petrolíferos (CORES).

When procuring services from the external auditor, sufficient internal procedures are in place to safeguard the independence of the auditors, through careful definition of the work to be procured. In order to safeguard the independence of the external auditor, it is expressly forbidden to purchase any type of service that might compromise such independence.

Service provision proposals submitted by the auditor are analysed and evaluated and, where possible, undergo market consultation and, subsequently, are sent to the Audit Board for approval, as described in section 37.

47. Details of the annual remuneration paid by the Company and/or legal entities in a control or group relationship to the auditor or other natural or legal persons pertaining to the same network and the percentage breakdown of the following services: (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873, dated 16 May 2002)

In 2017, the remuneration paid to the auditor and to other natural or legal persons belonging to the same network was as presented in the following table.

By the Company		
Value of audit services	€18,400	1.8%
Value of assurance services	€42,500	4.2%
Value of tax advice servicesl	€0	0.0%
Value of other non-audit services	€17,250	1.7%

By other Group companies		
Value of audit services	€575,856	56.7%
Value of assurance services	€213,680	21%
Value of tax advice servicesl	€0	0.0%
Value of other non-audit services	€148,348	14.6%

The non-audit services represented 49.7% of the average of fees paid to the auditor in the last three years (2014, 2015 and 2016), for audit services to Galp and entities under Galp's control, therefore below the limit of 70% established in article 4 paragraph 2 of EC Regulation number 537/2014 (European Audit Regulation).

The non-audit services (excluding assurance services) represented 16.3% of the total value of the services provided by the external auditor, therefore below the limit of 30% established in CMVM Recommendation IV.2.

C - Internal Organisation

I - By-laws

48. Rules governing amendment of the By-laws (Article 245-A(1)(h) of the Securities Code).

The resolutions of the General Shareholders Meeting on amendments to the By-laws must be approved by a qualified majority of two-thirds of the votes cast (Article 12(4) of the By-laws).

II - Reporting of irregularities

49. Reporting means and policy on the reporting of irregularities in the Company.

The submission of complaints in Galp is regulated in the Reporting of Irregularities Procedure - Ethics Line, adopted by the Audit Board on 3 December 2015 and distributed internally to all employees via normal means of communication and externally through the official Galp website at http://www.galp.com/en/corporate-governance/ethics-and-conduct/reporting-of-irregularities

The Reports of Irregularities Procedure enables any party related to Galp, including employees, members of corporate bodies, shareholders, investors, customers, suppliers or business partners, to report to (CEC) any knowledge or suspicion of irregularities or instances of non-compliance with the Code of Ethics and Conduct, of standards that refer to them or that deal with the topics referred to, in areas of accounting, internal accounting controls, auditing, anticorruption measures, banking and financial crimes.

Such procedure applies to Galp and all companies in which Galp directly or indirectly exercises management control, in all countries where the Galp Group operates.

Galp's CEC receives, process and reports all complaints submitted via the ethical line to the Audit Board, that is responsible for oversight of the Company.

The security of Reporting of Irregularities information and related records is ensured by Galp's internal rules, in accordance with the relevant legislation on data protection and information security.

Personal data processed under the Reporting of Irregularities Procedure and used only in accordance with conditions set forth in Authorisation No. 7924/2015, granted by the National Data Protection Commission (CNPD), and CNPD Resolution No. 765/2009.

Notwithstanding the provisions of the Code of Ethics and Conduct, the Reporting of Irregularities Procedure is of a voluntary nature, so failure to apply does not entail any penalties.

The person identified by the complaint is entitled to receive information about the entity responsible, content of the complaint and purpose of the processing, as well as access the data about him/her and right to demand its correction or deletion, if it is inaccurate, incomplete or ambiguous.

Galp and its subsidiaries guarantee that entities reporting an irregularity or suspected irregularity or providing information as part of a Reporting of Irregularities investigation shall not be subject to any retaliation, intimidation or discrimination, including disciplinary action or withholding or suspension of payments.

Each Reporting of Irregularities case will be treated confidential and all people with access to such information are required to maintain confidentiality. For this reason, the access to Reporting of Irregularities cases is only granted to Audit Board and CEC members and, on a strictly need to know basis, Executive Committee members and employees or external consultants specifically appointed to support the work of the CEC.

All instances of Reporting of Irregularities must be submitted in writing, by email or by letter, to the CEC, at the following addresses:

Email:

opentalk@galp.com

Postal address:

Comissão de Ética e Conduta da Galp Energia, SGPS, S.A.
Edifício Galp, Torre A

Rua Tomás da Fonseca, Torre A

1600-209 Lisboa, Portugal

It is also possible to access Galp's website and fill in the available form.

After two years of its duration and application, Galp's Code of Conduct and Ethics was updated in 2017 and is consequently approved by the participated companies' board of directors.

This update enabled a review of Galp's mission and values, introduction of guidelines to support an ethical decision-making process and evaluation of some rules about employee conduct and relations with stakeholders.

Employees who reported irregularities are required to provide the CEC with all information in their possession and cooperate in the investigation process.

In 2017, 12 cases were reported to the CEC and investigated under the Reporting of Irregularities Procedure, which were analysed and reported to the Audit Board for its decision.

III - Internal control and risk management

50. Individuals, boards or committees responsible for the internal audit and/or implementation of internal control systems.

Galp's internal audit is assigned to the Internal Audit Department, which assesses in an independent and systematic way the proper functioning of Galp's internal control and risk management systems, as well as the implementation of effectiveness and effectiveness of implementation of controls and mitigation actions, informing and regularly alerting the Chairman of the Board of Directors and the Audit Board of relevant data, identifying improvement opportunities and promoting its execution.

The Internal Audit Department annually defines an audit plan, based on the results of risk assessments of different processes and several business units and in line with the Galp's strategic priorities.

Although the Internal Audit Department is under direct supervision of the chairman of the Board of Directors, the Internal Audit Department reports to the Audit Board, which approves the annual plan for internal audit activities and monitors its execution in board meetings in a monthly basis.

The Internal Auditing Department exercised the external quality assessment, performed by the institute of Internal Auditors (IIA), which ensures the conformity of auditing practice in accordance with international rules.

The subjects related to the definition of the Company's internal control system is assigned to the Risk Management Department and the Department of Legal and Governance, integrated in the corporate centre.

The implementation of the internal control activities is responsibility of the operational areas of the business units, corporate functions and Group companies.

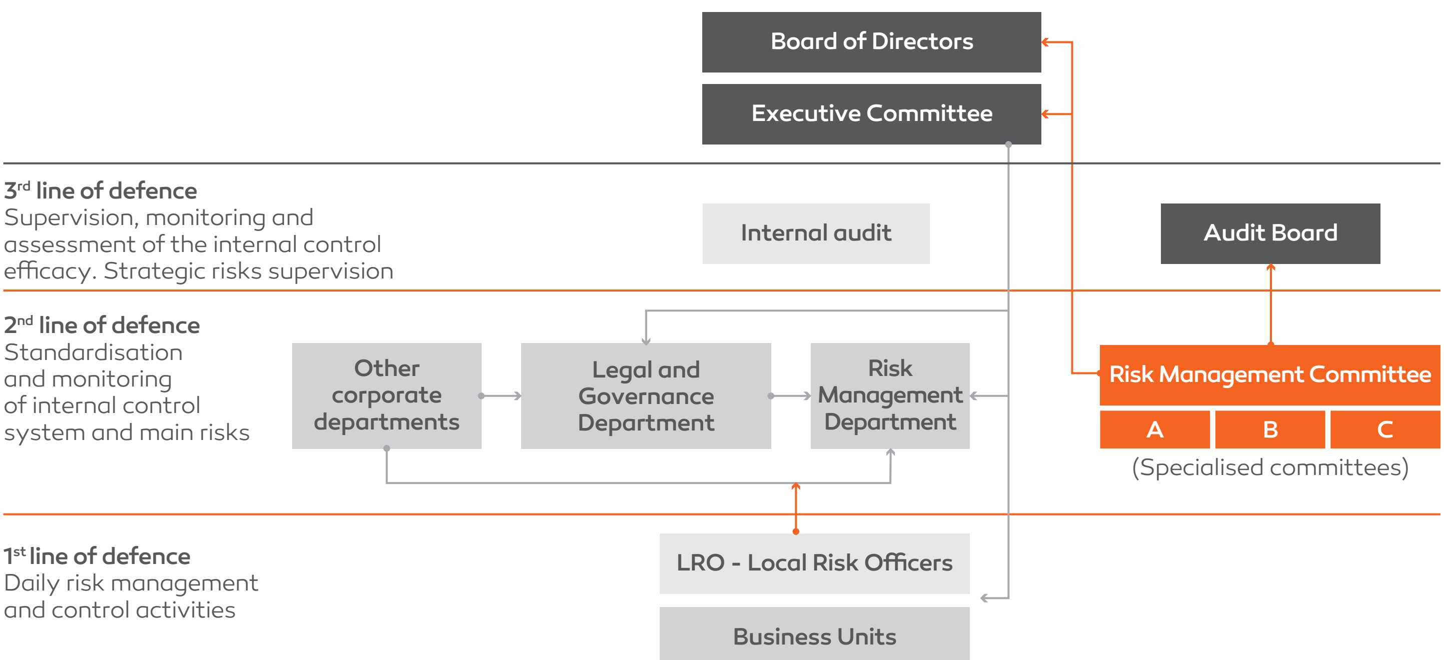
The Internal Audit Department, the external auditor and the Audit Board are all responsible for monitoring the effectiveness of the internal control system and assessing the operation of the system and its internal procedures.

51. Details, including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the Company.

In the Board of Directors meeting conducted on 28 July 2017, it was approved the Internal Control Manual, which follows the COSO – Internal Control Integrated Framework reference mode and establishes the general principles and requirements of the internal control components, as well as the organisational model associated with integrated management of Galp Group internal control, understood as a set of processes executive by the corporate bodies, specialised committees, internal auditor and by Galp's employees, in order to ensure a reasonable compliance with Galp's objectives related to operations, report and conformity.

At Galp, the organisation and governance structure of internal control and risk management is based on the "three lines of defence" model in accordance with generally accepted best practices, as outlined in the chart below.

The three lines of defense approach enables a consistent relation between internal control and risk management daily activities – assigned to the first line of defense, the risk and controls standardisation and monitoring at group processes level – assigned to the second line of defense, strategic and corporate risk supervision and internal control system supervision assigned to the third line of defense.



- The first line of defence has to identify and understand the risk environment, evaluate and communicate the potential value of exposure to risk, determine and implement the best way of capturing or mitigating this exposure to the risk;
- The second line of defence has to monitor risk at corporate level, define standards and regularly report risk and action plans to the Risk Management Committee, the Executive Committee, the Audit Board and the Board of Directors, depending on the issue;
- The third line of defence has to supervise and evaluate, by recourse to independent internal and external entities, the effectiveness of the risk management and the internal control process.

The Executive Committee is responsable, with the support of the Risk Management Committee, to monitor and supervise the most material risks that the Galp Group faces, identified and described in section 53 of this Chapter, as well as monitor the execution of critical projects from a risk perspective.

The Chief Risk Officer (CRO) is member of the Board of Directors and of the Executive Committee, thus ensuring that discussions of the risk topics are consistent and effective at all levels. The Chief Risk Officer is also Chair of the Risk Management Committee and is responsible for overseeing and coordinating risk assessment processes and respective mitigation actions throughout the organisation, as well as for their adequate management, ensuring that the guidelines of the Board of Directors and the Executive Committee are complied with and are reflected in policies and procedures.

The role of the Audit Board is to monitor the effectiveness of the internal control and internal audit systems, as well as to assess annually the functioning of the systems and the respective internal procedures, thus strengthening the internal control environment. Within the framework of its supervisory function, the Audit Board accompanies the work plans and resources entrusted to the Internal Audit Department and the Legal and Governance Department, which is the recipient of periodic reports made by these departments, as well as information on matters related to accountability, identification or resolution of conflicts of interest and the detection of potential illegalities.

The relationship model between the bodies, departments and committees responsible for the implementation of internal control systems favours the centralised management of the risks at the level of the Risk Management Department. This department is responsible for defining, monitoring and evaluating risks and mitigation measures in alignment with approved policies and strategies by ensuring the consistency of the principles, concepts, methodologies and tools for the risk assessment and risk management of all the business units and companies of the Galp Group and ensure the effective implementation of the risk management system, through the relation with the executive committee, risk management committee and business units focal points and Group companies.

The working group within the Risk Management Committee which is engaged with issues related to EQS, including climate change, compliance and regulatory changes, ensuring due integration of these matters into the Company's risk management system.

The Local Risk Officers support the business units risk "owners" in identifying, evaluating and managing the risks in the respective business units, in light of the defined risk management standards. They are also responsible for incorporating risk information in their decision-making process, ensuring compliance with the risk management policies and procedures. Furthermore, they are responsible for compiling, reporting and publishing information on exposure to risk in their business unit.

The Department of Legal and Governance monitors the internal control system through the performance of internal inquiries, audits or risk assessments in ethics and compliance matters such as bribery and corruption, money laundering and terrorism financed, fraud, conflict of interest, political, economic and financial sanctions, and other restricted measures, compliance with markets and financial regulation, as well performing ethics and compliance due diligence to partners and relevant transactions; defines controls on ethics and compliance matters and assess its performance in the diverse Galp's business units, as well as develops special projects in order for Galp to comply with ethical and regulatory matters.

52. Existence of other functional areas responsible for risk control.

As noted and described above, all Galp's management structures are responsible for the implementation of the risk control process in the course of their activities.

In addition to those described in the previous sections, note that, for example, the Department of EQS and Sustainability, the Department of Information Systems and the planning and control areas are also involved in the risk control process.

Indeed, the Department of EQS and Sustainability have been assigned powers of corporate management of environmental, including risks arising from climate change, safety and security risk, as well powers to define and propose evaluation and monitoring methodologies of the environmental and security risk of Galp Group activities and product quality, in conjunction with the business units, ensuring the definition and scheduling of actions to remove or minimise those risks.

The cybersecurity area of the Department of Information Systems is responsible for defining and managing the cybersecurity policy of the Galp Group's information systems

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity.

Galp's commercial operations are long-term in nature, which implies that many of the risks to which it is exposed are permanent. However, the triggering factors of the internal or external risks and opportunities, can be changed, developed and evolve over time, and may vary in probability, impact and detectability.

Galp assumes that the principal challenges faced by the Oil & Gas sector result in the assurance of access to energy in a decarbonisation economy context.

We identify on the next page (in alphabetical order) the risks which may have an impact on Galp's operational and financial performance, as well in reputational image, and the way they are managed and mitigated, including those associated with environmental questions and the fight against corruption and bribery.

The impact of climate change, especially as an aggravating factor of risks "Markets", "Legal and Regulatory", "Competition", "Disrupt events", is incorporated into this analysis.

Galp considers that there are impacts in Galp's business model associated to a transition to a lower carbon economy resulting from regulatory changes, but also changes in consumer and technological patterns. Galp also considers the risks arising from physical impacts of climate change and the opportunities arising out of a transition to a lower carbon economy, including production of energies with lower CO_2 emissions, development of new products and services, gains in energy efficiency, access to new markets and supply chain with bigger resiliency.

Accordingly, in its investment decision-making process, the Company considers a long-term price for carbon ($40/ton). Thus, on the one hand, it intends to give more emphasis to the alternatives with lower CO_2 emissions and, on the other hand, strives to build a portfolio suitable to the transition to a lower carbon economy.

During 2017, the common risks terminology was updated in accordance with the new COSO framework - Enterprise Risk Management (ERM).

With this revision a holist approach to risk management was reinforced incorporating uncertainties, being risks or opportunities, regardless of their nature.

Galp's main risks and uncertainties are managed, monitored and communicated to the counterparties, project, geographical and industrial sectors, as a case may be. Please see section 54 of this Report for the description of the identification, assessment, monitoring, control and risks management processes.

Please note, the identified risks could change over the year, in response to changes caused by exogenous or endogenous factors.

The main risks that Galp faces are the following:

- Cybersecurity;
- Compliance/ Reputation;
- Competition;
- Partner dependency;
- Disruptive events;
- Project execution;
- Portfolio management;
- Markets;
- Political and Legal/Regulatory.

Risk	Risk factors	Mitigation measures
Cybersecurity	The information systems are a crucial component for Galp's activities development and any system failure, whether accidental including those that are caused by network, hardware or software failures or resulting from intentional actions, such as cyberattacks or others, including those that are caused by, may have adverse impacts. These failures may in particular seriously compromise Galp's operations affect the quality of Galp's activities or cause an interruption of these activities, lead to loss, misuse or abuse of sensitive information, loss of lives, damage to the environment or assets and breaches in the legal or regulatory sphere, with the possibility of fines or any other type of measures imposed by the regulatory authorities; and also prejudice the Company's reputation. These events can negatively affect assets value and the Group's results.	Galp mitigates these risks through a series of measures, including control procedures, backup systems, and protection systems, such as firewalls, antivirus and building security. In addition, Galp has implemented information security policies and regularly conducts audits, complementing them with computer risk assessments with respect to the Galp's most important assets, which are risk assessments performed by Galp or an independent specialist in Galp representation which enables to know better potential (critical) suppliers' fragilities.
Compliance/ Reputation	Galp is exposed to negative impacts over its reputation as a result of non-compliance (either real or perceived) with laws and regulation, in particular on topics of corruption eventually practiced by management bodies, employees, suppliers, service providers and counterparties. On the other hand, any irregularities (real or alleged) relating to the international patterns applicable in the countries where we develop activity may have a very important adverse effect in our capacity to continue to carry out activity there. Furthermore, in a context of growing stakeholder influence, the change of consumer preferences in a way of giving relevance to new sources of energy, with lower carbon intensity, may lead to the stigmatisation of Oil & Gas sector and impose on Galp a reputational risk more and more remarkable. These kinds of events may negatively affect the Company's reputation and Groups results.	Galp implemented a Code of Ethics and Conduct and a Corruption Prevention Policy, which can be viewed at Galp's website, with the objective to be committed and ensure the compliance with the best practices and international law and prevent behaviors that may constitute corruption in the geographies where it operates. Under the Corruption Prevention Policy, Galp does not allow its employees and third parties, acting on behalf of the Company, to offer, promise or authorise undue advantages to person, public entity or its related party, including facilitation payments, with a view to obtaining patrimonial or non-equity advantages for themselves, Galp or third parties (active corruption). The Company does not allow accepting advantages for itself, its employee or third party, when the acceptance could harm the independence and exemption of these or Galp, current or future, with respect to the offeror or its related party (passive corruption). Galp also does not allow the use of donations or sponsorships as means to practice an unlawful influence or pressure on any decision with advantage to the Company or its related party, always maintaining the social adequacy with respect to the sector and countries in which it act. In the scope of a continuous practice of internal rule updating, in 2017 Galp has updated its Code of Ethics and Conduct, promoting its adoption by all Group companies, in line with the principles of loyalty, rectitude, honesty, transparency and integrity, on which Galp's activities are based, in order to promote a responsible and ethical culture and to prevent or prohibit improper or unlawful practices. Galp's Code of Ethics and Conduct was consequently approved by the boards of directors of the Group companies in which Galp holds management control. This update allowed to reflect the Company's current mission and values, introduce guidelines that support ethical decision-making, and review some rules regarding employee action and relationships with specific stakeholders.

Risk	Risk factors	Mitigation measures
Compliance/ Reputation (cont.)		In 2017 Galp implemented promotion measures to use effectiveness in the procedure for communication of irregularities in force. At the end of 2017 was started an e-learning action of the Code of Ethics and Conduct applicable to all employees and Group´s corporate bodies. The audit activity performed by a specific organisational structure (Internal Audit Department) enables a continuous control over the compliance with Galp's procedures. Galp applies appropriate processes and procedures in order to assess and mitigate the risk of corruption, including the risk that partners, transactions or commercial / institutional relationships may pose to Galp. In fact, in compliance with best practice, Galp implemented a set of mechanisms and procedures in which transactions with new counterparties are subject to due diligence performed by the Legal and Governance Department (KYC – Know Your Counterparty and KYC – Know Your Transaction), associated to a decision risk model, in order to ensure that relations with counterparties do not involve Galp Inadvertently Galp in corruption, money laundering or terrorism finance, among other risks. For this purpose, Galp has support software to analyse third-party's compliance and risks. Additionally, following the International Chamber of Commerce guidelines, a due diligence questionnaire for third-parties applicable to supplies and business partners was developed. In addition, Galp promotes with their stakeholders measures to prevent corruption and recognise the principles and values set forth in Galp's Code of Ethics and Conduct. At the supplier level, Galp establishes contractual conditions that bind them to compliance with the provisions of the Code of Ethics and Conduct and does not establish or maintain relationships with suppliers that are not in line with the principles of the Code. Galp also promotes training actions to its suppliers in matters of ethics and conduct. In the scope of the mitigation of climate change affects, and aware of the risks and opportunities that come from a transition to a lower carbon economy, Galp has assumed the commitment of gradually diversifying its portfolio to energies with lower carbon emissions to new business models. On this topic, please see Chapter 2 of this report "Strategic framework".

Risk	Risk factors	Mitigation measures
Competition	The energy sector is extremely competitive and exposed to players from other sectors. The competition puts pressure on the prices of raw materials and products, affecting the marketing activities relating to oil products, and demanding constant focus on cost control and increased efficiency while, at the same time, guaranteeing the safety of the operations. The Company's performance may be affected if its competitors develop or acquire intellectual property rights or technology that the Company needs, or if the Company is not able to keep up with the sector in terms of innovation. Additionally, as a result of technological development, the Company may face competition from entities intervening in other industries or sectors of activity. Some of Galp's competitors are well-established operators in the reference markets, with a relevant size and access to a relevant number of resources. The weight of these companies in the market is due to a combination of factors, including diversified and reduced risk; financial capacity necessary for the developments requiring high levels of investment; capacity to benefit from economies of scale in terms of technology and organisation; and a size that allows them to benefit from advantages related to the acquired competencies, established infrastructures and reserves. In this way, these companies have the capacity to make competitive proposals with direct impacts on the effectiveness of Galp's operations. The intense competition to which Galp is subject to can adversely affect its operational and financial performance.	In the E&P business, Galp has a diversified and competitive portfolio, which includes two of the most important development projects in the world – the pre-salt region in Santos basin, Brazil, and the GNL project in Rovuma basin in Mozambique. Additionally, Galp has a series of competitive advantages and keeps a solid capital structure which support its E&P activities. In the downstream business, Galp develops a wide range of activities over the value chain, being a reference operator in Iberia, its core market, and having been developing relevant competencies which contribute to strengthen its activity in the international market. In view of the competition that exists in the energy sector, and to reduce the exposure to risks associated with the high level of operational complexity in the sector, Galp systematically applies the sector's best practices.
Partner dependency	Many of Galp's main projects in the E&P business are carried out through partnerships and may be operated by third parties and managed through joint operations agreements. In the execution of these partner agreements, Galp may be vulnerable to events that affect its partners, even though they are not related to the Company. In particular, partners may have failures in their financial, technical, or operational capabilities to comply with their obligations on the project or in relation to third parties, and as such, could affect the viability of the project that they have jointly with Galp. Additionally, in the scope of the partner agreements, the partners could also have the capability to approve certain matters without the Galp's consent. All these risks could place the execution of projects at risk and, ultimately, constrain and interfere with the implementation of Galp's strategy. In this way, these kinds of events may negatively affect the asset's value and the Group's results.	Despite the fact that Galp does not operate the most relevant E&P projects in its portfolio, it is actively involved in the respective execution. Actually, Galp monitors the activities of each project on a daily basis, using internal, multidisciplinary teams, and maintaining direct contact with operators, which essentially consist of well-respected international companies with vast experience in the sector. Effectively, Galp uses a decision process of previous screening in relation to the strategic partners' selection, and also using due diligence processes. Galp has also developed a long process of negotiations that includes drafting, analysis, negotiating and signing of joint operating agreements in order to ensure Galp's rights and powers in the governance structures under joint venture regime, including the possibility to exercise possible veto rights on the scope of determined consortium decision making processes.

Risk	Risk factors	Mitigation measures
Partner dependency (cont.)	Galp establishes diverse partnerships in the scope of others business areas, becoming dependent on the evolution of the established agreements and selected partners. The risks referred above related to E&P partners are also applicable here: financial, technical, operational partners' insufficiencies that may compromise reliability or the project execution itself.	Within the scope of joint venture, the acquisitions of goods and services are governed by joint operation agreements, to ensure the alignment among all partners on quality, social responsibility and HSE criteria for the pre-qualification of suppliers in the purchasing processes. Local contracting is usually a requirement, varying according to the geographical area of the project and taking into account the specifics of the concession contracts. Galp has proven and diverse experience, combined with the knowledge acquired in the various projects in which it is involved, it is a key factor that allows Galp to have influence in the partnerships in which it participates. Also, for other business areas apart from E&P, partner selection involves a strict selection process which assures that selected partners are reference companies and with high financial, technical and operational capability.
Disruptive events	The nature, variety and technical complexity of Galp's operations, namely in exploration and production in ultra-deep waters or in the refining process, exposes the company to a wide spectrum of EQS risks of a disruptive nature. There are included in this nature chronic physical risks, which may relate to long-term changes in climate patterns (for example, sustained high temperatures, occurrence of successive droughts, changes in the precipitation pattern) which may cause sea level increase or chronic heat waves; acute physical risks regarding those conducted by events, including civil unrest, war and terrorism and natural catastrophes (including severity increase of extreme climatic events, such as cyclones, hurricanes or floods) or operational constraints related to Galp's upstream and downstream assets characteristics. E&P activities are usually developed in extremely defiant environments, with potential risks of technical failures and natural catastrophes. A specific number of factors, such as unexpected drill conditions, pressure or irregularities in geological formations, equipment malfunction or accidents and extreme climatic phenomena that may lead to life loss, environmental damage, compromise reliability or cause facilities destruction. This kind of events may negatively impact Galp's reputation as well its assets value and results.	We understand that the environment, health and safety of our employees, customers and the community, as well protection of our assets, is key to ensure the sustainability of Galp. Consequently, the Company has established a commitment to integrating the most important aspects of EQS (including security) in its strategy and activities, as well as ensure a continued improvement of performance. In this context is important to highlight the approval on 2017 of the internal standard procedure which defines the environmental, health and safety (including security) requirements which should be assured in the decision-making process associated to the different project development stages (over the life cycle). When implementing the guidelines of this system in the Company's daily operations, the business units can identify and manage their own operating risks, through the full cycle of the different projects, equipment and assets. Galp regularly promotes specific HSE audits, internal and external, and carries out assessments to all assets in which it operates with the objective of, through operations and processes of risks control, prevent accidents, preserve operational performance, people, the reputation and the assets. The Company also practices a continuous monitoring of assets operated by third-parties, in accordance with the competences assigned in the terms of the agreements entered into with partners. Galp has also an insurance programme which includes, among others, civil liability to minimise the impact of any potential risks.

Risk	Risk factors	Mitigation measures
Project execution	The organic growth of the Company depends on the creation of a high-quality asset portfolio resulting from an efficient selection and capability of implementing, developing and operating diverse investment projects in the best conditions. However, the projects implementation is exposed to a variety of risks in terms of technical, economic, legal, regulatory, commercial and EQS, that may compromise the execution within the budget and deadline established, in compliance with pre-defined specifications andrespective operation reliability. In addition, the execution of the projects depends also on the performance of Galp's partners, on various service providers and other contracted parties, over whom Galp has no control, therefore the Company is additionally exposed to the risk of execution through these entities. The occurrence of any event that negatively affects the execution of investment projects, may result in a loss in value and/or higher investment costs, thus jeopardising the implementation of Galp's strategic plan. The non-execution of the best investment option in the best technical and financial conditions may have influence on assets value and Group's results.	At Galp, the final investment decision in a project is taken after the adequacy to the Company's strategy is considered, a detailed review of feasibility studies, the evaluation of key variables in the implementation stage, the definition of the concept of development, as well as the mitigation measures protecting the future execution of the project. In the execution phase, the Company constantly monitors the critical factors in order to identify potential risks as quickly as possible, thus ensuring the timely implementation of corrective measures. Also, with respect to the projects where there is not an operator, Galp monitors activities and participates in the various phases of the project, with multidisciplinary internal teams. Galp participates in numerous projects worldwide, enabling it to take advantage of the diversified knowledge and experience that it has, applying various techniques and experience curves from one region to another. With respect to the risk that results from the performance of its partners, it should be noted that Galp develops partnerships with leading companies in the sector, recognised for their knowledge and experience. For more information, please consult the risk section "Partner dependency". With respect to the risk that arises from contracting suppliers, service providers and other third parties, Galp analyses and implements a selection and contracting process, combining multiple operational, compliance and HSE criteria.
Portfolio management	Galp operates its activities with the focus on Oil & Gas. The Company is, however, committed to building a resilient portfolio for different scenarios, including a scenario of rapid decarbonisation. Regarding the E&P business, Galp's future production of oil and natural gas depends on its success in the consistent and profitable acquisition, discovery and development of new reserves to replace the reserves that have already been used. However, the Company's ability to acquire, find and develop new resources and reserves is subject to a number of risks. Estimates with respect to oil and natural gas reserves and resources are based on available geological, technological and economic data and is, therefore, subject to a large number of uncertainties.	Galp conducts a process of strategic planning by scenario, with the ultimate objective of ensuring the Company's sustainability and creation of sustainable long-term value to its stakeholders. All projects undertaken by the Company are rigorously analysed and submitted to the management team for approval, which is only given when the expected value exceeds the estimated cost of the capital and allows an appropriate estimated return. Due to mitigation of climate change effects and awareness of the risks and opportunities from a more or less rapid transition to a lower carbon economy, Galp has assumed the commitment to gradually diversify the portfolio to lower carbon energies. For additional information, please consult Chapter 2 of this report related to Strategic Framework.

Risk	Risk factors	Mitigation measures
Portfolio management (cont.)	The accuracy of these estimates depends on numerous factors, assumptions and variables, some of which are outside the Company's control. These factors include changes in the prices of oil and natural gas, which may have an impact on the amount of proven reserves (given that reserves are calculated on the basis of the prevailing economic conditions on the date of the respective calculation); changes in the applicable tax regime or other regulations and contractual conditions, which occur after the date of calculation of the reserves (which can have an impact on the economic viability of the development of these reserves); and certain actions and performance of third parties, including operators, in which the Company has no control. In addition, the projects may be sanctioned based on incorrect assumptions or inadequate information, resulting in drill results which may oblige to substantial revisions to the initial estimates. Besides that, Galp is subject to strong competition in the bidding for production of oil and natural gas blocks usually made available by governmental authorities, particularly with respect to those which are considered to be potentially more attractive in terms of resources. Due to this competition, Galp may not be able to obtain the desired production blocks, or may have to pay a higher price to obtain them, which may affect the economic viability of subsequent production. Furthermore, political changes related to climate change may reduce geographical areas made available by governments for exploration and production activities. If the Company is not successful in de-risking the resources and in the development of reserves, its total proven reserves may decrease, negatively affecting the Group's value. Additionally, the change in the energy paradigm, with the resulting technological modifications, is an important challenge to Galp. A non-implementation of a new technological strategy would put the Company in a competitive disadvantage in relation to its competitors.	

Risk	Risk factors	Mitigation measures
Markets	The prices of oil, natural gas, LNG and oil-derived products are affected by the dynamics of market supply and demand. In turn, these are influenced by different factors, such as economic and operational circumstances, natural disasters, weather conditions, political instability, armed conflicts or supply constraints of oil exporting countries. Even though in long-term the operational costs tend to be in line with the rise and fall of the prices of raw materials and products, there is no guarantee that this will happen in the short term. Consequently, a reduction in the price could compromise investment plans, including exploration and development activities. On the other hand, increase in prices of oil or natural gas could affect the value and profitability of Galp's assets. Even though the prices that the Company charges its clients reflect market prices, they may not be adjusted immediately, and may not entirely reflect the changes in market prices. Preferences of potential consumer are changing, in particular derivation of procurement increase for solutions with lower carbon intensity, may negatively affect the oil & gas procurement. Galp is also exposed to fluctuations in exchange rates due to the fact that the results and the cash flow generated by the sale of oil, natural gas and refined products are usually set in US dollars and are affected by the exchange rates associated with such currency. In the countries where Galp is developing commercial activities, be it directly or indirectly, the operational results are also exposed to the fluctuations of the relevant exchange rates. Galp is also exposed to the risk of exchange rates in relation to the value of its financial assets and investments, mainly those that are defined in US dollars and in Brazilian Reais, which could have an impact on the Company's financial position, given that the financial statements are expressed in Euros. Despite the ability to access the market instruments designed to hedge the exchange rate risk and interest rate risk, market adverse changes may negatively affect Group's assets value and results.	New projects and investments are evaluated internally, taking into consideration the analysis of their sensitivity to key variables, particularly commodity prices and capex. The projects are equally analysed taking into consideration scenarios of demand and impacts in terms of carbon emissions. The risk associated with the volatility of raw material and products prices, particularly the refining margin, is managed at the business units level, balancing the obligations of sourcing and supply. The aforementioned risk is managed by means of the instrument made available by over-the-counter (OTC) or Intercontinental Exchange (ICE) markets. The interest rate risk, exchange rate risk and other financial risks, including financial investments and debt, are managed centrally. Risk management of the interest rate seeks to reduce the volatility of interest charges through the use of simple derivative instruments, such as swaps. With the aim of mitigating the exchange rate risk, Galp can, whenever it deems necessary, hedge its position by means of derivatives, for which a liquid market exists.

Risk	Risk factors	Mitigation measures
Political and Legal/ Regulatory	A significant part of Galp's results comes and will increasingly come or will be dependent on countries with economic and political risk. Our main E&P projects are located in countries that are not part of OECD and may affect our capability to develop projects in a safe, reliable and profitable way. Those questions include civil disturbance, nationalization or expropriation of assets, regulatory changes on environmental matters, increase in the greenhouse gas price emissions, exposure to disputes, specific regulatory changes of oil & gas sector, allocation of licenses for exploration and production, specific obligations on drilling and exploration activities, or significant increases in taxes and royalties on oil and natural gas production, among others. Additionally, governments have been approving international treaties and agreements and regulatory authorities have been approving regulations that encourage the choice for energies with low level of greenhouse gases emissions, such as renewable energies or other disruptive technologies, wich oblige companies to apply measures to reduce its greenhouse gas emissions. This could raise additionally compliance obligations in respect of emission, capture, sequester and use of carbon dioxide, as well as reporting those values, that result in larger investments and higher project execution costs. Furthermore, in the supply and trading of natural gas business and oil products trading activity, Galp operates in geographies with high political risk. Downstream activities in Iberia are also subject to risks of a legal and regulatory nature. In fact, any changes in these levels can have an impact on the business context in which the Company operates. Any significant change in the rules in force at the time investment projects are selected, can put at risk operation continuity, and may cause a negative impact in assets value and Group's results.	Galp monitors permanently the main events that occur in the countries where it develops its activity namely in Brazil, Angola and in Mozambique. In countries where the exposure is larger, Galp invests in the development of a sustainable relation with the local interested parties. On the other hand, Galp has been establishing a balanced project portfolio through the entry to new geographical areas, which contributes to a risk exposure reduction regarding a specific country. Regarding regulatory risks, the exposure level is analysed at the beginning of the entry process, and potential changes introduced by lawmakers or regulatory authorities are permanently monitored.

54. Description of the procedure for identification, assessment, monitoring, control and risk management.

A strong regulatory framework and a disciplined approach to risk are important elements in an organisation with a large number of different geographies. These are necessary to ensure that the Company performs in line with the strategic objectives, the risks taken produce appropriate returns and value is created for shareholders on a long-term basis.

According to the guidelines defined in the Risk Management Policy, approved by the Board of Directors in August 2016, we identify, assess and manage risks and opportunities related to the defined strategy in our business plan, but also emergent risks and opportunities.

Galp identified a set of critical uncertainties to its business models which formed a set of future alternative scenarios. These critical uncertainties are dependent on political, economic, social, technological, environmental and regulatory factors. In considering diverse scenarios in the strategic formulation process, Galp assures the formation of a resilient portfolio in several aspects. For more information, please see section 2.1 of chapter 2 of this report.

The risks identified through Galp's risk management process is sorted according to priority level, and, dependent on the respective probability, severity and detectability, are then communicated to the Chief Risk Officer and Risk Management Committee.

The referred risks are debated in the respective responsible business unit ("risk owner") and its alignment to Galp's acceptable levels is verified together with the corporate Risk Management team.

According to the three lines defense model (described in section 5.1), the risk management responsibility and respective periodic analysis is assigned to the Group company or to the responsible business unit with the local risk officers' support. Galp has risk management strategies which classify risks by response categories, in accordance to what is decided to avoid, transfer, reduce or accept the risk. The referred response strategies are defined in a way to ensure the risks are according to the guidelines provided by Galp's Board of Directors or Executive Committee.

The incorporation of the insurance activity within the corporate Risk Management Department enables to optimise and manage the risk transfer, whenever that reveals to be the best option.

In 2017, Galp reviewed internal standard of the risk management processes, which define methods of identification, assessment, treatment and monitoring of risks and opportunities, applied to organisational processes (represented in the alongside figure). In this procedure, the environmental financial, reputational and compliance dimensions among others are considered, where uncertainties of emergent regulations related to climate changes are present, ensuring a monitoring and assessment of the relevant uncertainties.

It is intended to ensure an effective applicability of the risk management system through a systematic control of its adequacy and efficiency to monitoring the risks and adequate corrective measures.

It should be noted that the identified and implemented mitigation measures might not be totally effective to provide complete cover of risks Galp is exposed to.

Main activities/risk management stages

55. Core details of the internal control and risk management systems implemented in the Company regarding the procedure for reporting financial information (Article 245(A)(1)(m) of the Securities Code)

Galp drafted and implemented rules and procedures applicable to the control activities for the preparation and report of financial information.

Galp prepares its accounts in compliance with the IFRS accounting international rules, approved by the European Union. To fulfill situations of inexistence or insufficiency in the IAS/IFRS rules or SIC/IFRIC interpretations, Galp has an accounting manual, which follows the market best practices and is applied internally as a complement to the IFRS rules.

With the objective of assessing the operational performance, Galp also discloses the results on a replacement cost adjusted base (RCA), excluding the non-recurrent events and the inventory effect, the latter because the cost of the sold merchandise and raw-materials consumed has been determined by the method of replacement cost valorisation. The "About the Report" section, describes the directives and globally recognised regulations used in the preparation of this report.

Recognising the technological dependency in the process areas, Galp characterises the control activities for financial information report with respect to the use of support technologies (implementation/system of information) and identifies control activities over those technologies.

Galp also recognises the role of productivity software use, including spreadsheets application and database, in support of relevant controls and activities for the financial information report, assessing the underlying risks and identifying control validity activities, monitoring and supervision over the use of such applications.

The process for disclosing financial information by Galp is accompanied not only by the management and supervisory bodies, but also by the business units and corporate centre. The documents for presenting financial information to the capital markets are prepared by the Strategy and Investor Relations Department (DERI), based on information provided by the planning and control of the business units, the Accounting and Taxation and the Corporate Planning and Control departments. In particular, in relation to half-yearly and annual provision of accounts, the documents are sent to the Board of Directors and Audit Board who approves them before disclosure.

Within the scope of its powers, the Statutory Auditor and the external auditor assess the internal control mechanisms of the principal functional cycles of the Group companies with effects in the financial report.

In 2017, Galp developed and implemented an information system for monitoring the insider registration and people with access to this information (permanent and occasional insiders), including financial information, meeting the requirements arising from the recent European legislative reform in this area.

IV - Investor assistance

56. Department responsible for investor assistance, composition, functions, the information made available by such department and contact details.

The service responsible for supporting investors is Investor Relations division (IR) integrated in the DERI.

Composition

Head: Pedro Dias

Investor Relations Officer: Otelo Ruivo

Team: Cátia Lopes, João G. Pereira, João P. Pereira, Teresa Rodrigues

Main duties

The DERI performs all duties of the investor support office. This department reports directly to the Chief Executive Officer and its duties include defining Galp's strategic guidelines, promoting a clear perception of the Company at strategic, operational and financial level towards its stakeholders. In particular, in respect to the investor support duty, the IR area devise, manage and coordinate all the activities required to achieve Galp's objectives in respect of relations with the capital markets, including shareholders, institutional investors and financial analysts.

The IR team is responsible for ensuring that communications with capital markets result in an integrated and consistent perception of Galp's strategy and operations, so that investors are capable of making informed decisions. For this purpose, the IR team provides the market with relevant, clear and accurate information about Galp, regularly, transparently and promptly, aiming at providing information symmetry in the market.

The IR team is also responsible for meeting the legal obligations to report to the regulatory authorities and the market, comprehending drawing up reports disclosing Galp's results and Group's activities, drafting and disclosure communication on important information, providing information requested by investors, financial analysts and other capital market participants, as well the support to the Executive Committee in aspects relating to Galp's status as a publicly traded company.

The IR team monitors changes in Galp's share price and those of comparable companies and supports the management team in direct and regular contact with national and foreign financial analysts and institutional investors, either in conferences and collective presentations addressed to investors, or in bilateral meetings.

Information disclosed

Galp's capital market communication policy aims to provide all relevant information to enable reasoned judgments to be made about the evolution of the Company's activity, expected and achieved results and the various risks and opportunities that can affect its activity.

To that extent, Galp promotes transparent and consistent communication, based on explanations of the criteria used in the provision of information and clarification of the reasons for any amendments to it, in order to facilitate the comparison of information provided in different reporting periods.

Strategy execution

The website provides information on our strategy and its implementation. Our website www.galp.com includes a description of our activities and strategy, including presentations directed to the capital markets.

Corporate governance

The website provides information on the Company's corporate governance, in compliance with the regulations in force in the Portuguese market and in accordance with the best international practices.

Results

The information disclosed to the market includes a summary of the operating information for each quarter, called the trading update, usually published two weeks before the announcement of the quarterly results. Reports and quarterly earnings presentations and their supporting files are usually released before the market opens, on the date that is previously announced, and the audio and transcription of the conference calls on the presentation of results are published afterwards.

Consensus

Galp publishes the quarterly, medium and long-term, results estimated by analysts who cover the Company's action and disclosures a summary of the analysts' recommendations on the share price.

Galp share

With more focus on the capital market, the website includes a section with Galp's share price history, comprehending comparisons with the evolution of PSI-20 and comparable company share prices. Additional information about the Company's shareholder structure, including a description of qualifying holdings, as well as detailed and historical information about the payment of dividends, is also available thereon.

Financial calendar

In accordance with the best international practices, in December Galp announces the event dates of interest to shareholders that will take place in the following year.

In 2017, the financial calendar was the following:

Event	Date
4th Quarter 2016 Trading Update	31 January
Capital Markets Day 2017 and 4th Quarter 2016 Results	21 February
Annual Report & Accounts 2016 (Audited)	11 April
1st Quarter 2017 Trading Update	18 April
1st Quarter 2017 Results	2 May
Annual General Shareholders Meeting	12 May
2nd Quarter 2017 Trading Update	17 July
2nd Quarter 2017 Results	31 July
3rd Quarter 2017 Trading Update	16 October
3rd Quarter 2017 Results	30 October

The calendar for 2018 is the following*:

Event	Date
4th Quarter 2017 Trading Update	5 February
Capital Markets Day 2018 and 4th Quarter 2017 Results	20 February
1st Quarter 2018 Trading Update	13 April
Annual Report & Accounts 2017 (Audited)	16 April
1st Quarter 2018 Results	27 April
Annual General Shareholders Meeting	15 May
2nd Quarter 2018 Trading Update	16 July
2nd Quarter 2018 Results	30 July
3rd Quarter 2018 Trading Update	15 October
3rd Quarter 2018 Results	29 October

* These dates are subject to change.

Communication to the market

All relevant information is disclosed, preferably, before opening or after closing the daily session of Euronext Lisbon and is made available in Portuguese and in English through the CMVM's information disclosure system.

The information is also provided to facilitate access, quickly and without specific costs, to a non-discriminatory database, sent by email to all investors and other stakeholders who have requested so previously.

The database currently has over 2,300 contacts. The relevant information is disclosed simultaneously in the "Investors" section of Galp's website: http://www.galpenergia.com/EN/investidor/Noticias/Paginas/Home.aspx

Contacts

We promote a close relationship with the financial community and are actively involved in meetings with institutional investors and analysts, in order to inform, on a regular and consistent basis, on the Company's strategy and its implementation.

In February 2017, we organised an event for the capital market, for information on the strategic update and financial perspectives until 2021. The Company also held three conference calls, open to the capital markets, to discuss quarterly results and update its strategic execution.

In addition, throughout the year, Galp participated in 16 conferences and 85 roadshows. In all, including ad-hoc meetings and conference calls, the IR team held more than 220 meetings with institutional investors, covering a total of 200 investment funds in Europe, North America, Latin America and Asia. Approximately 40% of these meetings were attended by at least one member of the Executive Committee, underlining the management team's high commitment level to communicating the Company's strategy and its implementation in the capital markets.

During the working hours of Euronext Lisbon, the contact with the IR team can be done through the e-mail address investor.relations@galp.com and by calling +351 217 240 866.

57. Market liaison officer

Galp's representative for market relations is Pedro Dias, Head of DERI.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

To promote a close relationship with the capital markets community, the Head of DERI ensures the response to information requests received by telephone and email.

Responses and clarifications are provided as quickly as possible, adjusting the response time to the nature and complexity of issues at hand, and always ensuring transparency, symmetry and consistency of available market information.

During the year 2017, the IR team responded to over 350 information requests and the average response time was one business day, in line with the target defined.

V - Website

59. Address(es)

Galp publishes information on its website: http://www.galp.com

60. Place where information about the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies is available.

The information set out in Article 171 of the CSC can be found on the Galp website at: http://www.galp.com/en/footer/contacts

61. Places where the By-laws and regulations on the functioning of the boards and/or committees are available.

The By-laws are available on Galp's website at: https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Articles_of_association_2012.pdf

The Regulations of the Audit Board can be found on Galp's website at: https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Supervisory-board-regulations-2015.pdf

The Regulations of the Board of Directors can be found on Galp's website at: https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento_CA_EN_Web.pdf

The Regulations of Galp's Executive Committee can be found on Galp's website at: https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/Regulamento_CE_EN_Web.pdf

62. Place where information is available on the name of the corporate boards' members, the market liaison officer, the investor assistance officer or comparable structure, respective functions and contact details.

The information about the members of the corporate bodies is available at Galp's website at: https://www.galp.com/en/corporate-governance/governing-model-bodies

The information about the market liaison officer and the Investor Relations area is available at Galp's website at: https://www.galp.com/en/investors/investor-support/investor-relations-team

63. Place where the documents are available and related to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and, where applicable, quarterly financial statements.

The accounting documents are available on the Galp's website at: https://www.galp.com/en/investors/reports-and-presentations/reports-and-results

The calendar is available on Galp's website at: https://www.galp.com/en/investors/investor-support/investor-calendar

64. Place where the notice convening the General Shareholders Meeting and all the preparatory and subsequent information related thereto is disclosed.

The notice convening the General Shareholders Meeting and all preparatory and subsequent information related to it are posted on Galp's website at: https://www.galp.com/en/investors/information-to-shareholders/general-shareholders-meetings

65. Place where the historical archive of the resolutions passed at the General Shareholders Meetings, share capital and voting results relating to the preceding three years are available.

The historical record of recent years with resolutions made at the General Shareholders Meetings, share capital represented and the results of votes, can be found on Galp's website at: https://www.galp.com/en/investors/information-to-shareholders/general-shareholders-meetings

D - Remuneration

I - Power to establish

66. Details of the powers to set the remuneration of the corporate boards, members of the Executive Committee or Chief Executive and directors of the Company

The Remuneration Committee is the corporate body responsible for setting the remuneration amounts payable to members of Galp's corporate bodies and Executive Committee and consists of three shareholders elected by the General Shareholders Meeting who are not members of the Board of Directors or the Audit Board, pursuant to Article 8 of the By-laws.

In accordance with Article 248(B)(3) of the Securities Code, Galp's senior executives are the members of the Board of Directors and the Audit Board. Beyond the members of these bodies, no one has regular access to inside information nor participates in decisions about the Company's management and business strategy.

II - Remuneration Committee

67. Composition of the Remuneration Committee, including details of individual or legal persons recruited to provide services to such committee and a statement on the independence of each member and advisor

The Company's current Remuneration Committee was elected at the General Shareholders Meeting of 16 April 2015 for the term 2015-2018 and has the following members:

- Amorim Energia
- Jorge Armindo Carvalho Teixeira
- Joaquim Alberto Hierro Lopes

The members of the Remuneration Committee are independent of the members of the Board of Directors and Audit Board, in compliance with Article 8 of the By-laws which stipulates that those positions are incompatible.

The fact that the non-executive directors Paula Amorim, Marta Amorim, Francisco Teixeira Rêgo, Rui Paulo Gonçalves and Jorge Seabra de Freitas are members of Amorim Energia's Board of Directors does not affect its independence as a member of the Remuneration Committee, given that these members do not take, alone or together, the decisions of the Board of Directors of Amorim Energia.

In 2017, the Remuneration Committee held three meetings.

In 2017, no natural or legal person was recruited to support the Remuneration Committee in the performance of its duties.

68. Knowledge and experience in Remuneration Policy issues by members of the Remuneration Committee.

The members of the Remuneration Committee have control over the remuneration policy based on their academic background and extensive corporate experience and are considered suitable for reflection and decision-making on all matters under the remit of the Remuneration Committee, as evidenced by their biographical information in Appendix 8.9.

Specifically, the Remuneration Committee member Jorge Armindo Carvalho Teixeira has vast professional experience including work in listed companies, management positions, including as Chairman, giving him appropriate knowledge in matters of remuneration in governing bodies of this company type.

III - Remuneration structure

69. Description of the remuneration policy of the Board of Directors and Supervisory Boards, as set out in Article 2 of Law No. 28/2009 of 19 June.

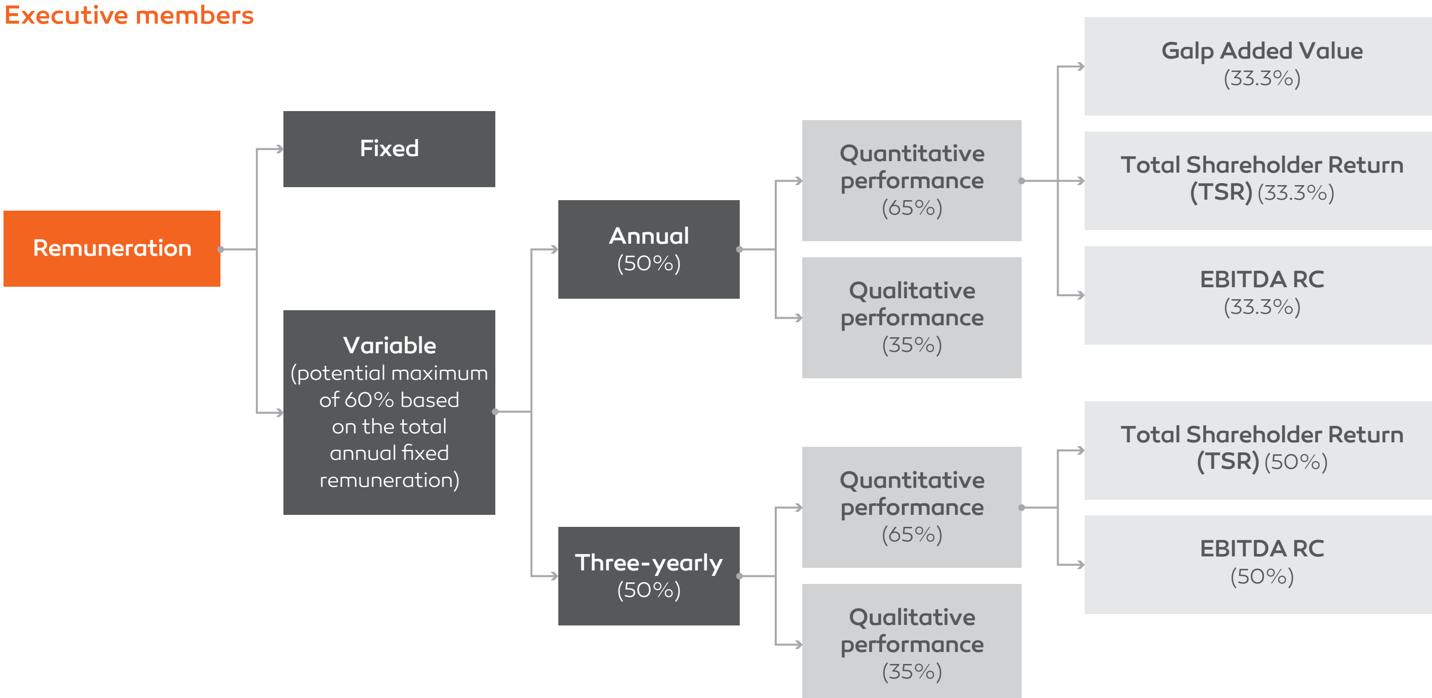
The Remuneration Committee submitted to the approval of the General Shareholders Meeting, held on 12 May 2017, a statement on the remuneration policy for the Galp's corporate bodies for 2017, which describes the process for setting and implementing Galp's remuneration policy for 2017, as well as its general objectives and principles, in accordance with Law 28/2009 of 19 June and in line with the CMVM Regulation No 4/2013 and the CMVM's Corporate Governance Code (2013 Recommendations), in order to ensure greater clarity and effectiveness in communicating the remuneration policy, both to the market and to shareholders. This policy is available on Galp's website at https://galp.com/Portals/0/Recursos/GovernoCorporativo/Shared%20folder/Documentos/Item_8.pdf and a brief description thereof is given below.

Board of Directors

Non-executive members - fixed monthly sum, paid 12 times per year, in an amount set by the Remuneration Committee, taking into account the standard market practice, which may be differentiated, in the case of the Chairman of the Board of Directors, in recognition of the special functions of Company's representation assigned to her/him, and, in the case of non-executive members of the Board of Directors who perform special functions of supervision and monitoring of the Company.

The remuneration of non-executive members of the Board of Directors does not include any amount based on the Company's performance.

Executive members



Board executive members' remuneration of 2017 involves three main components:

Fixed remuneration - the fixed part of the remuneration is a monthly payment, paid 14 times a year, whose amount is set by the Remuneration Committee taking into account the nature of the assigned roles and responsibilities and market practice in equivalent positions in large national and international companies operating in the same sector.

Annual variable remuneration - represents 50% of total variable remuneration, with the amount set based on the following indicators:

- Galp Added Value (GVA), i.e. Galp's Economic Value Added applicable to Galp, with a weight of 33.3%;
- Total Shareholder Return (TSR), with a weight of 33.3%, to enable comparison with the change in Galp's stock market performance (including dividend payments) compared to the following group of comparable companies: Total, Repsol, OMV, MOL and ENI, and the PSI 20 index;
- Galp's EBITDA, at replacement cost, with a weight of 33.3%.

Galp's EBITDA, at replacement cost, to be considered for the purpose of determining the annual variable remuneration, may reflect reasonable adjustments regarding extraneous factors previously defined by the Remuneration Committee, that are adequate to encourage management objectives.

Three-yearly variable remuneration - represents 50% of total variable remuneration, with the amount based on the following indicators:

- TSR Galp vs comparable companies, with a weight of 50%;
- Galp's EBITDA, at replacement cost, with a weight of 50%.

The executive members of the Board of Directors are also entitled to an amount equal to 25% of their fixed remuneration, which is paid 12 times a year, for the purpose of establishing a retirement savings plan or similar financial product.

Each executive member of the Board of Directors also receives the fringe benefits in force at Galp for the exercise of his/her role, in accordance with the Company's terms and conditions in place.

Executive directors who have to travel from their place of residence are entitled to receive a supplement for accommodation expenses, set by the Remuneration Committee.

The remuneration of the Galp's directors includes all remunerations due for posts held in management corporate bodies in other Galp Group companies.

Audit Board

The remuneration of the members of the Audit Board consists of a fixed monthly payment, paid 12 times a year, with the chairman of the Audit Board receiving a different remuneration from the other members of the Audit Board, given the special functions assigned to the chairman.

The remuneration of the Audit Board members does not include a variable component.

Statutory Auditor

The Statutory Auditor is remunerated for the work of review and legal certification of the accounts of the Company in an amount that is contractually set under normal market conditions.

Board of the General Shareholders Meeting

The remuneration of the members of the Board of the General Shareholders Meeting is set following market practice in similar duties and is paid in a single instalment each year.

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the Board of Directors with the Company's long-term objectives and how it is based on the performance assessment and how it discourages excessive risk-taking.

To achieve better alignment of the activities of the directors with the Company's long-term objectives, a policy setting multi-year goals was introduced in 2012.

As provided by the remuneration policy described in section 69 of this Report, the variable remuneration of directors holding executive office includes annual and three-yearly variable components, of the same weighting (50% each). That weighting is based on performance assessment carried out by the Remuneration Committee using specific, measurable and pre-defined criteria which, together, look at the Company's growth indicators and the wealth created for shareholders in a sustained manner in the short, medium and long-term, with a three-year time lag for the year in question in the case of the multi-annual component, under the terms of the above mentioned remuneration policy for 2017.

Accordingly, the use of qualitative criteria oriented towards a strategic medium-term perspective in the development of the Company, the three-year period considered for setting the multi-annual variable remuneration amount and the existence of a ceiling on variable remuneration, are key elements in promoting management alignment with the medium and long-term interests of the Company and its shareholders.

The executive members of the Board of Directors shall not enter into contracts, either with the Company or with third parties, whose effect is to mitigate the inherent risk of their variable remuneration set by the Company.

71. Reference, where applicable, to any variable remuneration component and information on any impact of performance appraisal on this component.

The total variable remuneration amount for each year is set by the Remuneration Committee in accordance with the fulfilment of the previously defined specific targets, with a maximum potential of 60%, by reference to fixed annual total remuneration.

The remuneration of executive directors include a variable component set based on the degree of compliance with certain economic, financial and operational objectives in respect of the previous financial year, as set out in the remuneration policy for 2017, representing 50% of total variable remuneration, in line with generally recognised practice in the national market and representing a reasonable balance between the variable and fixed remuneration components.

The above-mentioned performance indicators contribute 65% to the definitions of the applicable annual and three-yearly variable remuneration. The remaining 35% of each of these components is based on the result of the Remuneration Committee's qualitative assessment of the work of the executive directors during the financial year or during the relevant three-year period, as appropriate.

With the purpose of keeping consistency between the results obtained and the total amount of variable remuneration paid, Galp's a net profit is also considered. Accordingly, if Galp achieves net profit under 80% of budget, there will be no entitlement to payment of variable remuneration.

The three-year variable remuneration represents 50% of total variable remuneration, in line with generally recognised practice in the national market and the regime applicable to banking institutions defined in Appendix II (1) (n) of Directive 2011/61/EU of 8 June 2011, which sets a minimum amount of 40% for deferred variable remuneration.

72. Deferred payment of the remuneration's variable component and specify the relevant deferral period.

The remuneration policy for 2017 provides for the three-year deferral of 50% of the variable remuneration component, in successive and overlapping three-year periods.

The three-yearly variable remuneration is annually set by the Remuneration Committee, establishing a provisional amount based on evaluation in each year of the three year period. However, the actual deferred amount of the three-year variable remuneration depends on (i) fulfillment of the overall objectives for the three-year period, and (ii) qualitative assessment by the Remuneration Committee, following consultation with the non-executive directors, such that the provisional amounts may be reduced or increased at the end of the three-year period in question, as a result of the assessment.

The first three-year period to be considered was 2013-15. The deferral current period is 2015-2017.

73. Criteria whereon the allocation of variable remuneration on shares is based, and also on maintaining the Company's shares that the executive directors have had access to, on the possible share contracts, including hedging or risk transfer contracts, the corresponding limit and its relation to the total annual remuneration value.

Galp currently has no system for the allocation of variable remuneration in shares.

74. Criteria whereon the allocation of variable remuneration on options is based and details of the deferral period and the exercise price.

Galp currently has no system for the allocation of variable remuneration in options.

75. Key factors and grounds for any annual bonus scheme and any other non-financial benefits.

Galp does not have an established annual bonus scheme.

The executive directors are entitled to a car allowance and to health insurance.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and date when such schemes were approved at the General Shareholders Meeting, on an individual basis.

The Remuneration Committee, pursuant to Article 8 of the By-laws, is the competent entity to approve the pension or pension compensation, at the expense of the Company, which is attributed to the executive directors.

The remuneration policy for 2017, approved by the General Shareholders Meeting and described in section 69 of this report, provides the attribution of an amount of 25% of the annual fixed remuneration to the members of the Executive Committee for application on a retirement savings plan or financial product at their discretion.

This savings plan entails no cost for Galp in the future, insofar as it represents the allocation of an amount for financial investment, while the members of the Executive Committee perform their duties and does not fall under the terms of Article 402(1) of the CSC.

IV - Remuneration disclosure

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the Board of Directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to the same.

The gross annual amount of remuneration received in aggregate form by the members of the Company's Board of Directors during the 2017 financial year, as set by the Remuneration Committee, was €6,735,078.23, of which €4,145,283.34 was fixed, €1,306,967 in variable remuneration, €982,100.00 for the retirement savings plan and €300,727.89 in other benefits.

The table below presents the itemised individual gross remuneration received by the members of the Board of Directors in 2017.

Individual remuneration of members of the Board of Directors for the year 2017 (€)

Executive Directors

Name	Position	Fixed Remuneration	Variable Remuneration [1]	Retirement savings plan	Others	Total Remuneration
Carlos Gomes da Silva	Vice-Chairman and Executive Chairman	980,000	368,433	245,000	110,769	1,704,202
Thore E. Kristiansen	Executive	490,000	200,550	122,500	97,650	910,700
Filipe Crisóstomo Silva	Executive	420,000	171,900	105,0000	0	696,900
Carlos Costa Pina	Executive	420,0000	171,900	105,000	0	696,900
José Carlos Silva	Executive	420,000	171,900	194,600	92,307	878,807
Pedro Ricardo	Executive	420,000	123,884	105,000	0	648,884
Tiago Câmara Pestana	Executive	420,000	98,400	105,000	0	623,400
Total		3,570,000	1,306,967	982,100	300,727	6,159,794

Non-executive Directors

Name	Position	Fixed Remuneration	Variable Remuneration[1]	Retirement Savings Plan	Others	Total Remuneration
Paula Amorim	Non-Executive Chairman	0[2]	0	0	0	0
Miguel Athayde Marques	Non-Executive Vice-Chairman	71,283	0	0	0	71,283
Sérgio Gabrielli de Azevedo	Non-Executive Director	84,000	0	0	0	84,000
Abdul Magid Osman	Non-Executive Director	84,000	0	0	0	84,000
Marta Amorim	Non-Executive Director	42,000	0	0	0	42,000
Raquel Vunge	Non-Executive Director	42,000	0	0	0	42,000
Francisco Rêgo	Non-Executive Director	42,000	0	0	0	42,000
Jorge Seabra de Freitas	Non-Executive Director	42,000	0	0	0	42,000
Rui Paulo Gonçalves	Non-Executive Director	42,000	0	0	0	42,000
Luis Todo-Bom	Non-Executive Director	42,000	0	0	0	42,000
Diogo Tavares	Non-Executive Director	42,000	0	0	0	42,000
Joaquim Borges Gouveia	Non-Executive Director	42,000	0	0	0	42,000
Total		575,283	0	0	0	575,283

[1] Corresponds to the variable annual remuneration for 2016 and variable multiannual remuneration for the three-year period 2014-2016.
[2] The chairman of the Board of Directors donated her remuneration to the Galp Foundation.

The variable remuneration is set under the provisions of section 72 of this chapter.

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control.

The remuneration of Galp's directors includes all remunerations due for posts held on management bodies in Galp Group companies, therefore, no other payments were made by companies in a controlling or group relationship or under common control.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons such bonuses and/or profit sharing being awarded.

Galp does not have any other remuneration system for its directors in the form of profit sharing and/or payment of bonuses.

80. Compensation paid or owed to former executive directors concerting contract termination during the financial year.

No compensation was paid or owed to former executive directors because of termination of their duties during the 2017 financial year.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the Company's supervisory body, for the purposes of Law 28/2009 of 19 June.

The aggregate remuneration paid to the members of the Audit Board in 2017, as per terms set by the Remuneration Committee, was €92,400.

The individual remuneration amounts paid to the permanent members of the Audit Board in 2017 are as follows:

Name	Position	Fixed Remuneration (€)
Daniel Bessa	Chairman	42,000
Gracinda Raposo	Member	25,200
Pedro Antunes de Almeida	Member	25,200
Total		92,400

82. Details of the remuneration in such year of the Chairman of the General Shareholders Meeting.

In 2017, the Chairman of the Board of the General Shareholders Meeting received remuneration in the amount of €3,000.

V - Agreements with remuneration implications

83. Envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance to the remunerations' variable component.

In accordance with the remuneration policy for 2017, Galp does not have agreements in place that provide payments in the event of unfair dismissal of a director. The amounts due are determined by legal provisions but there is no payment of remuneration sums in respect of the variable component if the net profit of the Galp Group is above 80% of the budget.

The remuneration policy for 2017 is the legal instrument under which is not demandable to the director removed due to inadequate performance any indemnity, nor compensation beyond the legal regime is required.

The remuneration policy of the members of the corporate bodies for 2016 provided that, in exceptional and duly motivated circumstances, in particular in the case of critical managerial functions, there could be specific compensation or retention mechanisms, for a period of office not higher than two consecutive terms, considering the evolution in the international market for recruiting senior executives with experience and committed for medium/long term availability, as well as the need of the Company to ensure competitive conditions both for recruiting and retention of such officers. Within the scope of this policy an additional compensation was set for the retention of the CEO and the COO for the E&P business up to 2019, corresponding to, respectively, three times and two times the yearly total remuneration of each of these officers.

The remuneration policy of the members of the corporate bodies for 2018 no longer provides for this type of mechanism and other remuneration incentive models are being considered.

84. Reference to the existence and description, with details of the sums involved, of agreements between the Company and members of the Board of Directors and managers, pursuant to Article 248(B)(3) of the Securities Code, that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid. (Article 245(A)(1)(l) of the Securities Code).

Galp is not a party to any agreements with the members of the Board of Directors and other senior executives, within the meaning of Article 248 (B) (3) of the Securities Code, providing for compensation in the event of resignation, dismissal without valid reason, or termination of the employment relationship following a change in Company's control.

Taking into account the evolution of the international recruitment market of senior executives with experience and commitment of medium/long term availability, and given the Company's need to ensure the competitiveness of the conditions for recruitment and retention, Galp's remuneration policy for 2017 - in exceptional and duly justified cases, namely by the special business criticality of the duties to be performed - allows the application of adopted specific incentive/compensation mechanisms for a maximum period of two successive terms.

VI - Share and/or stock options plans

85. Details of the plan and the number of persons included therein.

Galp has no share plans or share purchase options.

86. Characterisation of the plan (allocation conditions, non-transfer of share clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares or options to be allocated, the existence of incentives to purchase and/or exercise options)

Galp has no share plans or share purchase options.

87. Stock option plans for the Company's employees and staff.

Galp has no share plans or share purchase options.

88. Control mechanisms for a possible employee-shareholder system insofar as voting rights are not directly exercised by such employees (Article 245(A)(1)(e) of the Securities Code).

Galp has no share plans or share purchase options.

E - Transactions with related parties

I - Control mechanisms and procedures

89. Mechanisms implemented by the Company for the purposes of controlling transactions with related parties (For such purpose, reference is made to the concept resulting from IAS 24).

In order to safeguard the Galp Group's interest in situations of potential conflict of interest, Galp adopted internal procedures for compliance with the relevant accounting standards, in particular IAS 24, as well as implemented the regulatory standard on the control of transactions between Galp and related parties, establishing the internal rules and procedures to identify, internal report and control by the Audit Board.

90. Details of transactions that were subject to control during the year.

In 2017, transactions with related parties subject to the control of the Audit Board did not occur.

91. Description of the procedures and criteria applicable to the Audit Board when it provides preliminary assessment of the business deals to be carried out between the Company and the holders of qualifying holdings or entities in any relationship with them, in accordance with Article 20 of the Securities Code.

Galp's engagement in business with related entities, as defined in IAS 24, is subject to the prior opinion of the Audit Board in accordance with internal standard "Galp Group Transactions with Related Parties", to safeguard the Galp Group's interest in situations of potential conflict of interest notwithstanding compliance with the legal provisions in force, available at https://www.galp.com/Portals/0/Recursos/Governo-Societario/SharedResources/Documentos/EN/NT-R-Transacoes-Grupo-Galp-Partes-Relacionadas-EN.pdf

This regulation applies to relevant transactions between Galp (or any entity in which it has management control) and related parties.

The Company Secretary is required to subject a proposed relevant transaction with a related party to the prior opinion of the Audit Board along with the supporting information proposing the transaction, including, in particular, its economic value, specification of the contractual formation procedures adopted and demonstration of compliance of the transaction conditions with normal market conditions.

The Audit Board must issue an opinion within five business days, otherwise the opinion will be deemed favourable.

In urgent and exceptional situations, approved beforehand and duly justified, in accordance with the approval rules in place, in which a favorable opinion from the Audit Board may significantly harm the value of the transaction for Galp, the aforementioned opinion must be requested afterwards, as soon as possible.

If the Audit Board issues a negative prior opinion, the board of directors of the Group company may decide to go forward with the transaction, on the grounds that it will aim at pursuing the relevant social interest of Galp or the entity of the Galp Group.

II - Data on business deals

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of such data.

Information on transactions with related parties, in accordance with IAS 24, is available in Note 23 of Appendix to Galp's consolidated accounts.

PART II

Corporate governance assessment

1. Identification of the Corporate Governance Code adopted

Under and for the purposes of Article 2 of CMVM Regulation No. 4/2013, Galp decided voluntarily to be governed by the CMVM Corporate Governance Code, approved in 2013 (the "CMVM Recommendations"), available on the CMVM website at www.cmvm.pt.

2. Compliance analysis of the Corporate Governance Code adopted

The Company's corporate governance has evolved towards best corporate governance practices recognised at international level and the CMVM Corporate Governance Code and it has adopted the vast majority of the applicable recommendations.

Out of a total of 40 recommendations, Galp has fully adopted 31, six are not applicable while three have not been adopted for the reasons listed in the table below. The justification of adoption each recommendation or reference to the section of this chapter of this report where the respective matter is addressed at length (chapter, title, section, page) is also indicated in the following table, together with the justification of any non-adoption or partial adoption of certain recommendation and also indication of any alternative mechanism selected by the Company for pursuing the same objective of the recommendation.

	CMVM Recommendation	Company governance practice	Justification	Reference to this report
I - Company vote and control				
I.1	Companies must encourage their shareholders to participate and vote in General Shareholders Meetings, namely by not setting an excessively high number of shares necessary for voting rights and by implementing the essential resources for exercising the right to vote by post and electronically.	Adopted		Chapter 6, Part I, B, title I b), section 12, page 91
I.2	Companies must not adopt mechanisms that impede shareholder decision-making, namely by setting a quorum for passing resolutions that is higher than that provided in law	Not adopted	The quorum for passing resolutions of two thirds of the votes cast for some resolutions of the General Shareholders Meeting in accordance with the By-laws, in addition to the matters provided in law, seeks to ensure that the shareholders are adequately represented in the adopting resolutions on strategic matters for the Company.	

	CMVM Recommendation	Company governance practice	Justification	Reference to this report
I.3	Companies must not establish mechanisms whose effect is to create a time lag between the right to receive dividends or to subscribe new securities and the voting right of each ordinary share, unless properly justified based on the long term interests of the shareholders.	Adopted		Chapter 6, Part I, B, title I b), section 12, page 91
I.4.	Company by-laws that provide for limitation on the number of votes that may be held or exercised by a single shareholder, individually or by agreement with other shareholders, must also provide that, at least every five years, the General Shareholders Meeting shall decide whether to change or maintain this statutory provision - without quorum requirements beyond legal provisions - and this resolution shall count all votes cast without the limitation applying.	Not applicable	The By-laws provide for one share, one vote, and do not provide for any limitation on the number of votes that may be held or exercised by a single shareholder, individually or by agreement with other shareholders.	Chapter 6, Part I, B, title I b), section 12, page 91
I.5.	Galp must not adopt measures whose effect is to demand payments or the assumption of costs by the company in the event of a transfer of control or change in the composition of the Board of Directors and which might damage the free transferability of the shares and the free appraisal of the performance of the members of the Board of Directors by the shareholders.	Adopted		Chapter 6, Part I, A, title I, section 4, page 88
II - Supervision, management and oversight				
II.1. Supervision and Management				
II.1.1.	Within the limits established by Law and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running of the company and the delegated duties should be identified in the Annual Report on Corporate Governance.	Adopted		Chapter 6, Part I, B, title II a), sections 21 and 29, pages 99 and 104
II.1.2.	OThe Board of Directors shall ensure that the company acts in accordance with its goals and should not delegate its duties, namely in what concerns: i) the definition of the company's general strategy and policies; ii) the definition of the corporate structure of the group; iii) decisions to be considered strategic due to their amount, risk or special features.	Adopted		Chapter 6, Part I, B, title II a), section 29, page 104
II.1.3.	The General and Supervisory Board, in addition to the exercise of the supervisory powers entrusted to it, shall assume full responsibilities in terms of corporate governance, so that, by statutory provision or by equivalent means, the requirement shall be enshrined for this body to deliberate on the strategy and main policies of the company, by defining the corporate structure of the group and decisions to be considered strategic due to their amount or risk. This body must also evaluate compliance with the strategic plan and the implementation of the main policies of the company.	Not applicable	Galp's governance model does not include a General and Supervisory Board, wherefore the recommendation is not applicable.	

	CMVM Recommendation	Company governance practice	Justification	Reference to this report
II.1.4.	Unless the company is of a reduced size, the Board of Directors and the General and Supervisory Board, in accordance with the model adopted, shall set up the necessary Committees to: a) ensure competent and independent assessment of the performance of the executive directors as well as their own overall performance, and the performance of all existing committees; b) reflect on the adopted governance structure, system and practices, assess their efficiency and propose measures to be implemented with a view to improvement of the competent bodies.	Adopted		a) Chapter 6, Part I, B, title III b), sections 24 and 27, pages 102 and 103 b) Chapter 5, Part I, sub--chapter B, title III c), sections 27 and 38, pages 103 and 109
II.1.5.	The Board of Directors or the General and Supervisory Board, in accordance with the applicable model, must set targets for risk-taking and create systems for risk control to ensure that the risks actually incurred are consistent with those goals.	Adopted		Chapter 6, Part I, C, title III c), sections 50 to 52, pages 113 to 115
II.1.6.	The Board of Directors shall include a number of non-executive members to ensure it has efficient capability for supervision, oversight and assessment of the activity of the other members of the Board of Directors.	Adopted		Chapter 6, Part I, B, title II a), section 18, page 95
II.1.7.	The non-executive directors must include an adequate proportion of independent directors, given the adopted governance model, the company's size and its shareholder structure and respective free float. The independence of the members of the General and Supervisory Board and of the members of the Audit Committee is ascertained in accordance with current legislation and the other members of the Board of Directors are considered independent if they are not associated with any specific interest group in the Company and are not in any situation that might affect their impartiality of analysis or decision-making, in particular because: a) they have been employees of the company or of a company with which it has been in a controlling or group relationship in the past three years; b) in the past three years they have provided services or established a significant business relationship with the company or a company with which it is in a controlling or group relationship, either directly or as a partner, director, officer or manager of a legal entity; c) they are in receipt of remuneration paid by the company or by a company with which it is in a controlling or group relationship, in addition to remuneration earned as a director; d) is the partner, spouse or relative in the first degree and up to and including the third degree of a director or an individual with a direct or indirect qualifying holding; e) is a qualifying shareholder or representative of a qualifying shareholder.	Adopted		Chapter 6, Part I, B, title II a), section 18, page 95

	CMVM Recommendation	Company governance practice	Justification	Reference to this report
II.1.8.	Directors with executive duties, when so requested by other members of governing bodies, to supply information shall do so promptly and in a form that is appropriate to the nature of the information requested.	Adopted		Chapter 6, Part I, B, title I c), section 29, page 104
II.1.9.	The Chief Executive Officer or the Chairman of the Executive Committee shall send the calls and minutes of the respective meetings, as applicable, to the Chairman of the Board of Directors, the Chairman of the Audit Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Committee.	Adopted		Chapter 6, Part I, B, title I c), section 29, page 104
II.1.10.	If the Chairman of the Board of Directors has executive powers, this body shall appoint one of its members as an independent director to ensure coordination of the work of the other non-executive members and the conditions for ensuring that they can make independent and informed decisions, or find another equivalent mechanism for ensuring such coordination	Not applicable	The Chairman of the Board of Directors of Galp does not perform executive functions.	
II.2. Supervision				
II.2.1.	Depending on the applicable model, the Chairman of the Audit Board, the Audit Committee or the Financial Matters Committee shall be independent, in accordance with the applicable legal standard and shall have the necessary skills to carry out his/her functions	Not adopted	The Chairman of the Audit Board was re-elected for the third time. However, the respective appointment for completion of the 2005-07 term followed changes in Galp's shareholder structure and rules, agreed by the shareholders regarding the election of members of the governing bodies (Shareholders' Agreement of 2006). Therefore, the 2008-10 term is considered to be the first appointment. Given the above and the recognised and prestigious reputation for entrepreneurial and scientific excellence of Galp's Chairman of the Audit Board, the Company has no doubt about his independence	
II.2.2.	The supervisory body shall be the main point of contact for the external auditor and the first recipient of the respective reports, responsible, among other things, for proposing the respective remuneration and ensuring that the company has suitable conditions in place for the provision of the services.	Adopted		Chapter 6, Part I, B, title V, section 45, page 111
II.2.3.	Every year, the supervisory body must assess the external auditor and propose its removal or the termination of the contract for the provision of its services to the competent body, whenever there is a just cause for that.	Adopted		Chapter 6, Part I, B, title V, section 45, page 111
II.2.4.	The Audit Board shall evaluate the operation of the internal control and risk management systems and propose any necessary adjustments.	Adopted		Chapter 6, Part I, C, title III, sections 50 and 51, page 113 and 114

	CMVM Recommendation	Company governance practice	Justification	Reference to this report
II.2.5.	The Audit Committee, the General and Supervisory Board and the Audit Board shall decide on work plans and the resources allocated to the internal auditing services and the services that ensure compliance with the standards applicable to the company (compliance services); reports produced by these services must be sent to these bodies at least when they relate to matters of accounting, identification and resolution of conflicts of interest and detection of potential illegalities.	Adopted		Chapter 6, Part I, C, title III, sections 50 and 51, page 113 and 114
II.3. - Remuneration setting				
II.3.1.	All members of the Remuneration Committee or equivalent body must be independent of the executive members of the Board of Directors and there must be at least one member with knowledge and experience in remuneration policy matters.	Adopted		Chapter 6, Part I, D, title II, section 67, page 130
II.3.2.	No natural or legal person currently providing or having in the last three years provided services to anybody dependent on the Board of Directors, to the Company's Board itself, or who has a current relationship with the Company or with an advisor of the Company, shall be recruited to support the Remuneration Committee in the exercise of its duties. This recommendation also applies to any natural or legal person connected with such an employment or service provision contract.	Adopted		Chapter 6, Part I, D, title II, section 67, page 130
II.3.3.	The statement on the remuneration policy of the management and supervisory bodies, as provided in Article 2 of Law No. 28/2009 of 19 June, must also contain the following: a) identification and explicit statement of the criteria for determining remuneration paid to the members of the governing bodies; b) information on any maximum amount, in individual and aggregate terms, to be paid to the members of the corporate bodies and identification of the situations in which these maximum amounts may be due; c) information as to the enforceability or unenforceability of payments for dismissal or termination of directorial functions.	Adopted		Chapter 6, Part I, D, title III, section 69, page 130
II.3.4.	Proposals for approval of plans for allocation of shares and/or share purchase options or based on share price variations to the members of the corporate bodies must be submitted to the General Shareholders Meeting.The proposal shall mention all the necessary information for a correct assessment of the plan.	Not applicable	Galp has no share allocation plans or share purchase options.	

	CMVM Recommendation	Company governance practice	Justification	Reference to this report
II.3.5.	Proposals for approval of the establishment of any system of retirement benefits for the members of the corporate bodies must be submitted to the General Shareholders Meeting. The proposal shall mention all the necessary information for a correct assessment of the system.	Not adopted	In accordance with Article 8 of the By-laws, the Remuneration Committee, elected by the General Shareholders Meeting, is the body with powers to approve the pension or pension compensation, paid by the Company, to which the executive directors are entitled.	
III - Remuneration				
III.1.	The remuneration of the executive members of the Board of Directors must be based on actual Company performance and must discourage excessive risk-taking.	Adopted		Chapter 6, Part I, D, title III, section 70, page 132
III.2.	Remuneration of non-executive members of the Board of Directors and remuneration of the members of the Audit Board shall not include any component whose value depends on company performance or value.	Adopted		Chapter 6, Part I, D, title III, section 69, page 130
III.3.	The variable component of the remuneration must be in reasonable proportion to the fixed remuneration component and maximum limits must be set for all components	Adopted		Chapter 6, Part I, D, title III, section 71, page 133
III.4.	A significant part of the variable remuneration shall be deferred for a period not less than three years and the right to receive it shall depend on the company's ongoing positive performance during that period.	Adopted		Chapter 5, Part I, D, title III, section 72, page 133
III.5.	The members of the Board of Directors shall not enter into contracts, either with the Company, or with third parties, whose effect is to mitigate the inherent risk of their variable remuneration set by the company.	Adopted		Chapter 6, Part I, D, title III, section 70, page 132
III.6.	Until the end of their terms, the executive directors shall retain the company's shares allocated to them under variable remuneration schemes, up to twice the value of total annual remuneration, except those that need to be sold for the payment of taxes on the income from the shares..	Not applicable	The executive directors were not allocated any Company's shares by way of variable remuneration.	
III.7.	Quando a remuneração variável compreender a atribuição de opções, o início do período de exercício deve ser diferido por um prazo não inferior a três anos.	Not applicable	Variable remuneration does not include allocation of share options.	
III.8.	When the director's dismissal is not due to serious breach of duties or unsuitability for the normal exercise of the functions in question, but is still attributable to inadequate performance, the company must have recourse to suitable and necessary legal instruments to ensure that any damages or compensation, beyond what is legally due, are not enforceable.	Adopted		Chapter 6, Part I, D, title III, section 83, page 136

	CMVM Recommendation	Company governance practice	Justification	Reference to this report
IV - Audit				
IV.1.	The external auditor shall, as part of his/her powers, verify the application of corporate body remuneration policies and systems, the effectiveness and operation of internal control mechanisms and shall report any short comings to the company's supervisory body.	Adopted		Chapter 6, Part I, B, title V, section 45, page 111
IV.2.	The company or any entities in a controlling relationship with it shall not recruit the external auditor, or any entities in a group relationship with the external auditor or in the same network, to provide services other than audit services. If there are reasons for procuring such services - which must be approved by the supervisory body and explained in its Annual Corporate Governance Report - they shall not account for more than 30% of the total amount of the services rendered to the company	Adopted		Chapter 6, Part I, B, title V, sections 46 and 47, pages 111 and 112
IV.3.	Companies shall promote the rotation of auditors after two or three terms, respectively, depending on whether terms last three or four years. Retaining them beyond this period must be based on a specific opinion of the Audit Board that expressly weighs up the conditions of independence of the auditor and the cost/benefits of replacement.	Adopted		Chapter 6, Part I, B, title V, section 44, page 110
V - Conflicts of interest and related party transactions				
V.1.	The company's business with holders of qualifying interests or entities with which they are in any relationship, pursuant to Art. 20 of the Portuguese Securities Code, shall be transacted under normal market conditions.	Adopted		Chapter 6, Part I, D, title III, section 10, page 90
V.2.	The supervisory or oversight body must establish the required procedures and criteria for setting the relevant level of business with shareholders with qualifying interests or with entities in a relationship with them as provided in Article 20(1) of the Portuguese Securities Code - supervision of business of significant relevance dependent on the prior opinion of that body.	Adopted		Chapter 6, Part I, E, title I, sections 89 and 91, page 137
VI - Information				
VI.1	Companies must provide, through their websites, in Portuguese and English, access to information providing knowledge of their development and current situation in economic, financial and governance terms.	Adopted		Chapter 6, Part I, C, title V, sections 59 and 65, page 129
VI.2	Companies shall ensure the existence of an investor support and market liaison service, to respond to requests from investors promptly. A record must be kept of requests submitted and their processing.	Adopted		Chapter 6, Part I, C, title IV, section 56, page 126

Patrícia Brandão, Sines' Port – Portugal, 2018

Photo by Arlindo Camacho, Galp Lisbon - Portugal, 2018

Sérgio Cersosimo, a geophysicist at Galp, has his feet firmly set on the ground.

He wanted to be an astronomer but ended up interpreting signals from well beneath the surface of the earth.

Galp Energia, SGPS, S.A., on an individual basis, closed the year of 2017 with a net profit of 421,887,599.92 EUR, calculated in accordance with the International Financial Reporting Standards (IFRS).

The Board of Directors proposes, under legal terms, that the net income for 2017 of EUR 421,887,599.92 should be distributed to shareholders. The Board of Directors also proposes, under article 31 of Commercial Companies Code, the distribution of the amount of EUR 34,200,249.33 derived from retained earnings.

The amount to be paid to shareholders related to the financial year of 2017, will be EUR 248,775,190.50, corresponding to EUR 0.30/share, that added to the EUR 207,312,658.75, corresponding to EUR 0.25/share, paid as an advance dividend on the profits on September 2017, it totals an amount to distribute to shareholders of EUR 456,087,849.25, corresponding to EUR 0.55/share.

It is further proposed that a maximum amount of EUR 22,211,890 be distributed to Galp Group's employees and executive directors of Galp Energia SGPS, S.A. as profit sharing, an amount already recognized and expressed in the consolidated financial statements of Galp Energia, SGPS, S.A. and in the individual of each of its subsidiaries, and the respective net results for 2017 have been calculated already considering that amount.

The breakdown of this amount among the Galp Group's employees shall be determined by the Executive Committee of Galp Energia, SGPS, S.A., in accordance with the applicable internal rules, and among the executive directors of Galp Energia, SGPS, S.A. shall be determined by the Remuneration Committee, in accordance with applicable legal terms.

Lisbon, 13 April 2018

The Board of Directors

Chairman
Paula Amorim

Vice-Chairman
Miguel Athayde Marques

Vice-Chairman
Carlos Gomes da Silva

Members
Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Marta Amorim
Raquel Vunge
Carlos Costa Pina
Francisco Rêgo
Jorge Seabra de Freitas
José Carlos da Silva
Pedro Ricardo
Tiago Câmara Pestana
Rui Paulo Gonçalves
Luís Todo Bom
Diogo Tavares
Joaquim Borges Gouveia

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Photo by Arlindo Camacho, Aveiras service area - Portugal, 2018

Cecília Sêco applies her military education with proximity and affection in the management of her mostly female team.

At age 43, she is the Aveiras service area manager.

8.1.

Financial statements and notes to the consolidated financial statements as of 31 December 2017

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Consolidated Statement of Financial Position

Galp Energia, SGPS, S.A.

Consolidated statement of financial position as of 31 december 2017 and 31 december 2016

(Amounts stated in milion Euros- €m)

Assets	Notes	December 2017	December 2016
Non-current assets:			
Tangible assets	12	5,554	5,910
Goodwill	11	84	87
Intangible assets	12	410	268
Investments in associates and joint ventures	5	1,483	1,432
Financial assets available for sale	5	3	3
Trade receivables	13	-	1
Other receivables	13	254	245
Deferred tax assets	10	293	335
Other financial investments	15 and 22	32	26
Total non-current assets:		8,113	8,307
Current assets:			
Inventories	14	970	869
Trade receivables	13	1,018	1,041
Loans to Sinopec	13	459	610
Other receivables	13	531	556
Other financial investments	15 and 22	66	19
Income tax receivables	10	4	-
Cash and cash equivalents	16	1,197	1,033
		4,245	4,128
Non current assets held for sale		-	4
Total current assets:		**4,245**	**4,132**
Total assets:		**12,358**	**12,439**
Equity and liabilities	**Notes**	**December 2017**	**December 2016**
Equity:			
Share capital	17	829	829
Share premium		82	82
Reserves	17	2,506	3,095
Retained earnings		588	795
Consolidated net income for the period	17	614	179
Total equity attributable to shareholders:		4,619	4,980
Non-controlling interests	17	1,461	1,563
Total equity:		6,080	6,543
Liabilities:			
Non-current liabilities:			
Bank loans	18	937	912
Bonds	18	1,595	1,666
Other payables	20	286	305
Post-employment and other employee benefits liabilities	19	326	359
Deferred tax liabilities	10	82	66
Other financial instruments	22	3	1
Provisions	21	619	429
Total non-current liabilities:		**3,848**	**3,738**
Current liabilities:			
Bank loans and overdrafts	18	159	308
Bonds	18	392	17
Trade payables	20	889	850
Other payables	20	854	886
Other financial instruments	22	21	17
Current income tax payables	10	115	75
		2,430	**2,153**
Liabilities associated with non current assets held for sale		-	5
Total current liabilities:		**2,430**	**2,158**
Total liabilities:		**6,278**	**5,896**
Total equity and liabilities:		**12,358**	**12,439**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2017.

Consolidated Income Statement

Galp Energia, SGPS, S.A.

Consolidated income statement of financial position for the year ended 31 december 2017 and 31 december 2016

(Amounts stated in million Euros- €m)

	Notes	December 2017	December 2016
Operating income:			
Sales	6	14,576	12,488
Services rendered	6	628	631
Other operating income	6	106	122
Total operating income:		**15,310**	**13,241**
Operating costs:			
Cost of sales	7	11,379	10,136
External supplies and services	7	1,550	1,285
Employee costs	7	320	334
Amortisation, depreciation and impairment losses on fixed assets	7	808	835
Provisions and impairment losses on receivables	7	37	11
Other operating costs	7	80	96
Total operating costs:		**14,174**	**12,697**
Operating profit:		1,136	544
Financial profit	9	39	39
Financial costs	9	(46)	(72)
Exchange (losses) gains		(18)	(9)
Income from financial investments and impairment losses on Goodwill	5 and 11	163	17
Income from financial instruments	22	-	17
Profit before taxes:		**1,274**	**536**
Income tax	10	(503)	(260)
Energy sector extraordinary contribution	10	(64)	(68)
Consolidated net profit for the period		**707**	**208**
Income attributable to:			
Non-controlling interests	17	93	29
Galp Energia SGPS, S.A. Shareholders	17	614	179
Basic earnings per share (in euros)	**17**	**0.74**	**0.22**
Diluted earnings per share (in Euros)	**17**	**0.74**	**0.22**

The accompanying notes form an integral part of the consolidated statement income as of 31 December 2017.

Consolidated Statement of Comprehensive Income

Galp Energia, SGPS, S.A.

Consolidated statement of comprehensive income for the year ended 31 december 2017 and 31 december 2016

(Amounts stated in million Euros- €m)

	Notes	December 2017 Atributtable to the Shareholders	December 2017 Non-controlling interests (Note 17.4)	December 2016 Atributtable to the Shareholders	December 2016 Non-controlling interests (Note 17.4)
Consolidated net income for the period [A]	17	614	93	179	29
Other comprehensive income for the period which will not be recycled in the future through net income of the period [B]:		28	-	(2)	-
Actuarial Gains and losses - pension fund:		28	-	(2)	-
Actuarial Gains and losses - pension fund (Group Companies)	19	31	-	(2)	-
Tax related to actuarial gains and losses - pension fund (Group Companies)	10.3 and 19	(3)	-	-	-
Other comprehensive income for the period which will be recycled in the future through net income of the period [C]:		(590)	(206)	410	150
Currency exchange differences:		(590)	(206)	405	150
Currency exchange differences (Group companies)	17.2.2	(410)	(195)	242	98
Currency exchange differences (Associates/ joint ventures)	5 and 17.2.2	(152)	-	40	-
Currency exchange differences - Goodwill	11 and 17.2.2	(3)	-	1	-
Currency exchange differences - Financial allocation ("*quasi capital*")	17.2.2	(39)	(17)	184	79
Deferred tax related to components of Currency exchange differences - Financial allocations ("*quasi capital*")	10.3 and 17.2.2	14	6	(62)	(27)
Hedging reserves:		-	-	5	-
Increases / (decreases) in hedging reserves (Group companies)	22 and 17.2.3	1	-	7	-
Deferred tax related to hedging reserves components (Group companies)	10.3 and 17.2.3	-	-	(2)	-
Increases / (decreases) in hedging reserves (Associates/joint ventures)	22 and 17.2.3	(1)	-	-	-
Other Comprehensive income for the period net of taxes [D]=[B]+[C]		(562)	(206)	408	150
Comprehensive income for the period atributtable to shareholders		52		587	
Comprehensive income for the period atributtable to non-controlling interests	17.4		(113)		179
Total Comprehensive income for the period [A]+[D]		52	(113)	587	179

The accompanying notes form an integral part of the consolidated statement of comprehensive income as of 31 December 2017.

Consolidated Statement of Changes in Equity

Galp Energia, SGPS, S.A.

Consolidated statement of changes in equity for the year ended 31 december 2017 and 31 december 2016

(Amounts stated in milion Euros- €m)

Changes in the period	Notes	Share Capital	Share Premium	Legal Reserves	Free distribution Reserves
		(Note 17.1)		(Note 17.2.1)	
Balance as of 1 January 2016		**829**	**82**	**166**	**28**
Consolidated net income for the period		-	-	-	-
Other gains and losses recognised in Equity		-	-	-	-
Comprehensive income for the period		**-**	**-**	**-**	**-**
Dividends distributed / Interim dividends		-	-	-	-
Changes in the consolidation perimeter		-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-
Balance as of 31 December 2016		**829**	**82**	**166**	**28**
Balance as of 1 January 2017		**829**	**82**	**166**	**28**
Consolidated net income for the period	17	-	-	-	-
Other gains and losses recognised in Equity		-	-	-	-
Comprehensive income for the period		**-**	**-**	**-**	**-**
Dividends distributed / Interim dividends	17.5	-	-	-	-
Increase (decreases) in share capital of Joint ventures	5 and 22	-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-
Balance as of 31 December 2017		**829**	**82**	**166**	**28**

The accompanying notes form an integral part of the consolidated statement of changes in equity as of 31 December 2017.

Currency Translation Reserves	Hedging Reserves	Other Reserves	Retained earnings - actuarial Gains and losses - pension fund	Retained earnings	Consolidated net income for the period	Sub-Total	Non-controlling interests	Total
(Note 17.2.2)	(Note 17.2.3)	(Note 17.2.4)	(Note 19)		(Note 17.3)		(Note 17.4)	
(1)	**(2)**	**2,491**	**(120)**	**1,176**	**123**	**4,772**	**1,416**	**6,188**
-	-	-	-	-	179	179	29	208
405	5	-	(2)	-	-	408	150	558
405	**5**	**-**	**(2)**	**-**	**179**	**587**	**179**	**766**
-	-	-	-	(378)	-	(378)	(13)	(391)
-	-	3	4	(8)	-	**(1)**	(19)	(20)
-	-	-	-	123	(123)	-	-	-
404	**3**	**2,494**	**(118)**	**913**	**179**	**4,980**	**1,563**	**6,543**
404	**3**	**2,494**	**(118)**	**913**	**179**	**4,980**	**1,563**	**6,543**
-	-	-	-	-	614	614	93	707
(590)	-	-	28	-	-	(562)	(206)	(768)
(590)	**-**	**-**	**28**	**-**	**614**	**52**	**(113)**	**(61)**
-	-	-	-	(413)	-	(413)	(86)	(499)
-	1	-	-	(1)	-	-	97	97
-	-	-	-	179	(179)	-	-	-
(186)	**4**	**2,494**	**(90)**	**678**	**614**	**4,619**	**1,461**	**6,080**

Consolidated Statement of Cash Flow

Galp Energia, SGPS, S.A.

Consolidated Statement of Cash Flow for the year ended 31 December 2017 and 31 December 2016

(Amounts stated in million Euros- €m)

	Notes	December 2017	December 2016
Operating activities:			
Cash received from customers		17,646	15,156
Cash (payments) to suppliers		(10,986)	(9,094)
(Payments) relating to Tax on oil products ("ISP")		(2,825)	(2,752)
(Payments) relating to VAT		(1,499)	(1,412)
(Payments) relating to Royalties, levies, "PIS" and "COFINS" and Others		(110)	(79)
Operating gross margin		**2,226**	**1,819**
Salaries, contributions to the pension fund and other benefits (payments)		(198)	(214)
Withholding income taxes (payments)		(77)	(83)
Social Security contributions		(69)	(75)
Payments relating to employees		**(344)**	**(372)**
Other receipts/(payments) relating to the operational activity		(109)	(81)
Cash flows from operations		**1,773**	**1,366**
(Payments)/receipts of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(373)	(172)
Cash flows from operating activities (1)		**1,400**	**1,194**
Investing activities:			
Cash receipts from disposal of tangible and intangible assets		1	1
Cash (payments) for the acquisition of tangible and intangible assets		(791)	(1,043)
Cash receipts relating to financial investments	4.3	69	164
Cash (payments) relating to financial investments	4.3	(255)	(190)
Net investment		**(976)**	**(1,068)**
Cash receipts from loans granted		116	134
Cash (payments) relating to loans granted		(36)	(7)
Cash receipts from interests and similar income		15	18
Cash receipts relating to dividends	5.5	134	70
Cash flows from investing activities (2)		**(747)**	**(853)**
Financing activities:			
Cash receipts from loans obtained		1,728	2,537
Cash (payments) relating to loans obtained		(1,535)	(2,569)
Cash receipts/(payments) from interests and similar costs		(117)	(137)
Increase/decrease of capital and other equity instruments		68	-
Dividends paid	17.5	(491)	(387)
Other financing activities		2	-
Cash flows from financing activities (3)		**(345)**	**(556)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		308	(215)
Effect of foreign exchange rate changes in cash and cash equivalents		(135)	130
Cash changes by changes in the consolidation perimeter		-	(38)
Cash and cash equivalents at the beginning of the period		923	1,045
Cash and cash equivalents related to non current assets held for sale		-	1
Cash and cash equivalents at the end of the period	**16**	**1,096**	**923**

'The accompanying notes form an integral part of the consolidated statement of cash flow as of 31 December 2017.

Notes to the consolidated financial statements as at 31 december 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 shareholder structure as of 31 December 2017 is stated in Note 17.1.

The Company is listed on the Euronext Lisbon stock exchange.

1.2. The Group

As of 31 December 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 and production activities and biofuels, (ii) Petróleos de Portugal – Petrogal, S.A. (Petrogal) and its subsidiaries, which carry out their activities in the refining of crude oil and distribution of its derivatives; (iii) Galp Gás & Power, SGPS, S.A. and its subsidiaries, which operate in the natural gas sector, electricity sector and renewable energy sector; and (iv) Galp Energia, S.A. which integrates the corporate support services.

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 in 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 centres. This retail marketing activity, using the Galp brand, also includes Angola, Cape Verde, Spain, Guinea-Bissau, Mozambique and Swaziland through 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 supply and marketing 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

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

To cover the planned natural gas requirements in Portugal, a natural gas purchase contract of 2.3 bcm 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 sourcing 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	1000	20	2003
NLNG +	Nigeria	2000	20	2006
Sonatrach	Algeria	2300	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, such 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. The analysis carried out 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 booked under 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 supply contracts provide for the possibility of renegotiation over the term of the contract in accordance with contractually defined rules.

The natural gas purchase and sale activity for sourcing to the last resort activity, developed by the last resort wholesaler, includes the following functions:

- Natural gas purchase and sale function, resulting from the acquisition of natural gas, directly or through auctions, under long-term sourcing contracts, from SNGN (Portuguese National Gas System);

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

1.2.3.2. Commercialisation of last resort retailers

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

- Natural gas purchase and sale: Portugal;

- 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 wind assets, and the sale of electricity to end customers. Geographic markets for developed activities are as follows:

- Natural gas sourcing;

- Natural gas distribution: Portugal;

- Natural gas and electricity sale: Portugal and Spain;

- Electricity production: Portugal.

The Group Power business includes the generation of energy through the portfolio of cogeneration plants in Portugal and wind assets, and the sale of eletricity to end customers.

2. Significant accounting policies

2.1. Basis of presentation

The accompanying financial statements are presented in millions of Euros (€m), unless otherwise stated.

Galp decided to change the monetary unit from €k to €m in the Financial Statements for the financial year 2017. Thus, it presents in its financial statements the monetary unit Euros in millions instead of thousands. This change results from the fact that Galp's accounts are large enough for the use of this measure, as well as being the unit used by Management for Galp's consolidated accounts.

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 accounting policies adopted are in accordance with their content in the respective note. The common or generic accounting policies for several notes are stated in this respective note.

2.2. Estimates and judgements

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates to be made that affect the recorded amount of assets and liabilities, the disclosure of contingent assets and liabilities at the end of each year and income and costs recognised each year. The actual results could be different depending on the estimates made.

Certain estimates are considered critical if: (i) the nature of the estimates is considered to be significant due to the level of subjectivity and judgment required to record situations in which there is significant uncertainty or are very susceptible to changes in the situation and; (ii) the impact of the estimates on the financial situation or operating performance is significant.

The accounting principles and areas that require the greatest number of judgments and estimates in the preparation of financial statements are: (i) proved crude oil reserves relating to the petroleum exploration activity; (ii) tangible and intangible assets, financial investments and Goodwill impairment; (iii) provision for contingencies and environmental liabilities; (iv) demographic and financial assumptions used to calculate retirement benefits; (v) accounts receivable impairment; (vi) tangible and intangible assets useful lives and residual values; (vii) deferred tax assets, (viii) abandonment provisions and (ix) estimates over uncertain tax positions.

2.2.1. Crude oil reserves

The estimate of crude oil reserves is an integral part of the decision-making process relating to exploration and development of crude oil activities assets, in addition to supporting the development or implementation of secondary recovery techniques. The volume of proved crude oil reserves is used to calculate depreciation of the petroleum exploration and production assets in accordance with the "Unit of Production" method, and the volume of proved reserves and contingent and prospective resources are used, depending on the prospection stage they are at, to value impairment of investment in assets relating to that activity. Estimated proved crude oil reserves are also used to recognise annual abandonment costs.

Estimated proved reserves are subject to future revision, based on new information available, such as information relating to the development activities, drilling or production, exchange rates, prices, contract termination dates and development plans. The volume of crude oil produced and cost of the assets are known, while the proved reserves are very likely to be recovered and are based on estimates subject to adjustment. The impact on depreciation and provision for abandonment costs, of changes in the estimated proved reserves is treated on a prospective basis, the remaining net book value of the assets being depreciated and the provision for abandonment costs being adjusted, respectively, based on the expected future production.

The quantity and type of petroleum reserves used for accounting purposes are described in Note 24.

2.2.2. Useful life and residual value of tangible and intangible assets

The determination of the assets residual values and useful lives, as well as the depreciation / amortisation method to be applied is essential to determine the amount of depreciation and amortisation to be recognised in the consolidated income statement of for each period. These two parameters are set according to the best judgment of the Board of Directors for the assets and respective businesses, considering also the practices adopted by other sector companies at the international level.

2.2.3. Goodwill impairment

The Group performs annual impairment tests on Goodwill, as explained in Note 11. The recoverable amounts of the cash generating units were determined based on their value in use. In calculating value in use, the Group estimated the expected future cash flows from the cash generating units, as well as an appropriate discount rate to calculate the present value of the cash flows. The amount of Goodwill is referred to in Note 11.

2.2.4. Impairment of tangible and intangible assets and financial investments

Identifying impairment indicators, estimating future cash flows and determining asset fair value imply a high level of judgment from the Board of Directors in respect to the identification and evaluation of the different impairment indicators, expected cash flows, applicable discount rates, useful lives and residual amounts.

2.2.5. Accounts receivable impairment

The credit risk of the accounts receivable balances is evaluated at each reporting date, taking into consideration historical client information and its risk profile. Accounts receivable are adjusted by the evaluation made by management of the estimated collection risks existing at the date of the statement of financial position, which may differ from the actual risk for impairment to be incurred.

2.2.6. Provisions for contingencies

The final cost of lawsuits, settlements and other litigation can vary due to estimates based on different interpretations of the rules, opinions and final assessment of the losses. Consequently, any change in circumstances relating to these types of contingency can have a significant effect on the recorded amount for contingencies.

2.2.7. Abandonment provisions

See Note 21.

2.2.8. Environmental liabilities

Galp makes judgments and estimates to calculate provisions for environmental matters such as CO_2. Every year Galp is entitled to free licences (EUA – Emission Unit Allowances) from the Portuguese Environment Agency in order to address greenhouse gas emissions. In case the free licences are insufficient to address greenhouse gas emissions, Galp can acquire the EUAs or other equivalent/complementary allowances green certificates (ERU – Emission Reduction Units) in the market, giving rise to a cost which is recorded in caption "Other operational costs". However, if greenhouse gas emissions are above licences and green certificates in the portfolio at the end of the year, costs are accrued based on the best estimate of the expense to be incurred at the market spot rate of the licences and/or certificates. The current portfolio of allowances is referred to in Note 22.

Galp also makes judgments and estimates to calculate its known obligations relating essentially to the known requirements of soil decontamination, based on current information relating to expected intervention costs and plans. Such costs can vary due to changes in the legislation and regulations, change in conditions of a specific location, as well as in decontamination technologies. Consequently, any change in the circumstances relating to such provisions, as well as in the legislation and regulations can significantly affect the provisions for such matters. The provision for environmental matters is reviewed annually.

The provision for environmental liabilities is referred to in Note 21 and Note 28.

2.2.9. Demographic and financial assumptions used in the retirement benefits liabilities

See Note 19.

2.2.10. Deferred tax assets

Deferred tax assets are recognised only when there is reasonable assurance that future taxable profits will be available for use of the temporary differences or when there are deferred tax liabilities for which a reversal is expected within the same period that the deferred tax assets are reversed. Evaluation of deferred tax assets is made by management at the end of each period, taking into account expectations for the Group's future performance.

2.2.11. Estimates over uncertain tax positions

The measurement of uncertain tax positions with respect to tax estimates is carried out at its most probable value and not at a value weighted by associated probabilities.

Regarding uncertain tax positions that are provisioned see Note 21.

2.3. General accounting policies

2.3.1. Translation of financial statements denominated in foreign currency

Foreign entities are those that operate abroad and that are a subsidiary, associate, joint venture or branch of the reporting entity, and that present a functional currency different from the reporting entity's reporting currency.

The assets and liabilities of the financial statements of foreign entities are translated into Euros using the exchange rates prevailing on the date of the financial statements and the costs and income and cash flows of these financial statements are translated into Euros using the average exchange rate recorded in the period. The resulting exchange difference, generated after 1 January 2004 (date of transition to IFRS), is recorded under equity in the caption "Currency translation reserves". Exchange differences generated up to 1 January 2004 (date of transition to IFRS) were written off to retained earnings.

Goodwill and fair value adjustments resulting from foreign entities acquisition are treated as assets and liabilities of that entity and translated to Euros at the exchange rate prevailing on the date of the financial statements.

Whenever a foreign entity is sold, the accumulated exchange difference is transferred from the "Currency translation reserves" in equity to the caption "Other gains or losses" in the income statement.

Loans granted by shareholders in currencies other than the parent's functional reporting currency and that have no stipulated repayment term are treated as net investments in these foreign entities. The exchange differences generated, but not eliminated in the consolidation process, in the translation of the shareholder loans balances into the functional currency of the company are recycled from net income to the item "Currency translation reserves" in shareholders' equity attributable to shareholders.

The financial statements of foreign entities included in the accompanying consolidated financial statements have been translated into Euros using the following exchange rates:

	Year end		Average of the year	
Currency	December 2017	December 2016	December 2017	December 2016
Gambian Dalasi	55.78	44.10	45.92	45.77
Moroccan Dirhams	11.16	10.61	10.90	11.52
United States Dollars	1.20	1.05	1.13	1.11
Cape Verde Escudos	110.27	110.27	110.27	110.27
CFA Francs	655.96	655.96	655.96	655.96
Swazi Lilangeni	14.88	14.42	15.13	16.07
Mozambican Meticais	70.09	74.94	71.00	69.10
Angolan Kwanzas	184.50	184.48	184.49	182.04
Brazilian Reais	3.97	3.43	3.61	3.86

2.3.2. Foreign currency balances and transactions

Transactions are recorded in the separate financial statements of subsidiaries in their functional currencies, at the exchange rates in force on the dates of the transactions.

All foreign currency monetary assets and liabilities in the separate financial statements of subsidiaries are translated to the functional currency of each subsidiary using the exchange rates in force at the end of each reporting period. Foreign currency non-monetary assets and liabilities recorded at fair value are translated to the functional currency of each subsidiary at the exchange rate in force on the date the fair value is determined.

Gains and losses resulting from differences in exchange rates in force on the dates of the transactions and those prevailing at the date of collection, payment or at the end of the reporting period are recorded as income and expenses, respectively, in the consolidated income statement captions in which the respective transactions are recognised, except for those relating to non-monetary items, that are recorded directly in equity.

Translation differences arising from intra-group loans and that are part of the net investment in foreign operations are recorded in the consolidated financial statements directly in equity.

2.3.3. Classification in the consolidated statement of financial position

Assets realisable and liabilities payable in more than one year from the consolidated financial statements date are classified as non-current assets and non-current liabilities, respectively.

2.3.4. Financial instruments

Financial assets and liabilities are recorded in the statement of financial position when the Group becomes a contractual party to the financial instrument.

The financial assets and liabilities are not offset, unless there is legal or contractual conditions that allow it.

a) Financial assets

Financial assets are classified as follows:

- Loans and trade receivables (Note 13);
- Held-to-maturity;
- At fair value through profit and loss;
- Available-for-sale.

Held-to-maturity financial assets are classified as non-current assets, unless they mature in less than 12 months from the consolidated statement of financial position date. These assets have a defined maturity date, and the Group intends, and has the ability, to retain them up to their maturity. As at 31 December 2017 the Group does not own held-to-maturity financial assets.

Financial assets at fair value through profit or loss are classified as current assets.

Available-for-sale financial assets are classified as non-current assets, for the investments in affiliates.

All purchases and sales of these financial assets are recorded on the date of the signature of the respective purchase and sale contracts, independently of the financial settlement date.

Financial assets are initially recorded at cost, which is the fair value of the price paid, including transaction costs, except for financial assets measured at fair value through profit and loss.

After initial recognition, financial assets at fair value through profit or loss and available-for-sale financial assets are revalued to fair value by reference to their market value at the financial statements date, with no deduction for transaction costs which could be incurred upon sale. For equity instruments not listed on a regulated market, where it is not possible to reliably estimate their fair value, these are maintained at cost less any non-reversible impairment losses.

Gains and losses resulting from changes in the fair value of available-for-sale financial assets are recognised in the equity caption “Fair value reserve” until the asset is sold, redeemed or in some way disposed of, or until the fair value of the asset falls below cost over a long period, at which time the accumulated gain or loss is recorded in the income statement.

Interest income, calculated using the effective interest rate method, as well as exchange gains and losses related to debt instruments classified as available-for-sale financial assets, are recognised in the income statement for the period.

Dividends obtained from equity instruments, classified as available-for-sale financial assets, and impairment losses for all these financial assets are also accounted for in the income statement for the period.

Gains and losses resulting from changes in the fair value of financial assets at fair value through profit or loss are recorded in the income statement.

Galp derecognises a financial asset when the contractual rights to the cash flows resulting from the financial assets expire or the financial asset is transferred and the transfer qualifies for the derecognition, as required by IAS 39.

Regarding to the derecognition of a financial liability, it occurs when and only when it is extinguished, that is, when the specified obligation in the agreement is satisfied or canceled or expires.

b) Equity or liability classification

Financial liabilities and equity instruments are classified in accordance with substance of the contractual arrangement, independent of their legal form. Thus, financial instruments with no interest rate and no defined repayment term are considered by Galp as equity instruments (i.e. *quasi-capital*).

c) Receivables

See Note 13.

d) Loans

See Note 18.

e) Trade and other payables

See Note 20.

f) Derivative instruments

See Note 22.

g) Cash and cash equivalents

See Note 16.

3. Segment reporting

Accounting policy

Operational segment is an entity component that:

a) develops business activities that can earn revenues and incur in expenses (including revenues and expenses related to transactions with other components held by the same entity);

b) which operational results are regularly reviewed by the entity's primary decision-maker for the purpose of making decisions about resources allocation to the segment and evaluating its performance; and

c) for which separate financial information is available.

The accounting policies in the segment reporting are used consistently in the Group. All inter-segment revenues are at market prices and are eliminated in consolidation process.

Operational segments

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

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

For the operational 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 operational segment.

In order to a closer approximation to the management criteria, below is the segment reporting on a replacement cost perspective (RC) basis, in which the cost of the sale determined in accordance with IAS / IFRS (weighted average cost) is replaced by the replacement cost method.

Galp understands that this approach in presenting its operational performance is more relevant to the users of the financial statements, since it reflects the business performance without the volatility of incertainty; it is also the indicator used by the Group's management.

We also present a reconciliation between the net result IAS / IFRS and the net result calculated according to the replacement cost (in a management perspective) for a better understanding.

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The financial information for the previously identified segments, as of 31 December 2017 and 2016 is presented as follows:

	Exploration & Production		Refining & Marketing	
	2017	2016	2017	2016
Income				
Sales and Services Redered	**1,044**	**851**	**11,725**	**10,518**
Inter-segmental	-	555	1	1
External	1,044	296	11,724	10,517
Cost of sales	**429**	**(29)**	**(10,149)**	**(9,170)**
Cost of goods sold and materials consumed	2	2	(10,132)	(9,448)
Variation in production	427	(31)	(17)	278
EBITDA RC (1)	**912**	**481**	**781**	**549**
Non payable expenses				
Amortisation and adjustments	**(429)**	**(466)**	**(357)**	**(313)**
Depreciation and Amortization	(356)	(274)	(348)	(305)
Impairments	(73)	(192)	(9)	(8)
Provisions (net)	**-**	**13**	**(29)**	**(16)**
Provisions	-	(5)	(24)	(4)
Impairments	-	-	(7)	(36)
Provisions - Reversals	-	18	2	1
Impairments - Reversals	-	-	-	23
EBIT RC	**483**	**28**	**395**	**220**
Income from financial investments	34	(78)	21	(94)
Others	(289)	(95)	(251)	(131)
Consolidated Net profit RC	**228**	**(145)**	**165**	**(5)**
Net profit attributable to non-controlling interests	(87)	(23)	(6)	(5)
Net profit attributable to equity holders of Galp Energia SGPS, S.A.	**141**	**(168)**	**159**	**(10)**
Other informations				
Segment assets (2)				
Financial investments(3)	1,081	1,027	98	72
Non current assets held for sale	-	-	-	4
Other assets	6,629	5,756	3,530	4,770
Total Consolidated Assets	**7,710**	**6,783**	**3,628**	**4,846**
Liabilities associated with non current assets held for sale	-	-	-	5
Other liabilities	1,128	939	4,018	4,349
Total Consolidated Liabilities	**1,128**	**939**	**4,018**	**4,354**
Investment in Tangible and Intangible Assets	**760**	**962**	**113**	**124**

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

Unit: €m

Gas & Power		Other		Eliminations		Consolidated	
2017	2016	2017	2016	2017	2016	2017	2016
2,592	**2,437**	**134**	**123**	**(291)**	**(810)**	**15,204**	**13,119**
190	157	100	97	(291)	(810)	-	-
2,402	2,280	34	26	-	-	15,204	13,119
(1,876)	**(1,607)**	**-**	**-**	**101**	**650**	**(11,495)**	**(10,156)**
(1,910)	(1,629)	-	-	101	650	(11,939)	(10,425)
34	22	-	-	-	-	444	269
141	**313**	**31**	**27**	**-**	**-**	**1,865**	**1,370**
(18)	**(51)**	**(4)**	**(5)**	**-**	**-**	**(808)**	**(835)**
(19)	(52)	(4)	(5)	-	-	(727)	(636)
1	1	-	-	-	-	(81)	(199)
(8)	**(8)**	**-**	**-**	**-**	**-**	**(37)**	**(11)**
-	-	-	-	-	-	(24)	(9)
(13)	(11)	-	-	-	-	(20)	(47)
-	-	-	-	-	-	2	19
5	3	-	-	-	-	5	26
115	**254**	**27**	**22**	**-**	**-**	**1,020**	**524**
108	189	-	-	-	-	163	17
(43)	(107)	11	(17)	-	(3)	(572)	(353)
180	**336**	**38**	**5**	**-**	**(3)**	**611**	**188**
-	(1)	-	-	-	-	(93)	(29)
180	**335**	**38**	**5**	**-**	**(3)**	**518**	**159**
304	333	-	-	-	-	1,483	1,432
-	-	-	-	-	-	-	4
1,119	1,332	2,382	2,607	(2,785)	(3,462)	10,875	11,003
1,423	**1,665**	**2,382**	**2,607**	**(2,785)**	**(3,462)**	**12,358**	**12,439**
-	-	-	-	-	-	-	5
831	863	3,086	3,202	(2,785)	(3,462)	6,278	5,891
831	**863**	**3,086**	**3,202**	**(2,785)**	**(3,462)**	**6,278**	**5,896**
9	**22**	**3**	**4**	**-**	**-**	**885**	**1,112**

Inter-segmental sales and services rendered:

Unit: €m

Segment	Refining & Marketing	Gas & Power	Other	TOTAL
	1	190	99	290
Gas & Power	1	-	20	21
Refining & Marketing	-	190	64	254
Exploration & Production	-	-	15	15

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

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

The commercial and financial transactions between related parties are performed according to the usual market conditions similar to transactions performed between independent companies (Note 23).

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 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: €m

	Sales and Services Rendered		Tangible and Intangible Assets		Financial investments	
	2017	2016	2017	2016	2017	2016
	15,204	13,119	6,048	6,265	1,486	1,435
AFRICA	425	372	964	1,221	25	17
LATIN AMERICA	323	284	2,483	2,400	-	-
EUROPE	14,456	12,463	2,601	2,644	1,461	1,418
PORTUGAL	10,640	8,360	2,028	2,269	317	343
OTHER EUROPEAN COUNTRIES	3,816	4,103	573	375	1,144	1,075

From the total of €1,144 m considered in Financial Investments in other European countries, €1,062 m were invested in companies related to projects in Brazil.

The reconciliation between the items of the Segment Report and the Income Statement for the periods ended 31 December, 2017, 2016 (restated) is as follows:

Unit: €m

Captions from Segment Reporting	December 2017	December 2016	Captions from Income Statement	December 2017	December 2016
Income					
Sales and services rendered	15,204	13,119	Sales	14,576	12,488
			Services rendered	628	631
Cost of sales	(11,379)	(10,136)	Cost of sales	(11,379)	(10,136)
Replacement cost adjustment	(116)	(20)			
Cost of sales at RC	(11,495)	(10,156)	Other operating income	106	122
			External supplies and services	(1,550)	(1,285)
			Employee costs	(320)	(334)
			Other operating costs	(80)	(96)
EBITDA REPLACEMENT COST	1,865	1,370			
Replacement Cost Adjustment	116	20			
EBITDA IAS/IFRS (1)	1,981	1,390	Operating income before amortization/depreciation and provisions	1,981	1,390
Non cash expenses					
Amortization and Adjustments	(808)	(835)	Amortisation, depreciation and impairment losses on fixed assets	(808)	(835)
Provisions (net)	(37)	(11)	Provisions and impairment losses on receivables	(37)	(11)
EBIT REPLACEMENT COST	1,020	524			
EBIT IAS/IFRS	1,136	544	Operating Income	1,136	544
Income from financial investments	163	17	Income from financial investments and impairment losses on Goodwill	163	17
Other financial income	(25)	(25)			
			Financial income	39	38
			Financial costs	(46)	(71)
			Exchange (losses) gains	(18)	(9)
			Income from financial instruments	-	17
Income tax	(503)	(260)	Income tax	(503)	(260)
Income tax (RC Adjustment)	20	-			
Energy sector extraordinary contribution	(64)	(68)	Contribuição extraordinária sector energético	(64)	(68)
Net income for the period (Replacement Cost)	611	188			
Net income for the period	707	208	Net income for the period	707	208

4. Consolidated companies

Accounting policy

Investments in companies in which the Group holds control, namely if it has cumulatively:

- power over the investee;

- exposure or rights in relation to variable results through its relationship with the investee; and

- ability to use its power over the investee to impact the amount of the results to the investors,

were included in these consolidated financial statements in accordance with the full consolidation method. The Companies consolidated in accordance with the full consolidation method are disclosed in Note 4.1.

Equity and net result for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and in the consolidated income statement, respectively, in the caption "Non-controlling interests". The gains and losses attributable to non-controlling interests are allocated to them, even if they exceed, in case of losses, the amount invested by the non-controlling interests.

The assets and liabilities of each Group company are recorded at fair value as of the date of acquisition, as established in IFRS 3, and can be reviewed over a period of 12 months after that date. Any excess of cost over the fair value of the net assets and liabilities acquired is recognised as Goodwill (Note 11)). If the difference between the cost and the fair value of the net assets and liabilities acquired is negative, it is recorded as income of the year.

When, at the date of the control acquisition, the Group already holds a previously acquired interest, its fair value is used to determine Goodwill or negative Goodwill.

Transaction costs directly attributable to business combinations are immediately recognised in profit and loss.

Non-controlling interests include the third parties' portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

When control is acquired for a percentage below 100%, under the purchase method, non-controlling interests may be measured at fair value or at the ratio between acquired assets fair value and acquired liabilities fair value, being the option defined for each transaction.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition or the date of the exercise of control up to the date of disposal.

Subsequent disposal or acquisition transactions of financial investments on non-controlling interests, which do not involve changes in control, do not result in recognition of gains, losses or Goodwill, being any resulting difference between the transaction amount and the carrying amount of the transacted investment recognised in Equity.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to be in accordance with the Group's accounting policies. Transactions (including unrealised gains and losses on sales between Group companies), balances and dividends distributed between Group companies are eliminated in the consolidation process, except the losses which are indicators of impairment losses in the assets transferred.

Where the Group has, in substance, control over other structured entities, even if it does not have a direct participation in their capital, these are consolidated in accordance with the full consolidation method. When such entities exist, they are detailed in this Note.

4.1. Consolidation perimeter

The companies included in the consolidation, their head offices, percentage of interest held and their main activities are as follows:

		Head Office		Percentage of interest held		
Companies	**Note**	**City**	**Country**	**2017**	**2016**	**Main activity**
Galp Energia, SGPS, S.A.		Lisbon	Portugal	-	-	Management of equity participations in other companies in the energy sector, as an indirect form of realising business activities.
Subsidiaries:						
Galp Energia, S.A.		Lisbon	Portugal	100%	100%	Business management and consultancy services.
Galp Energia E&P Subgroup:						
Galp Energia E&P, B.V. and Subsidiaries:		Rotterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp Sinopec Brazil Services B.V. and subsidiary(ies):		Rotterdam	The Netherlands	70%	70%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp Sinopec Brazil Services (Cyprus), Limited		Nicosia	Cyprus	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp E&P Brazil B.V. and subsidiary(ies):		Rotterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading in petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Galp Energia Brasil, S.A.		Rio de Janeiro	Brazil	100%	100%	Research, exploration, development and production of crude oil, natural gas and biofuels, import, export, refining, marketing, distribution, transportation and storage of oil and oil products; marketing of natural gas and biofuels, as well as any other activities related to the main activities, and may also participate in consortium of companies that may be necessary for the development of its objectives.
Petrogal Brasil, B.V. and subsidiary(ies):		Rotterdam	The Netherlands	100%	100%	Management of investments in other companies and financing of businesses and other companies dedicated to exploratIon and production of petroleum and natural gas, as well as trading of petroleum, natural gas and petroleum products.
Petrogal Brasil, S.A. and subsidiary(ies):		Rio de Janeiro	Brazil	70%	70%	Refining of crude oil and its derivatives, their transport, distribution and commercialisation and research and exploration of petroleum and natural gas.
Fundo Vera Cruz	4.2 c)	Rio de Janeiro	Brazil	-	100%	Exclusive open investment fund.
Galp Exploração Serviços do Brasil, Lda.		Rio de Janeiro	Brazil	100%	100%	Business management and consultancy services.
Galp East Africa B.V. and subsidiary(ies):		Rotterdam	The Netherlands	100%	100%	Management of investments in other companies and financing of businesses and other companies dedicated to exploration and production of petroleum and natural gas, as well as trading of petroleum, natural gas and petroleum products.
Galp Energia Rovuma B.V.		Amsterdam	The Netherlands	100%	100%	Exploration and production of crude oil and natural gas, as well as trading of petroleum, natural gas and oil products; management of investments in other companies and financing of businesses and companies.
Galp Energia Rovuma BV (Mozambique branch)		Maputo	Mozambique	-	-	Exploration and production of oil and natural gas.

		Head Office		Percentage of interest held		
Companies	Note	City	Country	2017	2016	Main activity
Galp Exploração e Produção Petrolífera, SGPS, S.A. and subsidiary(ies):		Lisbon	Portugal	100%	100%	Management of equity participations in other companies as an indirect exercise of economic activity.
Galp Energia São Tomé e Príncipe Unipessoal, Limitada		Sao Tome	Sao Tome and Principe	100%	100%	Development of all activities related to the research and exploration of natural resources
Galp Energia Overseas B.V. and subsidiary (ies):		Amsterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 14 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 14 B.V. - Branch in Angola		Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 32 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 32 B.V. - Branch in Angola		Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 33 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas Block 33 B.V. - Branch in Angola		Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas LNG B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Energia Overseas LNG B.V. - Branch in Angola		Luanda	Angola	-	-	Exploration and production of oil and natural gas, trading of oil, natural gas and petroleum products, management of shares of other societies and financing businesses and companies.
Galp Bioenergy B.V.		Amsterdam	The Netherlands	100%	100%	Pursuit of activities related with biofuels projects, including but not limited to research, production, processing, logistics, marketing of grain, vegetable oil, biofuel products and their derivatives; management of shareholdings in other companies and business and company financing.
Windhoek PEL 23 B.V.		Rotterdam	The Netherlands	100%	100%	Exploration and production of petroleum and natural gas, as well as trading of petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Windhoek PEL 23 B.V. (Branch in Namibia)		Windhoek	Namibia	-	-	Exploration and production of petroleum and natural gas, as well as trading of petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Windhoek PEL 24 B.V.	4.2 b)	Rotterdam	The Netherlands	-	100%	Exploration and production of petroleum and natural gas, as well as trading of petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.
Windhoek PEL 24 B.V. (Branch in Namibia)	4.2 b)	Windhoek	Namibia	-	-	Exploration and production of petroleum and natural gas, as well as trading of petroleum, natural gas and petroleum products; management of investments in other companies and financing of businesses and other companies.

		Head Office		Percentage of interest held		
Companies	**Note**	**City**	**Country**	**2017**	**2016**	**Main activity**
Galp Trading, S.A.		Geneve	Switzerland	100%	100%	Development of trading activity of crude oil, petroleum products, petrochemicals and natural gas; ship chartering activities for maritime transport of the products that the company trades.
Tagus Re, S.A.		Luxembourg	Luxembourg	-	-	Reinsurance of all products, excluding direct insurance.
Galp Alentejo E&P, S.A.		Lisbon	Portugal	100%	100%	Research and oil exploration, distribution , transport, storage and commercialization of liquid and gaseous fuels, base oils and lubricants and other petroleum products .
ISPG - Centro Tecnológico, S.A.		Rio de Janeiro	Brazil	100%	100%	Management of equity participations.
Petrogal Subgroup:						
Petróleos de Portugal - Petrogal, S.A. e Subsidiaries:		Lisbon	Portugal	100%	100%	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. (Branch in Venezuela)		Chacao Municipality	Venezuela	-	-	Refining of crude oil and derivatives trading; Transport, distribution and commercialisation of crude oil and derivatives and natural gas; Research and exploration of crude oil and natural gas; and any other industrial, commercial and investigation activities and rendering of services relating to these areas.
Petróleos de Portugal – Petrogal, S.A. (Branch in Spain) and subsidiaries:		Madrid	Spain	-	-	Management of participations in other refined products distributor companies in the Iberian peninsula.
Galp Energia España, S.A. and subdidiaries:		Madrid	Spain	100%	100%	Storage, transport, import, export and sale of all petroleum products, chemical products, gas and its derivatives.
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		Madrid	Spain	100%	100%	Management and operation of service stations.
Galp Açores - Distribuição e Comercialização de Combustíveis e Lubrificantes, S.A. and subdidiary:		Ponta Delgada	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives.
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		Ponta Delgada	Portugal	67,65%	67,65%	Construction and operation of filling stations and related storage facilities of LPG and other fuel in the Autonomous Region of the Azores.
Galp Madeira - Distribuição e Comercialização de Combustíveis e Lubrificantes, S.A. and subsidiaries:		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, lubricants and other petroleum derivatives.
CLCM - Companhia Logistica de Combustíveis da Madeira, S.A.		Funchal	Portugal	75%	75%	Installation and operation of liquid and gas fuel storage facilities, as well as the respective transport, reception, movement, filling and shipping structures and other industrial, commercial and investigation activities and the rendering of services relating to these activities.
Gasinsular - Combustíveis do Atlântico, S.A.		Funchal	Portugal	100%	100%	Distribution, storage, transport and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the direct and indirect operation in fuel stations and service stations and complementary activities, namely service stations, vehicle repair and maintenance workshops, the sale of motor vehicle parts and accessories, restaurants and hotels, as well as any other industrial commercial and investigating activities and the rendering of services relating to the activities mentioned in its objects.
Sacor Marítima, S.A.		Lisbon	Portugal	100%	100%	Maritime transport in own and chartered vessels.

Companies	Note	Head Office City	Head Office Country	Percentage of interest held 2017	Percentage of interest held 2016	Main activity
C.L.T. - Companhia Logística de Terminais Marítimos, S.A.		Matosinhos	Portugal	100%	100%	Technical management of ships, crews and supply.
Galp Energia Portugal Holdings B.V.		Amsterdam	The Netherlands	100%	100%	Management of participations in other companies of the energy sector as an indirect form of economic activity.
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.		Lisbon	Portugal	75%	75%	Retail sale of food products, domestic utensils, presents and other articles, including newspapers, magazines, records, videos, toys, drinks, tobacco, cosmetics and hygiene, travel and vehicle accessory items.
Tanquisado - Terminais Marítimos, S.A.		Setúbal	Portugal	100%	100%	Development and operation of Maritime Terminals.
Galp Exploração e Produção (Timor Leste), S.A.		Lisbon	Portugal	100%	100%	Commerce and industry of petroleum, including prospecting, research and exploration of hydrocarbons in East Timor.
Galpgeste - Gestão de Areas de Serviço, S.A.		Lisbon	Portugal	100%	100%	Direct and indirect operation of service stations, fuel stations and related or complementary activities, such as service stations, workshops, the sale of lubricants motor vehicle parts and accessories, restaurants and hotels.
Enerfuel, S.A.		Lisbon	Portugal	100%	100%	Studies, projects, installation, production and marketing of biofuels, treatment, valuation and and waste recovery, purchase and sale of equipment.
Portcogeração, S.A.		Lisbon	Portugal	100%	100%	Production, transport and distribution of electric and thermal energy from co-generating systems and renewal energy.
Galp Marketing Internacional, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Research and oil exploration, distribution, transport, storage and commercialization of liquid and gaseous fuels, lubricants and base oils and other petroleum products and the operation of service stations and vehicle assistance service stations, as well as any industrial activities, business, marketing, research or provision of services related to this subject.
Petrogal Guiné-Bissau, Lda. and subsidiaries:		Bissau	Guinea-Bissau	100%	100%	Distribution, transport, storage and commercialisation of liquid and gas fuel, base oils, lubricants and other petroleum derivatives and the operation of fuel stations and vehicle assistance stations.
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.		Bissau	Guinea-Bissau	80%	80%	Commerce of maritime banks.
Petrogás - Importação, Armazenagem e Distribuição de Gás, Lda.		Bissau	Guinea-Bissau	65%	65%	Import, storage and distribution of LPG.
Empresa Nacional de Combustíveis - Enacol, S.A.R.L and subsídiaries:	(*)	Mindelo	Cape Verde	48%	48%	Import, processing, distribution, transportation, storage, trading and re-export of hydrocarbons and their derivatives, including bitumen, base oils and lubricants, the operation of storage facilities, as well as their primary transport infrastructure within and between islands, reception, handling, loading and shipment of liquid and gaseous fuels, the operation of filling stations and service areas, vehicle assistance, production, distribution and other forms of non-fossil energy, including solar, wind, water and the other renewable sources, the use of their facilities as well as other industrial, commercial, research or provide services associated with this principal object.
Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A.	(*)	Mindelo	Cape Verde	100%	100%	Maritime transport and related activities.

		Head Office		Percentage of interest held		
Companies	**Note**	**City**	**Country**	**2017**	**2016**	**Main activity**
EnacolGest, Lda.	(*)	Mindelo	Cape Verde	100%	100%	Import and trading, supply management, exploring areas of service stations and fuel supply, design and project management of maintenance and construction of facilities and service stations.
Galp Gambia, Limited	4.2 a)	Banjul	Gambia	-	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Petrogal Mozambique, Lda.		Maputo	Mozambique	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Galp Mozambique, Lda.		Maputo	Mozambique	100%	100%	Storage, commercialisation and distribution, import, export and transport of petroleum and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Mozambique, Lda. (Branch in Malawi)		Blantyre	Malawi	-	-	Storage, commercialisation and distribution, import, export and transport of petroleum and its derivatives, as well as all types of oil, whether vegetable, animal or mineral.
Galp Swaziland (PTY) Limited		Matsapha	Swaziland	100%	100%	Distribution, transport, storage, commercialisation of liquid and gas fuel, oil and operation of service stations.
Petrogal Angola, Lda.		Luanda	Angola	100%	100%	Production, distribution and commercialisation of liquid and gas fuel, base oil and lubricants and operation of service stations.
GDP Subgroup:						
Galp Gás & Power, SGPS, S.A. and Subsidiaries:		Lisbon	Portugal	100%	100%	Management of equity investments.
GDP Gás de Portugal, S.A.		Lisbon	Portugal	100%	100%	Business management services.
Lisboagás Comercialização, S.A.		Lisbon	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Lusitaniagás Comercialização, S.A.		Aveiro	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Setgás Comercialização, S.A.		Setúbal	Portugal	100%	100%	Commercialisation of retail last resort natural gas.
Carriço Cogeração Sociedade de Geração de Electricidade e Calor, S.A.		Lisbon	Portugal	65%	65%	Production, in the form of co-generation, and sale of electric and thermic energy.
Galp Power, S.A.		Lisbon	Portugal	100%	100%	Purchase and sale of energy, as well as the rendering services and realisation of activities directly or indirectly related with energy.
Agroger - Sociedade de Cogeração do Oeste, S.A.		Lisbon	Portugal	100%	100%	Production, in the form of co-generation, and sale of electric and thermic energy, including the conception, construction, financing and operation of co-generating installations and all the related activities and services.
Galp Gás Natural, S.A. and subsidiaries:		Lisbon	Portugal	100%	100%	Import of natural gas, storage, distribution through high pressure networks, construction and maintenance of networks.
Transgás Armazenagem - Soc. Portuguesa de Armazenagem de Gás Natural, S.A.		Lisbon	Portugal	100%	100%	Storage of natural gas on a public service sub-concession basis, including the construction, maintenance, repair and operation of all the related infrastructure and equipment.
Transgás, S.A.		Lisbon	Portugal	100%	100%	Wholesale commercialization or last resort of natural gas.

Joint arrangements

As of 1 January 2014, due to mandatory application of IFRS 11 - Joint Arrangements, the group identified Sigás – Armazenagem de Gás, A.C.E., Pergás – Armanzenamento de Gás, A.C.E., and Multiservicios Galp Barcelona, UTE as entities in which the shareholders have operational and financial control over the assets and liabilities of the company. Therefore, the assets, liabilities, gains and losses were incorporated in the consolidated financial statements for the percentage held in those entities, 60%, 51% and 50%, respectively (Note 5.6.2).

Control in companies with less than 50% of share capital

(*)Although Galp Group holds through its subsidiary Petróleos de Portugal - Petrogal, S.A. only 48.29% of the equity of Empresa Nacional de Combustíveis - Enacol S.A.R.L, the Group controls its financial and operational policies, and is expected to continue to do so by means of a representative majority of votes at the Board of Directors meetings. Thus, Galp has, in accordance with IFRS 10 (a) power over the investee, (b) exposure or rights to variable results via its relationship with the investee and (c) ability to use its power over the investee to affect the value of the results for investors, and due to these facts, the subsidiary is consolidated using the full consolidation method.

Empresa Nacional de Combustíveis - Enacol S.A.R.L. holds interests in the following subsidiaries: i) Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. (100%); ii) EnacolGest, Ld.ª (100%); and iii) Sodigás-Sociedade Industrial de Gases, S.A.R.L. (44%) (Note 5.2). Interests held in Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. and in EnacolGest, Ld.ª are consolidated using the full consolidation method and Sodigás - Sociedade Industrial de Gases, S.A.R.L. is included in the caption "Investments in associates" (Note 5.2).

4.2. Changes in the consolidation perimeter

During the period ended 31 December, 2017, the consolidation perimeter changed from the previous year as follows:

a) Disposal

On October 17 2016, Galp, through its subsidiaries Petróleos de Portugal - Petrogal, SA and Galp Energia, SGPS, SA, which respectively held 99.98% and 0.02% of the share capital of the subsidiary Galp Gambia, Limited, reached an agreement with Premiere Investment Group, SAL, for the sale of 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 classified in the consolidated accounts of Galp Energia, SGPS as non-current assets held for sale and liabilities associated with non-current assets held for sale.

In the year ended 31 December, 2016, the group received the amount of €5 m, which was recognised in other accounts payable - Advances related to disposal of financial investments (Note 20.2).

On 17 January 2017, the sale was completed. The final price was €4 m, based on the agreed initial price plus adjustments as set out in the Sale Purchase Agreement ("SPA").

Thus changes in the consolidation perimeter that occurred in the period ended 31 December 2017 had the following impact on the consolidated statement of financial position of Galp Group:

Unit: €m

Disposal %		**100%**
Sale Price		5
Adjustment to sale value in January 2017	4,3	(1)
Adjusted Sale PriceP[A]		**4**
Non-current assets held for sale		4
Advances related to disposal of financial investments		(5)
Investment Book Value[B]		**(1)**
Translation Reserves [C]		**1**
Income from financial Investments [A] - [B] - [C]	5,4	**4**

As a result of this operation, the Group recognised in results under the caption Results related to investments in associates and joint ventures a net capital gain of €4m (Note 5.4).

b) Companies dissolved and settled

On 20 December 2017, subsidiary Windhoek PEL 24 B.V. and its branch in Namibia, 100% owned by Galp Energia E&P, B.V., were dissolved.

c) Other situations

On 22 December 2017, Fundo Vera Cruz was closed and all funds were redeemed.

4.3. Reconciliation of receipts and payments from financial investments presented in the consolidated statement of cash flows – Investing Activities

The amount of €69 m presented under Cash Receipts from Financial Investments and €255 m presented under the caption "Cash Payments from Financial Investments" in the consolidated statement of cash flows - Investing Activities is detailed as follows:

Unit: €m

Investing activities:	Note	December 2017
Cash receipts from financial investments related to:		**69**
Participating interest held by the subsidiary GDP - Gás de Portugal, SGPS, S.A.		
Decrease in share premium carried out by the joint Ventinveste, S.A.		1
Receipt due to the liquidation of the joint venture Parque Eólico da Penha da Gardunha, Lda.	5.1 (l)	2
Participating Interest from subsidiary Galp Exploração e Produção Petrolifera, S.G.P.S., S.A.		
Participating Interest held by the subsidiary Galp Energia Rovuma B.V.		
Subscription in Coral FLNG, S.A. Share Capital*	5.1	63
Participating Interest held by the subsidiary Galp Gás Natural, S.A		
Decrease in share capital from the associate Gasoduto Al-Andaluz, S.A.	5.2	2
Decrease in share capital from the associate Gasoduto Extremadura, S.A.	5.2	1
Cash payments from to financial investments related to:		**(255)**
Participating interest held by the subsidiaries Petróleos de Portugal - Petrogal, S.A and Galp Energia, SGPS, S.A.		
Adjustment of the advance made by Premiere Investment Group, SAL, relating to the sale of 100% of the share capital of Galp Gambia, Limited.	4.2	(1)
Share capital increase on Galpek, Lda.	5.1	(3)
Participating interest held by subsidiary GDP - Gás de Portugal, SGPS, S.A.		
Share Premium increase on the associate Energin - Sociedade de Produção de Electricidade e Calor, S.A.	5.2	(3)
Acquisition of 25% from GEO Alternativa, S.L share capital	5.2	(2)
Participating interest held by the subsidiary Galp Energia Rovuma B.V.		
Subscription in Coral FLNG, S.A. Share Capital*	5.1	(85)
Participating interest held by the subsidiary Galp Sinopec Brazil Services, B.V.		
Share capital increase on Tupi, B.V.	5.1	(129)
Participating interest held by the subsidiary Galp Bioenergy B.V.		
Share capital increase on Belém Bioenergia Brasil, S.A.	5.1	(32)

* The net increase in the participation interest in Coral FLNG, SA amounted to €22 m, having Galp executed payments in the amount of €85 m, of which €63 m were reimbursed by the project finance.

5. Financial investments

Accouting policy

Investments in Joint Ventures

Galp held Interests in Joint Ventures where joint control consists on the contractually agreed sharing of control over an Agreement, which only exists when decisions on the relevant activities require the unanimous agreement of the parties sharing control.

The classification of a joint agreement as a joint operation or a joint venture depends on the rights and obligations of the parties on the Agreement.

A joint operation is a joint agreement whereby the parties with joint control of the agreement have rights over the assets and liabilities for the liabilities related to that agreement. These parties are called joint operators.

The classification of financial investments as joint ventures is determined on the basis of shareholders' agreements governing joint control. Thus, when Galp classifies a participating interest or consortium as a joint agreement, it considers various legal, contractual and accounting requirements for its appropriate accounting classification.

Investments in joint ventures have been included in the accompanying consolidated financial statements using the equity method, from the date on which joint control is exercised. Joint ventures recognised under the equity method are detailed in Note 5. The excess of the cost of acquisition over the fair value of identifiable assets and liabilities of the joint ventures on the acquisition date is recognised as Goodwill and maintained at the amount of the financial investment in the caption “Investments in associates and joint ventures”. If the difference between the acquisition cost and the fair value of the net assets and liabilities acquired is negative, a profit for the year is recognized in the caption “Income from financial investments” in associated companies and joint ventures, after confirmation of the fair value assigned.

An evaluation of investments is carried out in joint ventures when there is evidence that the interest may be impaired, and impairment losses if any are due recorded as cost. When the impairment losses recognised in prior years cease to exist, they are reversed.

When Group's proportion of the joint venture's accumulated losses exceeds the value at which the interest is recorded, the financial investment is reported at zero value, except when the Group has entered into commitments with the joint venture. In this case, the Group records a loss for the amount of joint liability assumed with the joint venture.

Unrealised gains and losses on transactions with joint ventures are eliminated in proportion to the Group's interest in the joint venture, against the investment in the same entity. Unrealised losses are similarly eliminated, but only to the extent that the loss does not show that the transferred asset is impaired.

Joint operations in oil exploration consortiums are accounted in accordance with the established contracts. Accordingly, these joint operations are recorded according to the working interest held in the petroleum consortium.

The Group's Exploration and Production (E&P) activity is mainly carried out through partnerships with other entities, reflecting in financial statements the percentage held by the Group in these consortium.

Group Galp recognises the following items in its consolidated financial statements, whenever it qualifies as a participant in a joint operation:

- group assets that contribute to the operation;
- own liabilities associated with the joint operation;
- share of the acquired assets and liabilities incurred in carrying out the joint operation;
- share of revenues generated through sales from the joint operation;
- income from its sales share, jointly with its share of costs incurred; and
- own costs and losses incurred in the operation.

Investments in associates

Investments in associated companies (companies in which the Group exercises significant influence, but does not hold either control or joint control, usually holding between 20% and 50% of a company's share capital) are recorded using the equity method.

Investments in affiliated companies (companies in which the group has no significant influence or control, usually when it holds less than 20% of its share capital or voting rights) are recorded at fair value or at acquisition cost in cases when the shares are not listed and the fair value cannot be reliably measured.

Financial investments in subsidiaries are classified as available-for-sale assets in accordance with the classification in IAS 39 and are classified as non-current assets.

According to the equity method, financial investments are recorded at cost, adjusted by the amount corresponding to the Group's participation in changes in shareholders' equity (including net income) of associate companies, against results relating to financial investments in associated companies, as well as dividends received.

The excess of acquisition cost over the fair value of identifiable assets and liabilities of the associate company at the acquisition date is recognised as Goodwill and maintained at the value of the financial investment in associates. If the difference between the acquisition cost and the fair value of the net assets and liabilities acquired is negative, it is recognised as a profit for the year in the caption "Income from financial investments in associated companies", after confirmation of the attributed fair value.

An evaluation of investments in associates are carried out when there are indications that the interest may be impaired, and any impairment losses if any are recorded as cost. When the impairment losses recognised in prior years cease to exist, they are reversed.

When the proportion of the Group in accumulated losses of the associate exceeds the value by which the investment is registered, the financial participation is reported at a nil value, except when the Group has entered into commitments with the associate, in which case the Group amount of joint liability assumed with the associate.

Unrealised gains and losses on transactions with associates are eliminated proportionally to the Group's interest in the associate, against the investment on that associate. Unrealised losses are similarly eliminated, but only to the extent that the loss does not show that the transferred asset is impaired.

5.1. Investments in joint ventures

The financial investments in joint ventures, the head offices, the percentage or interest held and the activities detained as at 31 December 2017 and 2016 are as follows:

		Head Office		Percentage interest held	
Companies		City	Country	2017	2016
Tupi B.V.	(e)(j)	Rotterdam	The Netherlands	10.00%	10.00%
Belém Bioenergia Brasil, S.A.	(d)	Belém	Brazil	50.00%	50.00%
C.L.C. - Companhia Logística de Combustíveis, S.A.	(b)(i)	Aveiras de Cima	Portugal	65.00%	65.00%
Galp Disa Aviacion, S.A.	(f)	Santa Cruz de Tenerife	Spain	50.00%	50.00%
Moçamgalp Agroenergias de Mozambique, S.A.	(g)(h)	Maputo	Mozambique	-	50.00%
Asa - Abastecimento e Serviços de Aviação, Lda.	(b)	Lisbon	Portugal	50.00%	50.00%
Caiageste - Gestão de Areas de Serviço, Lda.	(c)	Elvas	Portugal	50.00%	50.00%
Galpek, Lda	(m)	Lisbon	Portugal	50.00%	50.00%
Coral FLNG, S.A.	(k)	Maputo	Mozambique	10.00%	-
Coral South FLNG DMCC	(k)	Dubai	United Arab Emirates	10.00%	-
Parque Eólico da Penha da Gardunha, Lda.	(a)(l)	Oeiras	Portugal	-	50.00%
Ventinveste, S.A. e subsidiárias	(a)(o)(l)	Lisbon	Portugal	51.50%	35.00%
Parque Eólico de Vale Grande, S.A.	(a)(o)(l)	Lisbon	Portugal	51.50%	35.00%
Âncora Wind-Energia Eólica,S.A e subsidiárias	(p)	Lisbon	Portugal	-	17.00%
Parque Eólico do Douro Sul, S.A.	(p)	Lisbon	Portugal	-	17.00%
Parque Eólico de Vale do Chão, S.A.	(p)	Lisbon	Portugal	-	17.00%
Galp Gás Natural Distribuição, S.A. e subsidiárias	(n)	Lisbon	Portugal	77.50%	77.50%
Beiragás - Companhia de Gás das Beiras, S.A.	(n)	Viseu	Portugal	46.19%	46.19%
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	(n)	Lisbon	Portugal	77.50%	77.50%
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	(n)	Vila Real	Portugal	77.50%	77.50%

Unit: €m

Book Value 2017	2016	Main activity
1,062	1,027	Management, construction, purchase, sale and rental of materials and equipment for exploration, development and production of hydrocarbons, including platforms, ships, FPSOs (floating production, storage, and off-loading), ships to transport crude, supply vessels and other types of vessels.
53	38	Production, logistics and marketing of vegetable oil, as well as any other products, byproducts and related activities, research and development in agro-industrial processes, raw materials, supplies, products, by-products and applications, production, logistics, processing and marketing of raw materials and supplies, including but not limited to bunch of fresh fruit, seeds and seedlings, generation and sale of electricity associated with its operations.
9	7	Installation and operation of liquid and gas storage facilities, as well as the related transport structures, other industrial, commercial and investigation activities and of services related to those activities.
7	6	Service rendered of aviation oil service supply, either directly or through participation in companies with the same business.
-	1	The exercise of agriculture and related activities, including the transformation of oil seeds into vegetable oil that are raw or semi-finished materials for use in other industries, namely for the manufacture of biodiesel and sale of them nationally or internationally, consequently including their transport, as well as the rendering of any other services and technical assistance in that activity.
-	-	Service rendered of aviation oil service supply
-	-	Management, and operation of service areas in the Caia area, including any activities and services related with such establishments and installations, namely: the supply of fuel and lubricants, the commercialisation of products and articles to convenience stores and supermarkets, the management and operation of restaurants and hotel or similar units, service stations and gift and utility selling points.
3	-	Production, transportation and marketing of chemical products and other similar or derivative products, including paraxilene, benzene, refined, other aromatics and remaining subproducts; conducting studies and projects and design, construction operating and exploring production and storage facilities of the products referred in the previous paragraph; and any other industrial, comercial, and research activities, and rendering services related to the activities previously referred.
19	-	Engage the project design and construction of, and to develop, install, commission, finance, hold, use, manage and maintain the Coral South floating liquefied natural gas facilities, including any onshore or offshore auxiliary facilities, in order to provide services for processing, liquefaction, storage and offloading to Area 4 Concessionaires in line with the Area 4 Research and Production Concession Agreement and all of its Annexes, the South Coral Supplemental Agreement and its annexes, and the Development Plan for Coral 441 approved by the Government of the Republic of Mozambique on February 23, 2016.
-	-	Develop investments in offshore energy projects in the Rovuma basin in Mozambique Republic and any business related to this activity provided they are permitted under the terms of the license granted to them by the Dubai authorities.
-	2	Production of electrical and wind energy.
8	-2	Construction and operation of industrial units for the construction and assembly of wind turbine components and construction and operation of wind farms.
-	-	Construction and operation of wind farms.
-	-	The production, distribution and sale of electricity using wind power , through the construction and operation of wind farms and electricity transmission lines , as well as carrying out any other activity related to the use of renewable wind energy
-	-	Construction and operation of wind farms.
-	-	Construction and operation of wind farms.
217	242	Management of equity investments.
-	-	Operation, construction and maintenance of regional natural gas distribution networks.
-	-	Operation, construction and maintenance of regional natural gas distribution networks.
-	-	Operation, construction and maintenance of regional natural gas distribution networks.

Companies		Head Office City	Country	Percentage interest held 2017	2016
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	(n)	Lisbon	Portugal	77.50%	77.50%
Lusitaniagás - Companhia de Gás do Centro, S.A.	(n)	Aveiro	Portugal	75.05%	75.05%
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	(n)	Lisbon	Portugal	77.50%	77.50%
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	(n)	Lisbon	Portugal	77.50%	77.50%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(n)	Setúbal	Portugal	77.45%	77.45%
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	(n)	Santarém	Portugal	32.03%	32.03%
Net Book Value [A]					
Provision for liabilities in joint ventures (Note 21) [B]	(o)				
Book value of financial investments in joint ventures [A]-[B]					

(a) Participation held by Galp Gas & Power, SGPS, S.A.

(b) Participation held by Petróleos de Portugal - Petrogal, S.A.

(c) Participation held by Galpgeste - Gestão de Areas de Serviço, S.A.

(d) Participation held by Galp Bioenergy B.V.

(e) Participation held by Galp Sinopec Brazil Services B.V.

(f) Participation held by Galp Energia España, S.A.

(g) Participation held by Galp Exploração and Produção Petrolífera, SGPS, S.A.

(h) Control over Moçamgalp Agroenergias de Mozambique, S.A., was shared between: Galp Exploração e Produção Petrolífera, SGPS, S.A., Ecomoz – Energias Alternativas Renováveis, Lda. and Petromoc SARL, that held respectively 50%, 49% and 1% of its share capital. During the year ended 31 December 2017 the joint venture Moçamgalp Agroenergias de Mozambique, S.A. was liquidated.

As a result of this operation, the Group recognised in the consolidated income statement the amount of €1 m (Note 4.3 and 5.4) related to gains from exchange rate differences on the translation of financial statements denominated in foreign currency (Mozambican Meticais) which were in the caption "Currency Translation Reserves".

(i) Although the Group holds more than 50% of participating interest, the entity is classified as a joint venture since there are Shareholder Agreements that give shared control of the company's operational and financial management.

Unit: €m

Book Value		
2017	2016	Main activity
-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
-	-	Operation, construction and maintenance of regional natural and other gas distribution networks.
-	-	Production and distribution of natural gas and other fuel gases
1,378	1,321	
-	(2)	
1,378	1,323	

(j) Although the Group holds more than 50% of participating interest, the entity is classified as a joint venture since there are Shareholder Agreements that give shared control of the company's operational and financial management.

(k) In April 2017, the following joint ventures were established:

- Coral FLNG, SA, whose activity consists in the development, operation and maintenance of the Coral South floating liquefied natural gas facility (FLNG) for the exploration, development and production of hydrocarbons.
- Coral South FLNG DMCC, whose activity is to borrow and undertake intra-group on-lending to Coral FLNG S.A.orities.

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, each holding 10%, 50%, 20%, 10% and 10% of its share capital.

(l) Control of the joint venture Parque Eólico Penha da Gardunha, Lda. was shared between Galp Gas & Power, SGPS, S.A. and Martifer Renováveis, SGPS, S.A. each holding 50% of its share capital. During the year ended 31 December 2017, the joint venture Parque Eólico da Penha da Gardunha, Lda, was liquidated.

As a result of this operation, the Group recognised in the consolidated income statement a loss of €2 m (Note 5.1 and 5.3) referring to the write-off of Goodwill that was recorded in the caption "Investments in joint ventures" and recorded in the caption "Receipt of financial investments" the amount of €2 m related to the amounts received from the joint venture Parque Eólico Penha da Gardunha, Lda. (Note 4.3).

The assets and liabilities held by the joint venture Parque Eólico Penha da Gardunha, Lda., namely the share capital held in the joint venture Ventinveste, S.A. (33% of the share capital), was distributed by the shareholders in the proportion of it participating interest. As a result of this operation, the subsidiary Galp Gas & Power, SGPS, S.A., which already owned 35% of the joint venture Ventinveste, S.A., now holds 51.5%.

The control over joint venture Ventinveste, S.A., is shared between Galp Gas & Power, SGPS, S.A. and the Martifer Group, which hold respectively 51.5% and 49.5% of its share capital.

In addition, there is a shareholder agreement that states that profits from joint venture Ventinveste, S.A. should be distributed 50% to Galp and 50% to Martifer. Thus, for the purposes of equity method application, Galp recognised only 50% of Ventinveste, S.A.

(m) On 3 October 2016, Galpek, Lda, was established which control is shared between Petróleos de Portugal - Petrogal, S.A. and Dak Americas Exterior SL, each with 50% participating interest.

(n) On 27 October 2016, 22.5% of the participating interest on Galp Gás Natural Distribuição, SA was sold to Meet Europe Natural Gas, Lda, and its subsidiaries were considered as joint ventures, in which the control over the joint venture is shared between GDP - Gás de Portugal, SGPS, SA and Meet Europe Natural Gas, Lda, which hold respectively 77.5 %% and 22.5% of its share capital.

(o) On 31 December 2017 and 2016, the provision for investments in joint ventures represents the Group's joint commitment to joint ventures with negative equity.

(p) The Galp Group, through the joint venture Ventinveste, S.A., and within the scope of the existing wind project, established a set of agreements with suppliers and financial entities for the construction of four wind farms. The project, called Âncora, was developed under a partnership between Ventinveste and Ferrostaal GmbH and it is financed under project finance. The control of Âncora Wind-Energia Eólica, S.A. was shared between Ventinveste, S.A. and Ferrostaal GmbH, each holding 50% of its share capital.

In November 2016, the Galp Group, through joint venture Ventinveste, SA reached an agreement with First State Benedict S.A.R.L. for the sale of the participating interest held in Âncora Wind - Energia Eólica, S.A.

On 29 March 2017, the sale was completed. As a result of this operation, the group recognised in results under the "Results relating to financial investments" a net capital gain of €21 m and transferred to the accumulated result caption the amount of €1 m resulting from hedging reserves:

Unit: €m

Impact on jount venture Ventinveste, S.A.		
% sold through joint venture Ventinveste, S.A.	50.00%	
Share price		40
Share premium		31
Sale price adjustment		(1)
Sale Price [A]		**70**
Assets less Liabilities of the group Âncora Wind - Energia Eólica, S.A. at the date financial participation sale		59
Investment book value [B]		**30**
Results from financial investments in joint venture Ventinveste, S.A. [A] - [B]		**40**
Hedging reserves		**(2)**
Retained earnings		**2**
Impact in Group Galp		
Galp Energia, SGPS, S.A. holds:		
100% of the subsidiary GDP - Gás de Portugal, SGPS, S.A. Which holds :		
35% of joint venture Ventinveste, S.A.	35.00%	14
50% of joint venture Parque Eólico da Penha da Gardunha, Lda. Which holds:	50.00%	
33% of joint venture Ventinveste, S.A.	33.00%	7
Results from financial investments recorded in Galp Group		**21**
Hedging reserves		**(1)**
Retained earnings		**1**

As a result of the sale price settlement for the participating interest held on Âncora Wind – Energia Eólica, S.A. €2 m were transferred related to interest rates financial derivatives from hedging reserves to retained earnings.

Following the summary of the financial statements of the joint ventures as at 31 December 2017 and 2016:

Statement of financial position from joint ventures

		Total Joint Ventures		Tupi B.V.		Galp Gás Natural Distribuição, S.A. e subsidiárias	
Assets	**Notes**	**December 2017**	**December 2016**	**December 2017**	**December 2016**	**December 2017**	**December 2016**
Noncurrent assets:							
Tangible assets		10,802	10,810	10,255	10,580	1	1
Goodwill		2	2	-	-	2	2
Intangible assets		1,091	1,020	-	-	1,094	1,113
Investments in associates and joint ventures		27	58	-	-	12	15
Other receivables		348	33	332	-	16	32
Deferred tax assets		17	18	-	-	16	17
Total noncurrent assets:		**12,287**	**11,941**	**10,587**	**10,580**	**1,141**	**1,180**
Current assets:							
Inventories		5	3	-	-	2	1
Trade receivables		110	118	-	-	10	10
Other receivables		1,020	346	362	262	70	77
Other financial investments		-	1	-	-	-	-
Income tax receivables		1	2	-	-	-	-
Cash and cash equivalents		525	255	164	203	17	43
Total current assets:		**1,661**	**725**	**526**	**465**	**99**	**131**
Total assets:		**13,948**	**12,666**	**11,113**	**11,045**	**1,240**	**1,311**
Liabilities:							
Noncurrent liabilities:							
Bank loans		28	66	-	-	21	29
Bonds		596	595	-	-	596	595
Other payables		909	279	-	-	224	233
Postemployment and other employee benefits liabilities		57	60	-	-	57	60
Deferred tax liabilities		7	9	-	-	7	9
Other financial instruments		-	1	-	-	-	-
Provisions		48	36	-	-	43	32
Total noncurrent liabilities:		**1,645**	**1,046**	**-**	**-**	**948**	**958**
Current liabilities:							
Bank loans and overdrafts		262	45	-	-	10	13
Trade payables		21	22	-	-	10	14
Other payables		814	910	494	778	36	47
Current income tax payables		5	15	-	-	4	15
Total current liabilities:		**1,102**	**992**	**494**	**778**	**60**	**89**
Total liabilities:		**2,747**	**2,038**	**494**	**778**	**1,008**	**1,047**
Total equity and liabilities:		**13,948**	**12,666**	**11,113**	**11,045**	**1,240**	**1,311**

* Provisional financial statement at the closing date considered for the application of the equity method.

	Belém Bioenergia Brasil, S.A.		Coral FLNG, S.A.		C.L.C. - Companhia Logística de Combustíveis, S.A.		Ventinveste, S.A.		Other joint ventures	
	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016
	109	196	387	-	39	21	12	12	(1)	
	-	-	-	-	-	-	-	-		
	(9)	(96)	-	-	-	-	2	2	4	1
	-	-	-	-	-	-	-	28	15	15
	1	1	-	-	-	-	-	-	(1)	
	-	-	-	-	1	-	-	-		1
	101	**101**	**387**	**-**	**40**	**21**	**14**	**42**	**17**	**17**
	2	1	-	-	-	-	-	-	1	1
	4	3	-	-	96	105	-	-		
	8	6	576	-	2	1	-	-	2	
	-	-	-	-	-	-	-	-		1
	1	2	-	-	-	-	-	-		
	2	-	326	-	2	2	10	6	4	1
	17	**12**	**902**	**-**	**100**	**108**	**10**	**6**	**7**	**3**
	118	**113**	**1,289**	**-**	**140**	**129**	**24**	**48**	**24**	**20**
	-	29	-	-	-	-	7	8		
	-	-	-	-	-	-	-	-		
	-	-	685	-	-	-	-	44		2
	-	-	-	-	-	-	-	-		
	-	-	-	-	-	-	-	-		
	-	-	-	-	-	-	-	1		
	4	2	-	-	2	2	-	-	(1)	
	4	**31**	**685**	**-**	**2**	**2**	**7**	**53**	**(1)**	**2**
	-	-	247	-	5	31	1	1	(1)	
	7	6	-	-	2	1	-	-	2	1
	1	-	163	-	116	84	-	(1)	4	
	-	-	-	-	1	-	-	-		
	8	**6**	**410**	**-**	**124**	**116**	**1**	**-**	**5**	**3**
	12	**37**	**1,095**	**-**	**126**	**118**	**8**	**53**	**4**	**5**
	118	**113**	**1,289**	**-**	**140**	**129**	**24**	**48**	**24**	**20**

Income statement and other comprehensive income from Joint Ventures

Income Statement	Total Joint Ventures December 2017	Total Joint Ventures December 2016	Tupi B.V. December 2017	Tupi B.V. December 2016	Galp Gás Natural Distribuição, S.A. e subsidiárias December 2017	Galp Gás Natural Distribuição, S.A. e subsidiárias December 2016
Operating income:						
Sales	22	16	–	-	4	6
Services rendered	1,896	1,791	1,688	1,567	180	196
Other operating income	33	34	-	-	33	34
Total operating income:	**1,951**	**1,841**	**1,688**	**1,567**	**217**	**236**
Operating costs:						
Cost of sales	23	17	-	-	2	3
External supplies and services	76	86	–	-	64	75
Employee costs	30	28	-	-	22	21
Amortisation, depreciation and impairment losses on fixed assets	47	138	-	-	42	41
Provisions and impairment losses on receivables	7	2	-	-	-	-
Other operating costs	1,202	2,169	1,180	2,120	22	47
Total operating costs:	**1,385**	**2,440**	**1,180**	**2,120**	**152**	**187**
Operating income:	**566**	**(599)**	**508**	**(553)**	**65**	**49**
Financial income	9	11	8	9	-	1
Financial costs	(11)	(45)	-	(19)	(10)	(24)
Exchange (losses) gains	(1)	-	-	-	-	-
Income from financial investments and impairment losses on Goodwill	41	6	-	-	1	1
Income before taxes:	**604**	**(627)**	**516**	**(563)**	**56**	**27**
Income tax	(120)	(99)	(102)	(85)	(15)	(12)
Energy sector extraordinary contribution	(10)	(10)	-	-	(10)	(10)
Net income for the period	**474**	**(736)**	**414**	**(648)**	**31**	**5**
Income attributable to:						
Non-controlling interests	1	2	-	-	1	2
Shareholders	**473**	**(738)**	**414**	**(648)**	**30**	**3**
Consolidated net income for the period	**474**	**(736)**	**414**	**(648)**	**31**	**5**
Other comprehensive income	**(1,383)**	**358**	**(1,349)**	**340**	**-**	**(9)**

* Provisional financial statement at the closing date considered for the application of the equity method.

Unit: €m

Belem Bioenergia Brasil, S.A.		Coral FLNG, S.A.		C.L.C. - Companhia Logística de Combustíveis, S.A.		Ventinveste, S.A.		Other joint ventures	
December 2017	December 2016	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016
15	6	-	-	-	-	2	2	1	2
-	-	-	-	25	25	-	-	3	3
-	-	-	-	-	-	-	-	-	-
15	**6**	**-**	**-**	**25**	**25**	**2**	**2**	**4**	**5**
20	13	-	-	-	-	-	-	1	1
3	3	-	-	7	7	1	1	1	-
2	2	-	-	4	4	-	-	2	1
1	87	-	-	3	8	1	1	-	1
6	2	-	-	1	-	-	-	-	-
(1)	1	-	-	(1)	(1)	1	-	1	2
31	**108**	**-**	**-**	**14**	**18**	**3**	**2**	**5**	**5**
(16)	**(102)**	**-**	**-**	**11**	**7**	**(1)**	**-**	**(1)**	**-**
-	-	-	-	-	-	-	-	1	1
-	-	-	-	-	-	(1)	(2)	-	-
-	-	(1)	-	-	-	-	-	-	-
(4)	-	-	-	-	-	40	2	4	3
(20)	**(102)**	**(1)**	**-**	**11**	**7**	**38**	**-**	**4**	**4**
-	-	-	-	(3)	(2)	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(20)	**(102)**	**(1)**	**-**	**8**	**5**	**38**	**-**	**4**	**4**
-	-	-	-	-	-	-	-	-	-
(20)	**(102)**	**(1)**	**-**	**8**	**5**	**38**	**-**	**4**	**4**
(20)	**(102)**	**(1)**	**-**	**8**	**5**	**38**	**-**	**4**	**4**
(14)	**18**	**(26)**	**-**	**-**	**-**	**2**	**-**	**4**	**9**

The changes in the caption "Investments in joint ventures" for the period ended 31 December 2017, which are reflected by the equity method, were as follows:

		Total Empreendimentos conjuntos		Tupi B.V.		Galp Gás Natural Distribuição, S.A. e subsidiárias	
Movements in Investments in Joint Ventures	**Notes**	**December 2017**	**December 2016**	**December 2017**	**December 2016**	**December 2017**	**December 2016**
% Share Capital held				**10.00%**	**10.00%**	**77.50%**	**77.50%**
Net Book Value in Investments as of January 1		**1,321**	**976**	**1,027**	**891**	**242**	**-**
Investments in Joint Ventures		**1,323**	**978**	**1,027**	**891**	**242**	**-**
Provisions for Investments in Joint Ventures	**21**	**(2)**	**(2)**	**-**	**-**	**-**	**-**
Increase in investment	(a)	184	176	129	167	-	-
Disposals/Investment decrease		(4)	-	-	-	-	-
Gains/Losses		79	(109)	41	(65)	23	2
Translaction adjustment		(142)	43	(135)	34	-	-
Hedging reserves adjustment		-	-	-	-	-	-
Actuarial gains/losses		-	(3)	-	-	-	(3)
Gains/losses in investment disposals	5,4	(1)	-	-	-	-	-
Dividends	5,5	(58)	(5)	-	-	(48)	-
Transfers	(b)	(1)	-	-	-	-	-
Adjustments		-	243	-	-	-	243
Net Book Value in Investments as of December 31		**1,378**	**1321**	**1,062**	**1027**	**217**	**242**
Investments in Joint Ventures		**1,378**	**1,323**	**1,062**	**1,027**	**217**	**242**
Provisions for Investments in Joint Ventures	**21**	**-**	**(2)**	**-**	**-**	**-**	**-**

(a) Increase in investment:

- €129 m refers to share 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.
- €32 m refers to the share 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.
- €22 m refers to the share capital increase in joint venture Coral FNLG, S.A. by the subsidiary Galp Energia Rovuma B.V.

(b) €1 m recorded in the caption "Transfers/Adjustments" refers to "Hedging Reserves", arising from the sale of Âncora Wind – Energia Eólica, S.A., which were transferred to the caption "Retained Earnings" (Note 5.1).

Unit: €m

	Belém Bioenergia Brasil, S.A.		Coral FLNG, S.A.		C.L.C. -Companhia Logística de Combustíveis, S.A.		Ventinveste, S.A.		Other joint ventures	
	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016	December 2017	December 2016
	50.00%	50.00%	10.00%	-	65.00%	65.00%	50.00%	35.00%		
	38	58	-	-	7	20	(2)	(2)	9	9
	38	58	-	-	7	20	-	-	9	9
	-	-	-	-	-	-	(2)	(2)	-	-
	32	22	22	-	-	(13)	-	-	1	-
	-	-	-	-	-	-	-	-	(4)	-
	(10)	(51)	-	-	5	3	19	-	1	2
	(7)	9	(3)	-	-	-	-	-	3	-
	-	-	-	-	-	-	1	-	(1)	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	(1)	-
	-	-	-	-	(3)	(3)	(6)	-	(1)	(2)
	-	-	-	-	-	-	(4)	-	3	-
	-	-	-	-	-	-	-	-	-	-
	53	38	19	-	9	7	8	(2)	10	9
	53	38	19	-	9	7	8	-	10	9
	-	-	-	-	-	-	-	(2)	-	-

The caption "Gains/losses" on the joint venture Ventinveste S.A. includes the effect related to the sale of Âncora Wind - Energia Eólica, S.A. and the effect by the application of the equity method as follows:

Unit: €m

	Gains/Losses	Effect of Âncora Wind – Energia Eólica, S.A. Disposal	Effect of applying the equity method
	19	21	(2)
Parque Eólico da Penha da Gardunha, Lda.	-	7	(7)
Ventinveste, S.A.	19	14	5

The caption "Investments in joint ventures" includes the positive Goodwill and the fair value related to the investments in joint ventures, which detail as at 31 December 2017 and 31 December 2016 was as follows:

Unit: €m

	Note	December 2017	December 2016
		53	55
Goodwill			
Parque Eólico da Penha da Gardunha, Lda.	5.1 (l)	-	2
Fair value			
Galp Gás Natural Distribuição, S.A.		53	53

5.2. Investments in associates

Investments in associates, their head offices and the percentage or interest held as of 31 December 2017 and 2016 are as follows:

		Head Office		Percentage interest held	
Companies		City	Country	2017	2016
EMPL - Europe Maghreb Pipeline, Ltd	(a)	Madrid	Spain	22.80%	22.80%
Gasoduto Al-Andaluz, S.A.	(a)	Madrid	Spain	33.04%	33.04%
Gasoduto Extremadura, S.A.	(a)	Madrid	Spain	49.00%	49.00%
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	(e)	Luanda	Angola	49.00%	49.00%
Metragaz, S.A.	(a)	Tânger	Morocco	22.64%	22.64%
Terparque - Armazenagem de Combustíveis, Lda.	(d)	Angra do Heroísmo	Portugal	23.50%	23.50%
C.L.C. Guiné-Bissau – Companhia Logística de Combustíveis da Guiné-Bissau, Lda.	(c)	Bissau	Guinea-Bissau	45.00%	45.00%
IPG Galp Beira Terminal Lda	(f)	Maputo	Mozambique	45.00%	45.00%
Sodigás-Sociedade Industrial de Gases, S.A.R.L	(g)	Mindelo	Cape Verde	45.31%	44.00%
Galp IPG Matola Terminal Lda	(f)	Maputo	Mozambique	45.00%	45.00%
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	(c)	Bissau	Guinea-Bissau	50.00%	50.00%
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	(b)	Lisboa	Portugal	35.00%	35.00%
Geo Alternativa, S.L.	(b) e (h)	Madrid	Spain	25.00%	-
Book value of financial investments in associates					
Provisions for Investments in associates (Note 21)	**(i)**				
Net Book value of financial investments in associates					

(a) Participation held by Galp Gás Natural, S.A.

(b) Participation held by Galp Gas & Power, SGPS, S.A.

(c) Participação held by Petrogal Guiné-Bissau, Lda.

(d) Participation held by Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.

(e) Participation held by Petrogal Angola, Lda.

(f) Participation held by Petrogal Mozambique, Lda.

(g) Participation held by Empresa Nacional de Combustíveis - Enacol, S.A.R.L

(h) In November 2017, Galp entered into a Shareholder Agreement with the entity Geo Alternativa SL and acquired 25% in the referred company, whose activity is the commercialization of electricity and natural gas. The entity has its headquarters in Madrid, Spain and has a share capital of €4 m.

Unit: €m

Book Value		
2017	2016	Main Activity
54	63	Construction and operation of the natural gas pipeline between Morocco and Spain
13	15	Construction and operation of Tarifa–Córdoba gas pipeline.
9	11	Construction and operation of Córdoba-Campo Maior gas pipeline.
18	13	Distribution and Commercialisation of liquid fuel, lubricants and other petroleum derivatives, operation of service stations and automobile assistance and related services.
1	1	Construction, maintenance and operation of the Maghreb-Europe gas pipeline.
-	-	Construction and/or operation of storage facilities for fuel
1	2	Management and operation of the liquid fuel storage facilities and of the Bandim Petroleum Terminal
3	-	Develop and operate a storage terminal for petroleum products, including with no limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
1	2	Production and sale of oxygen, acetylene, nitrogen and other industrial gases.
3	2	Develop and operate a storage terminal for petroleum products, including with no limitations, hydrocarbons, chemicals, carbonated liquid oil and bitumen.
-	-	Services rendered related to storage and supply of petroleum products to aircrafts and other related and complementary activities.
-	(2)	Co-generation and sale of electric and thermic power.
2	-	Commercialisation of all types of energy products, namely electrical energy and natural gas.
105	107	
-	(2)	
105	109	

Following the summary of the financial statements of the associates as at 31 December 2017 and 2016:

Associates statement of financial position

Statement of financial position	Notes	Total associate companies		EMPL - Europe Maghreb Pipeline, Ltd		Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	
		Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
Non-current assets:							
Tangible assets		57	49			25	18
Intangible assets		199	43	164	-	3	3
Deferred tax assets		2	2				
Total non-current assets:		**258**	**94**	**164**	**-**	**28**	**21**
Current assets:							
Inventories		4	4			3	3
Trade receivables		22	19				2
Other receivables		79	282	71	275		
Other financial investments		24	8	15	8		
Income tax receivables		3	2				
Cash and cash equivalents		86	87	6	8	36	28
Total current assets:		**218**	**402**	**92**	**291**	**39**	**33**
Total assets:		**476**	**496**	**256**	**291**	**67**	**54**
Liabilities:							
Non-current liabilities:							
Bank loans		6	9				1
Other payables		3	6			3	6
Deferred tax liabilities		2	2	1	1		
Provisions		1	3				
Total non-current liabilities:		**12**	**20**	**1**	**1**	**3**	**7**
Current liabilities:							
Bank loans and overdrafts		7	15				
Trade payables		66	68	17	15	24	20
Other payables		25	10		(1)	4	1
Current income tax payables		2	1				
Total current liabilities:		**100**	**94**	**17**	**14**	**28**	**21**
Total liabilities:		**112**	**114**	**18**	**15**	**31**	**28**
Total equity and liabilities:		**476**	**496**	**256**	**291**	**67**	**54**

* Provisional financial statement at the closing date considered for the application of the equity method.

Unit: €m

Gasoduto Al-Andaluz, S.A.		Gasoduto Extremadura, S.A.		Galp IPG Matola Terminal Lda		IPG Galp Beira Terminal Lda		Remaining associate companies	
Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
				6	7	17	12	9	12
22	28	10	12						
1	1	1	1						
23	**29**	**11**	**13**	**6**	**7**	**17**	**12**	**9**	**12**
								1	1
5	4	3	2					14	11
2				6	7				-
								9	
						2	2	1	
17	26	9	16	8		3	2	7	7
24	**30**	**12**	**18**	**14**	**7**	**5**	**4**	**32**	**19**
47	**59**	**23**	**31**	**20**	**14**	**22**	**16**	**41**	**31**
								6	8
						1			1
								1	3
-	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**7**	**12**
					8	6	7	1	
7	12	2	6	4	2	3	2	9	11
	1	2	2	9		5	6	5	1
1			1			1			
8	**13**	**4**	**9**	**13**	**10**	**15**	**15**	**15**	**12**
8	**13**	**4**	**9**	**13**	**10**	**16**	**15**	**22**	**24**
47	**59**	**23**	**31**	**20**	**14**	**22**	**16**	**41**	**31**

Associates income statement and other comprehensive income

Income statement	Total associate companies		EMPL - Europe Magreb Pipeline, Ltd		Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	
	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
Operating income:						
Sales	625	567	311	310	251	193
Services rendered	31	32	-	-	2	2
Other operating income	6	1	-	-	2	1
Total operating income:	**662**	**600**	**311**	**310**	**255**	**196**
Operating costs:						
Cost of sales	216	166	-	-	214	163
External supplies and services	61	59	22	24	9	8
Employee costs	8	8	-	-	4	4
Amortisation, depreciation and impairment losses on fixed assets	49	51	34	37	2	2
Provisions and impairment losses on receivables	-	1	-	-	-	1
Other operating costs	-	5	1	-	(1)	3
Total operating costs:	**334**	**290**	**57**	**61**	**228**	**181**
Operating income:	**328**	**310**	**254**	**249**	**27**	**15**
Financial income	10	2	3	1	1	1
Financial costs	(4)	(4)	1	(2)	(1)	(1)
Exchange (losses) gains	3	(5)	-	-	-	-
Income before taxes:	**337**	**303**	**258**	**248**	**27**	**15**
Income tax	(34)	(88)	(12)	(72)	(8)	(5)
Net income for the period	**303**	**215**	**246**	**176**	**19**	**10**
Income attributable to:						
Non-controlling interests	-	-	-	-	-	-
Shareholders	**303**	**215**	**246**	**176**	**19**	**10**
Net income for the period	**303**	**215**	**246**	**176**	**19**	**10**
Other comprehensive income	**(31)**	**(2)**	**(39)**	**13**	**(1)**	**(4)**

* Provisional financial statement at the closing date considered for the application of the equity method.

Unit: €m

Gasoduto Al-Andaluz, S.A.		Gasoduto Extremadura, S.A.		Galp IPG Matola Terminal Lda		IPG Galp Beira Terminal Lda		Remaining associate companies	
Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
40	43	-	-	-	-	-	-	23	21
-	-	26	28	-	-	-	-	3	2
-	-	-	-	-	-	3	-	1	-
40	**43**	**26**	**28**	**-**	**-**	**3**	**-**	**27**	**23**
-	-	-	-	-	-	-	-	2	3
7	9	6	6	-	-	-	-	17	12
-	-	-	-	-	-	-	-	4	4
7	7	3	3	-	-	-	-	3	2
-	-	-	-	-	-	-	-	-	-
3	1	-	-	(1)	2	(2)	2	-	(3)
17	**17**	**9**	**9**	**(1)**	**2**	**(2)**	**2**	**26**	**18**
23	**26**	**17**	**19**	**1**	**(2)**	**5**	**(2)**	**1**	**5**
-	-	-	-	6	1	-	-	-	(1)
-	-	-	-	(3)	(1)	-	-	(1)	-
-	-	-	-	-	-	3	(5)	-	-
23	**26**	**17**	**19**	**4**	**(2)**	**8**	**(7)**	**-**	**4**
(6)	(7)	(4)	(5)	(2)	-	(3)	1	1	-
17	**19**	**13**	**14**	**2**	**(2)**	**5**	**(6)**	**1**	**4**
-	-	-	-	-	-	-	-	-	-
17	**19**	**13**	**14**	**2**	**(2)**	**5**	**(6)**	**1**	**4**
17	**19**	**13**	**14**	**2**	**(2)**	**5**	**(6)**	**1**	**4**
-	**-**	**-**	**-**	**1**	**(3)**	**2**	**(2)**	**6**	**(6)**

The changes in the caption "Investments in associates" for the year ended 31 December 2017 and 2016 were as follows:

		Total associate companies		EMPL - Europe Magreb Pipeline, Ltd		Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	
Movements in investments in associates	**Notes**	**Dec 2017**	**Dec 2016**	**Dec 2017**	**Dec 2016**	**Dec 2017**	**Dec 2016**
% Share Capital held				22.80%	22.80%	49.00%	49.00%
Net Book Value in Investments as of January 1		106	134	63	62	13	11
Investments in associates		109	136	63	62	13	11
Provisions for Investments in associates	21	(2)	(2)	-	-	-	-
Increase in investment	(a)	2	(5)	-	-	-	-
Gains/Losses		81	58	56	40	9	5
Currency exchange difference		(10)	(3)	(9)	3	-	(3)
Dividends	5.5	(75)	(62)	(56)	(42)	(4)	-
Changes in consolidation perimeter		-	(15)	-	-	-	-
Net Book Value in Investments as of December 31		105	107	54	63	18	13
Investments in associates		105	109	54	63	18	13
Provisions for Investments in associates	21	-	(2)	-	-	-	-

(a) Investment increase

- The negative amounts of €2 m and €1 m correspond to the share capital decrease in associates Gasoduto Al-Andalus, S.A. and Gasoduto Extremadura, S.A.;

- The amount of €5 m stated in remaining associate companies includes:

i) €3 m regarding share premium increase made by the subsidiary Galp Gas & Power, SGPS, S.A. in the associate Energin - Sociedade de Produção de Eletricidade e Calor, S.A.;

ii) €2 m refers to the acquisition of 25% share capital of the associate company GEO Alternativa, S.L., made by the subsidiary Galp Gas & Power, SGPS, S.A.

Unit: €m

Gasoduto Al-Andaluz, S.A.		Gasoduto Extremadura, S.A.		Galp IPG Matola Terminal Lda		IPG Galp Beira Terminal Lda		Remaining associate companies	
Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016	Dec 2017	Dec 2016
33.04%	33.04%	49.00%	49.00%	45.00%	45.00%	45.00%	45.00%		
15	21	11	17	2	4	-	4	2	15
15	21	11	17	2	4	-	4	5	17
-	-	-	-	-	-	-	-	(2)	(2)
(2)	(2)	(1)	(3)	-	-	-	-	5	-
6	6	6	7	1	(1)	2	(3)	1	4
-	-	-	-	-	(1)	1	(1)	(2)	(1)
(6)	(10)	(7)	(10)	-	-	-	-	(2)	-
-	-	-	-	-	-	-	-	-	(15)
13	15	9	11	3	2	3	-	5	3
13	15	9	11	3	2	3	-	5	5
-	-	-	-	-	-	-	-	-	(2)

5.3. Financial assets held for sale

The financial investments in affiliates, presented in the Statement of financial position as Financial assets available for sale, its head offices and the percentage or interest held as of 31 December 2017 and 2016 are as follows:

Unit: €m

		Head Office		Percentage Interest held		Book value	
Companies		City	Country	2017	2016	2017	2016
Corporación de Reservas Estratégicas de Productos Petrolíferos		Madrid	Spain	n.a.	n.a.	2	2
Portugal Ventures		Oporto	Portugal	1.25%	1.25%	1	1
Adene - Agência para a Energia, S.A.	(*)	Amadora	Portugal	10.98%	10.98%		-
Omegás - Soc. D'Étude du Gazoduc Magreb Europe	(*)	Tânger	Morocco	5.00%	5.00%		-
Clube Financeiro de Vigo	(*)	Vigo	Spain	-	-		-
P.I.M.-Parque Industrial da Matola, SARL	(*)	Maputo	Mozambique	1.50%	1.50%		-
ADEPORTO Agência de Energia do Porto	(*)	Oporto	Portugal	-	-		-
Imopetro - Importadora Moçambicana de Petróleos, Lda.	(*)	Maputo	Mozambique	15.38%	15.38%		-
OIL Insurance Limited	(*)	Hamilton	Bermuda	1.00%	1.00%		-
MIBG-Mercado Ibérico de Gás	(*)	Madrid	Spain	1.76%	1.76%		-
ISPG - Instituto do Petróleo e Gás	(*)	Lisbon	Portugal	76.67%	76.67%		-
						3	3

(*) Values below 1 million Euros

ISPG is a non-profit association, established by Galp, Universidade de Aveiro, Universidade de Coimbra, Universidade do Minho, Universidade Nova de Lisboa, Universidade do Porto, Instituto Superior Técnico and Faculdade de Ciências da Universidade de Lisboa. ISPG's mission is to gather and centralise knowledge and promote the development, transmission and diffusion of science and technology applied to the activities in the energy sector, especially oil and gas. The activities carried out aim at enhancing the competitiveness of the energy industries, in particular through the advanced training of relevant technical staff, a network of cooperation between enterprises, higher education institutions and other public and private R&D and industrial innovation entities.

On 29 November 2016, Galp Energia SGPS, S.A. subscribed and realised €230 k in participating units in ISPG. (230 PU's). Additionally, in the year ended 31 December, 2016 Galp Energia SGPS, S.A. sold to Petróleos de Portugal - Petrogal, S.A. 30 PU's.

Galp Energia SGPS maintains its Founding Member status and holds 200 PU's and Petrogal holds 30 PU's (of the total 300 which represent ISPG share capital, while the remaining are owned by the universities).

5.4. Results from financial investments

The caption "Income from financial investments and impairment losses on Goodwill", presented in the consolidated income statement for the year ended 31 December 2017 and 31 December 2016 is comprised as follows:

Unit: €m

	Note	December 17	December 2016
		163	**17**
Effect of applying the equity method			
Associates	5.2	81	58
Joint Ventures	5.1	79	(109)
Effect of the disposal of investments in group companies and associates:			
Gain on disposal of 100% of the interest held in Galp Gambia, Limited	4.2 a)	4	-
Gain on disposal of 22.5% of the interest held in Galp Gás Natural Distribuição, S.A.		-	132
Effect of the price adjustment of the disposal of investments in group companies and associates:			
Acquisition cost adjustment related to the financial interest held in Madrileña Suministro de Gas S.L. for the year ended 31 de December 2015		-	1
Acquisition cost adjustment related to the financial interest held in Madrileña Suministro de Gas SUR S.L. for the year ended 31 December 2015		-	(1)
Effect of the liquidation of group companies:			
Write off of exchange differences that resulted from the financial statements translation of the subsidiary Galp Energia Tarfaya B.V., which were booked in Equity in the caption Other Reserves		-	(14)
Liquidation of the subsidiary Parque Eólico da Gardunha, Lda.	5.1	(2)	-
Liquidation of the subsidiary Moçamgalp Agroenergias de Mozambique, S.A.	5.1	1	-
Effect of Goodwill impairments of group companies:			
Goodwill Impairment of the subsidiary Galp Distribuicíon Oil España, SAU, which is recorded in the caption Goodwill	11	-	(11)
Goodwill Impairment of the subsidiary Galp Comercializacíon España, SL, which is recorded in the caption Goodwill	11	-	(38)
Others		-	(1)

5.5. Dividends from financial investments

31 December 2017:

The caption “Investments in associates and joint ventures” (Note 5.1 and 5.2), includes the total amount of €133 m related to dividends corresponding to amounts approved in the General Meetings of the respective companies. The dividends received in the year ended 31 December 2017 amounted to €134 m.

The difference between the amount received and the amount recognised in the caption “Investments in associates and joint ventures” of €1 m refers to dividends received from Assets available for sale.

31 December 2016:

The caption “Investments in associates and joint ventures” (Note 5.1 and 5.2) includes the total amount of €67 m related to dividends corresponding to amounts approved in the General meetings of the respective companies. The dividends received in the year ended 31 December 2016 amounted to €70 m.

The difference between the amount received and the amount recognised in the caption “Investments in associates and joint ventures” of €3 m refers to dividends received from Assets available for sale.

5.6. Joint operations

During the period ended 31 December 2017, there were no significant changes in the Joint Operations, by geographical area and percentages held.

5.6.1. Joint operations - Oil Consortium

Joint operations are subject to joint agreements designated as JOA (Joint Operating Agreement). These JOA establish the joint decisions between the partners of the oil consortia. In addition to the JOA’s, Production Sharing Agreements may exist, which are primarily used to determine the share of oil production in a given area that is for the consortium. In PSAs, the national oil company pays the execution, by the international oil company (contractor), of the exploration and production activity. The contractor takes the mineral and financial risk of the initiative and, if successful, recovers the cost of capital spent and costs incurred in the year (cost oil) through the share of production. In Angola, the fluctuation in international oil prices also affects the production share (net entitlement) by which the contractor has the right to remunerate its invested capital (profit oil) after incurred costs are paid by cost oil. Thus, the investment and the stock are recognised in the share of the assets, while sales and costs are recognised in the Income Statement.

The profit oil is a form of remuneration of the State specific for the production sharing contracts in Angola. The profit oil represents the difference between (i) the amount of oil produced and collected from each development area and not used in petroleum operations, and (ii) the oil for the cost recovery (cost oil) in the same development area. Annual audits are performed by independent auditors on the accounts submitted by the consortium, in which it is assessed the acceptance of these costs, which gives rise to adjustments for excess or insufficiency in profit oil.

Joint Operations, by geographic area and percentage held as at 31 December 2017 and 2016 are as follows:

2017

Country	Consortium	Acquisition date	Participating companies and participation interest
Brazil	BM-S-8	September 2000	Statoil (38%); ExxonMobil (38%); Petrogal Brasil S.A. (14%); Barra Energia (10%)
	BM-S-11		Petróleo Brasileiro S.A. (65%); BG E&P Brasil S.A. (25%); Petrogal Brasil S.A. (10%)
	BM-S-24	August 2001	Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BT-POT-32	November 2004	Petróleo Brasileiro S.A. (50%); Petrogal Brasil S.A. (50%)
	BT-POT-51	January 2006	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-SEAL-13	January 2006	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BM-POT-17	January 2006	Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BM-POT-16	January 2006	Petróleo Brasileiro S.A. (60%); Petrogal Brasil S.A. (20%); Encana Brasil S.A. (20%)
	PEPB-M-783	March 2008	Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	PEPB-M-839		Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BAR-300	August 2013	BG (50%); Petrobrás (40%); Galp Energia Brasil S.A. (10%)
	BAR-342		BG (50%); Petrobrás (40%); Galp Energia Brasil S.A. (10%)
	BAR-344		BG (50%); Petrobrás (40%); Galp Energia Brasil S.A. (10%)
	BAR-388		BG (50%); Petrobrás (40%); Galp Energia Brasil S.A. (10%)
	PN-T-136		Galp Energia Brasil S.A. (50%); Petrobrás (50%)
	PN-T-150		Petrobrás (50%); Galp Energia Brasil S.A. (50%)
	PN-T-166		Petrobrás (50%); Galp Energia Brasil S.A. (50%)
	PN-T-182		Galp Energia Brasil S.A. (50%); Petrobrás (50%)
	POT-M-764		Petrobrás (40%); BG (40%); Galp Energia Brasil S.A. (20%)
	Carcará Norte	October 2017	Statoil (40%); ExxonMobil (40%); Petrogal Brasil S.A. (20%)
Angola	Block 14	December 1999	Galp(9%); CABGOG(31%); Sonangol (20%); ENI(20%); ANGOLA BLOCO 14 B.V.(20%)
	Block 14K	December 2002	Galp(4.5%); Chevron Overseas Congo LTD(15.75%); CABGOG(15.5%); Sonangol (10%); SNPC(7.5%); TFE(10%); TEPC(26.75%); ENI (10%)
	Block 32	May 2007	Galp(5%); Total(30%); Sonangol(30%); SSI Limited(20%); Esso(15%)
	Block 33	May 2007	Galp(5.33%); Total(58.67%); Sonangol(20%); Falcon(16%)
	Sonagas	December 2007	Galp(10%); Sonagas(40%); ENI(20%); GAS NATURAL (20%); EXEM (10%)
Mozambique	Area 4	December 2007	Galp(10%); KOGAS(10%); ENI(70%); ENH (10%)
East Timor	Block (E) S06-04	December 2007	Galp(10%); KOGAS(10%); ENI(80%)
Namibia	PEL82	August 2016	Galp(80%); CUSTOS (10%); NAMCOR (10%)
	PEL83		
Portugal	BACIA DE PENICHE	May 2014	Galp (100%)
	BACIA DO ALENTEJO	December 2014	Galp(50%)ENI(50%)
	ALJUBARROTA	2012	Galp(50%); PORTO ENERGY(50%)
Uruguay	Area 3	2009	Galp(20%); Shell(40%); YPF(40%)
	Area 4		
Sao Tome and Principe	Block 6	2015	Galp (45%); Kosmos Energy (45%); ANP-STP (10%)
	Block 5	2016	Galp (20%); Kosmos Energy (45%); ANP-STP(15%); Equator (20%)
	Block 11	2016	Galp (20%); Kosmos Energy (65%); ANP-STP (15%)
	Block 12	2016	Galp (20%); Kosmos Energy (45%); ANP-STP (12.5%); Equator (22.5%)

2016

Country	Consortium	Acquisition date	Participating companies and participation interest
Brazil	BM-S-8	September 2000	Statoil (66%); Petrogal Brasil S.A. (14%); Barra Energia (10%); Queiroz e Galvão (10%)
	BM-S-11		Petróleo Brasileiro S.A. (65%); BG E&P Brasil S.A. (25%); Petrogal Brasil S.A. (10%)
	BM-S-24	August 2001	Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BT-POT-29	November 2004	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-POT-32		Petróleo Brasileiro S.A. (50%); Petrogal Brasil S.A. (50%)
	BT-POT-51	January 2006	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BT-SEAL-13		Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
	BM-POT-17		Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BM-POT-16		Petróleo Brasileiro S.A. (60%); Petrogal Brasil S.A. (20%); Encana Brasil S.A. (20%)
	PEPB-M-783	March 2008	Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	PEPB-M-839		Petróleo Brasileiro S.A. (80%); Petrogal Brasil S.A. (20%)
	BAR-300	August 2013	BG (50%); Petrobrás (40%); Galp Energia Brasil S.A. (10%)
	BAR-342		BG (50%); Petrobrás (40%); Galp Energia Brasil S.A. (10%)
	BAR-344		BG (50%); Petrobrás (40%); Galp Energia Brasil S.A. (10%)
	BAR-388		BG (50%); Petrobrás (40%); Galp Energia Brasil S.A. (10%)
	PN-T-136		Galp Energia Brasil S.A. (50%); Petrobrás (50%)
	PN-T-150		Petrobrás (50%); Galp Energia Brasil S.A. (50%)
	PN-T-166		Petrobrás (50%); Galp Energia Brasil S.A. (50%)
	PN-T-182		Galp Energia Brasil S.A. (50%); Petrobrás (50%)
	POT-M-764		Petrobrás (40%); BG (40%); Galp Energia Brasil S.A. (20%)
Angola	Block 14	December 1999	Galp(9%); CABGOG(31%); SONANGOL (20%); ENI(20%); ANGOLA BLOCO 14 B.V.(20%)
	Block 14K	December 2002	Galp(4.5%); CHEVRON OVERSEAS CONGO LTD(15.75%); CABGOG(15.5%); SONANGOL (10%); SNPC(7.5%); TFE(10%); TEPC(26.75%); ENI (10%)
	Block 32	May 2007	Galp(5%); Total(30%); Sonangol(30%); SSI Limited(20%); Esso(15%)
	Block 33		Galp(5.33%); Total(58.67%); Sonangol(20%); Falcon(16%)
	Sonagas	December 2007	Galp(10%); Sonagas(40%); ENI(20%); GAS NATURAL (20%); EXEM (10%)
Mozambique	Area 4	December 2007	Galp(10%); KOGAS(10%); ENI(70%); ENH (10%)
East Timor	Block (E) S06-04	December 2007	Galp(10%); KOGAS(10%); ENI(80%)
Namibia	PEL23	2013	GALP(14%); HRT(86%)
	PEL24		
	PEL28		
	PEL82	August 2016	GALP(80%); CUSTOS (10%); NAMCOR (10%)
	PEL83		
Portugal	BACIA DE PENICHE	May 2014	Galp(30%); Repsol(34%); Kosmos(31%); Partex(5%)
	BACIA DO ALENTEJO	December 2014	Galp(50%)ENI(50%)
	ALJUBARROTA	2012	Galp(50%); PORTO ENERGY(50%)
Uruguay	Area 3	2009	Galp(20%); Shell(40%); YPF(40%)
	Area 4		
Sao Tome and Principe	Block 6	2015	Galp (45%); Kosmos Energy (45%); ANP-STP (10%)
	Block 5	2016	Galp (20%); Kosmos Energy (45%); ANP-STP(15%); Equator (20%)
	Block 11	2016	Galp (20%); Kosmos Energy (65%); ANP-STP (15%)
	Block 12	2016	Galp (20%); Kosmos Energy (45%); ANP-STP (12,5%); Equator (22.5%)

Main impacts during the year ended 31 December 2017:

Brazil

The operated Block BT-POT-29 proved to be uneconomic, for which reason the Group proceeded to its write-off and returned the area to Agência Nacional do Petróleo, Gás Natural e Biocombustíveis – ANP:

BT-POT-29	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)

The Group acquired 20% of participating interest in Carcará North area, adjacent to the BM-S-8 concession, in the Santos basin:

Carcará Norte	Statoil (40%); ExxonMobil (40%); Petrogal Brasil S.A. (20%)

The participatory structure in the BMS-8 consortium has changed, in which Petrogal Brazil has strengthened its participation:

BM-S-8	Statoil (36.5%); ExxonMobil (36.5%); Petrogal Brasil S.A. (17%); Barra Energia (10%)

Namibia

On 22 December 2017 the following consortium was liquidated:

PEL24	2013	GALP(14%); HRT(86%)

Portugal

Galp assumed the contractual position of each of the other members of the consortium, giving Galp 100% stake in Peniche basin.

Main events noted during the year ended 31 December 2016:

Brazil

The non operated block AM-T-84 proved to be uneconomic, for which reason the Group proceeded to its write-off and returned the area to Agência Nacional do Petróleo, Gás Natural e Biocombustíveis – ANP:

AM-T-84	April 2009	Petróleo Brasileiro S.A. (60%); Petrogal Brasil S.A. (40%)

The Group sold the Andorinha Field (BT-POT-28 and BT-POT-36), being its assets totally depreciated:

BT-POT-28	November 2004	Petrogal Brasil S.A. (50%); Petróleo Brasileiro S.A. (50%)
BT-POT-36		

Namibia

On 11 August 2016, two new licenses were acquired to operate in Namibia and the consortium works with two local entities:

PEL82	Blocks 2112B e 2112	August 2016	GALP(80%); Custos (10%);NAMCOR (10%)
PEL83	Blocks 2813A e 2814B		

Morocco

The company Galp Energia Tarfaya operating in the Tarfaya Offshore area was liquidated on 21 December 2016:

Tarfaya Offshore 1	December 2012	Galp(50%);ONHYM(25%); Tangiers(25%)

Sao Tome and Principe

The Galp Group reached an agreement with Kosmos Energy (Kosmos) to acquire a 20% stake in blocks 5, 11 and 12, in the Sao Tome and Principe offshore. Through this acquisition, Galp reinforces its presence in the country, where it has held, since 2015, the operation in block 6, in which Kosmos also participates.

Block 5	2016	Galp (20%);Kosmos Energy (45%);ANP-STP (15%); Equator (20%)
Block 11		Galp (20%);Kosmos Energy (65%);ANP-STP (15%)
Block 12		Galp (20%);Kosmos Energy (45%);ANP-STP (12.5%);Equator (22.5%)

5.6.2. Joint operations – Jointly controlled entities

Joint ventures in jointly controlled entities, its head office, main activities and interest held as of 31 December 2017 and 2016 are as follows:

	Head Office		Interest held by the group			
Companies	City	Contry	2017	2016	Participating companies and participation interest	Main activity
Sigás - Armazenagem de Gás, A.C.E.	Sines	Portugal	60%	60%	Petróleos de Portugal - Petrogal, S.A. (60%); Rubis Energia Portugal, S.A. (35%); Repsol Polímeros, S.A. (5%)	Design and construction of underground LPG storage and of the additional surface facilities needed to move products. Management and exploration of the cave including surface facilities, tanks and LPG spheres .
Pergás – Armazenamento de Gás, A.C.E.	Matosinhos	Portugal	51%	51%	Petróleos de Portugal - Petrogal, S.A. (51%); Rubis Energia Portugal, S.A. (30.75%); Repsol Gás Portugal, SA. (18.25%)	Executing the operation and maintenance of the Perafita Park, ensuring the development of the import, reception, storage, filling and expedition activities of GPL by the respective members.
Multiservicios Galp Barcelona	Barcelona	Spain	50%	50%	Galp Energia España, S.A. (50%); Multiservicios Aeroportuarios, S.A. (50%)	Managing the supply of aviation business in the Barcelona Airport.

6. Operating income

Accounting policy

Income from sales is recognised in the income statement when the risks and benefits inherent to the ownership of the assets are transferred to the buyer and the amount of the corresponding income can be reasonably quantified. Sales are recognised net of taxes with the exception of tax on petroleum products in the marketing activity, discounts and other costs related to their realisation, at the fair value of the amount received or receivable.

Costs and income are recorded in the period to which they relate, regardless of the date of their payment or receipt. Costs and income whose actual value is not known are estimated.

In the caption “Other current receivales” and “Other current payables”, costs and income attributable to the current period are recorded and expenses and revenues will only occur in future periods, as well as expenses and revenues that have already occurred but are related to future periods and which will be charged to the results of each of these periods, at the amount corresponding to them.

Exchange differences arising from Suppliers and Customers balances are recognised in Operating Results.

Natural gas activities

The sales price of natural gas to electricity production companies is based on specific commercial agreements.

The regulated tariffs used for invoicing natural gas in the national natural gas system are established by Entidade Reguladora do Sector Energético (ERSE), so that they allow the recovery of the estimated regulated revenue for each gas year calculated for each regulated activity. Regulated revenue includes, in addition to operating costs for each activity, the following remuneration: (i) for the commercialisation activity, remuneration for the purchase and sale of natural gas, which corresponds to the effective cost of natural gas and remuneration of the operating commercialisation costs plus a commercialisation margin; ; and (ii) for the activities of receipt, transport and storage of natural gas, remuneration on the fixed assets net of depreciation and grants relating to these activities.

The regulated revenue of the pass-through activities/functions assumes the recovery of the costs incurred. Consequently, each activity is compensated for the costs incurred plus an additional remuneration, when applicable.

Following the above, and as the Group holds credit risk related to the tariff invoiced to final customers, the regulated Group companies, as trading companies to end customers, include in their income, the tariffs that include the remuneration/recovery of all the previous activities.

Given the regulatory framework and legislation in place, the differences between regulated revenues meet some conditions (measurement reliability; financial asset remuneration; entitlement to their recovery and transmissibility, among other) that support their recognition as income and assets in the year they are calculated, namely that they can be reliably measured and the certainty that economic benefits will flow to the Company. The regulated revenue calculation formula for the “Gas Year n”, in the first and second regulated periods as published in the Tariff Regulation, include the differences in regulated revenue in the “Gas Year n-2”. This rationale is also applied to the negative differences in regulated revenue, which are recorded as liabilities and costs.

In previous years, differences to the regulated revenue recorded by the Group were incorporated in the respective tariff calculations in accordance with the established mechanisms.

In the wholesale intermediate storage and distribution activity, the Group books in accruals and deferred income the difference between the effective invoicing through sales of the natural gas regulated tariff and the regulated revenue defined for each Gas Year by ERSE, allocated to each semester in accordance with the agreed seasonality coefficient of included for the compensation mechanism by the natural gas companies – Regulated revenue (Note 13.2).

In the wholesale last resort commercialisation activity, the Group books in accruals and deferred income the difference between the effective invoicing through the sales of natural gas regulated tariff and the effective cost of natural gas acquired – Energy Tariff Deviation (Note 13.2).

Since the natural gas regulated system is intended to result in a uniform tariff (applicable to all the country's regions) and considering the various levels of efficiency of the companies in the regulated market, ERSE published the compensation mechanism to be practiced between the companies in the sector, so as to allow approximation of income recovered by application of the regulated tariffs to regulated revenue of these companies. Therefore ERSE, in its documents "Tariffs and prices of natural gas" for each Gas Year, identifies the amount of compensation to be transferred (charged) between companies of the national gas system. In order to ensure a practical, objective and transparent procedure for the referred settlement, the companies have agreed seasonal coefficients to be applied in the issuance of the invoice for the uniform tariff. The seasonality differences between distribution and commercialisation activities reflect the difference in payment terms.

The meter reading, invoicing and respective collection related to the gas distribution and commercialisation activities are performed directly by the companies or, in respect of the meter reading and collection activities, by subcontracted external partners.

Un-invoiced gas sales are recorded monthly in the caption "Other receivables" based on the estimated amount to be invoiced according to historical information or meter reading depending on the client type, and corrected in the income statement in the period in which they are invoiced (Note 13.2).

Regarding construction contracts included under IFRIC12, the construction of concession assets is outsourced to specialised entities which themselves assume the risk of construction activity, and income and costs associated with building of these assets (Notes 6 and 7) are then recognised. In the year ended 31 December 2016, Galp Gás Natural Distribuição, S.A. and its subsidiaries ceased to be fully consolidated in the Galp Energia Group, SGPS, S.A., being the companies which comprise it recognised as joint ventures. Thus on 31 December 2017, the caption "Cost/Income" from the construction of assets under IFRIC12 ceased to present values.

The Group's operating income for the years ended 31 December 2017 and 2016 is as follows:

Unit: €m

Caption	December 2017	December 2016
Operating income:	**15,310**	**13,241**
Sales:	**14,576**	**12,488**
goods	5,719	5,134
products	8,868	7,363
Exchange differences	(11)	(9)
Services rendered	**628**	**631**
Services rendered	628	631
Other operating income	**106**	**122**
Supplementary income	84	83
Revenues arising from the construction of assets under IFRIC12	-	16
Investment government grants (Note 20.2)	1	8
Gains on fixed and intangible assets	1	5
Others	20	10

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

The increase in sales is explained by the increase in barrels produced from E&P activity and the increase in the associated price per barrel as well as the operational improvement in Refining & Marketing (R&M) related activities.

Caption "Supplementary income" includes, among others, the amount of €32 m, related to third parties charges for the use of gas assets related to the E&P activity.

The detail of caption "Sales of goods and products" by type of product is presented as follows:

Unit: €m

Caption	December 2017	December 2016
Detail of sale	**14,576**	**12,488**
Crude	981	659
Gasoline	2,411	2,124
Diesel	6,178	5,553
Jet fuel	929	715
Fuel	745	516
LPG	395	352
Base oil and lubricants	132	129
Chemicals, solvents and aromatics	269	181
Naphthas	387	278
NG (natural gas)	1,694	1,550
Electricity	298	237
Store products	111	105
Petroleum products	29	82
Others	17	7

7. Operating costs

The operating costs for the years ended 31 December 2017 and 2016 were as follows:

Unit: €m

Captions	Note	December 2017	December 2016
Operating Costs		**14,174**	**12,697**
Cost of sales:		**11,379**	**10,136**
Raw and subsidiary materials		5,320	4,529
Goods		3,406	3,046
Tax on Oil Products		2,825	2,780
Variation in production		(124)	(269)
Impairment in inventories	14	-	(16)
Financial derivatives & Exchange differences		(48)	18
External supplies and services:		**1,550**	**1,285**
Subcontracts - network use		460	385
Transport of goods		145	120
Blocks production costs		242	178
Royalties		130	71
Other costs		573	531
Employee costs:		**320**	**334**
Amortisation, depreciation and impairment:	**12.4**	**808**	**835**
Provision and impairment losses on receivables:		**37**	**11**
Provisions and reversals		22	(10)
Impairment losses on receivables		15	21
Other operating costs:		**80**	**96**
Other taxes		20	20
Costs arising from the construction of assets under IFRIC12	6	-	16
Loss on tangible and intangible assets		4	2
CO_2 Licenses	28	8	8
Other operating costs		48	50

The variation in the caption "Cost of sales" is mainly related with a change 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 €130 m of royalties presented in "External supplies and services" mainly relates to the Exploration and Production of oil and gas in Brazil. Royalties are calculated taking into account an applicable rate of 10% for the production volumes in proportion to the Galp share valued at the reference price of the oil or gas.

8. Remuneration of the board

Accounting policy

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 remuneration of Galp's board member, recorded under caption "Personnel costs" in the income statement for the years ended 31 December 2017 and 2016, is detailed as follows:

Unit: €m

	December 2017				December 2016		
	Salary	Pension Plans	Bonuses	Total	Salary	Pension Plans	Total
Remuneration of the board	5	1	1	7	5	1	6
Board members of Galp Energia SGPS	4	1	1	6	4	1	5
Executive management	4	1	1	6	4	1	5
Board members of subsidiaries	1	-	-	1	1	-	1
Executive management	1	-	-	1	1	-	1

9. Financial income and costs

Accounting policy

The financial charges with loans obtained are recorded as a financial cost on an accrual basis.

Financial charges arising from general and specific loans obtained to finance fixed asset investments are assigned to tangible and intangible assets in progress, in the proportion of the total expenses incurred on those investments net of investment government grants (Note 12), until its operations start. The remainder is recognised in financial expenses caption in the income statement for the year. Any interest income from loans directly related to the financing of fixed assets in progress construction is deducted from the financial charges capitalised.

The financial charges included in the fixed assets are depreciated according to the useful life of the respective assets.

The detail of the determined amount in relation to financial income and costs for the years ended 31 December 2017 and 2016 is as follows:

Unit: €m

Captions	December 2017	December 2016
Financial income and costs	**(7)**	**(33)**
Financial income:	**39**	**39**
Interest on bank deposits	25	27
Interest and other income with related companies	8	7
Other financial income	6	5
Financial costs:	**(46)**	**(72)**
Interest on bank loans, bonds, overdrafts and others	(94)	(113)
Interest with related parties	(9)	(9)
Interests capitalised in fixed assets (Note 12)	89	81
Net interest on retirement benefits and other benefits (Note 19)	(8)	(10)
Charges relating to loans and bonds	(13)	(13)
Other financial costs	(11)	(8)

During the period ended 31 December 2017, the Group capitalised under the caption “Fixed assets in progress”, the amount of €89 m, regarding interests on loans obtained to finance capital expenditure on tangible and intangible assets during their construction phase.

10. Income taxes and energy sector extraordinary contribution

Accounting policy

Income tax is calculated based on the taxable results of the companies included in the consolidation in accordance with the applicable tax rules in force in the area each Galp company head office is located.

Deferred taxes are calculated based on the liability method and reflect the temporary differences between the amounts of assets and liabilities recorded for accounting purposes and their amounts for tax purposes.

Deferred tax assets and liabilities are calculated and reviewed annually using the tax rates expected to be in force when the temporary differences revert.

Deferred tax assets are recorded only when there is reasonable expectation of sufficient future taxable income to use them or whenever there are taxable temporary differences that offset the deductible temporary differences in the period they revert. Temporary differences underlying deferred tax assets are reviewed at each statement of financial position date in order to recognise deferred tax assets that were not recorded in prior years as they did not fulfil all requisites and/or to reduce the amounts of deferred tax assets recorded based on the current expectation of their future recovery (Note 10.3).

Deferred taxes are recorded in the income statement for the year, unless they result from items recorded directly in equity, in which case the deferred tax is also recorded in equity.

Exploration and Production activity

Petroleum Income Tax (IRP) – Angola

The Petroleum Income Tax (IRP) is regulated under the Law 13/04, of 24 December ("Lei sobre a Tributação das Atividades Petrolíferas" – Tax Law for Petroleum Activities), in Angola. As referred in paragraph 18 of the referred Law, this is a tax calculated on the "taxable income calculated in accordance with this Law". The rate applicable to the Production Sharing Agreement contracts is of 50% on the "profit oil" of the Company. The "profit oil" of the Company is calculated by the difference between the crude oil sold, accrued of the oil activities additional income (including gains on disposal of participation interests), deducted of the cost recovery oil (meaning "cost-oil"), which includes the costs considered recoverable. The amount of the "profit oil" does not include, on the other hand, the part of the "profit oil" that should be shared with the National Concessionaire (Sonangol), in accordance with the Production Sharing Agreement. The calculation of the tax is in all terms similar to an income tax. Thus, the oil companies subject to this tax are not subject to other income taxes in Angola.

Whenever the Group performs a sale, it pays the IRP to the Angolan Government, accounting the amount actually paid in the income statement caption "Income tax". However, not all of the tax paid represents tax expense for the year as the Group borrows barrels from its partners in the consortium in order to perform sales in accordance with the agreement signed between all partners from the concession block, leading to a situation of "Overlifting".

As such, a deferred tax asset is recorded based on the borrowed barrels, so that there is a direct relationship between the activity's margin and its tax expense. As such, tax expense only relates to sold barrels which are property of the Group. The deferred tax asset is reversed in direct proportion of recognition of the margin through the group production.

When the Group lends barrels ("Underlifting"), IRP is calculated on the lent barrels, which are recorded in income tax payable for the year.

Special Participation - Brazil

Under the terms of Decree nº 2.705, of 3 August 1998, the Petroleum, Natural Gas, Biofuels National Agency (Agência Nacional Do Petróleo, Gás Natural e Biocombustíveis – ANP), Special Participation is a financial compensation, due on a quarterly basis, by the concessionaires of oil and natural gas exploration and production. The Special Participation is calculated on a determined income (resulting from multiplying volumes produced by reference prices used in the sale of oil/gas), to which a set of operational costs related to the production of hydrocarbons are deducted.

Galp considers that these taxes fall under the scope of IAS 12.

The Group companies headquartered in Portugal in which the Group has an interest equal or greater than 75%, if such participation ensures more than 50% of voting rights, are taxed in accordance with the special regime for the taxation of groups of companies, with taxable income being determined in Galp Energia, SGPS, S.A. The weighted income tax rate applied to the Companies headquartered in Portugal is of 29%.

Spanish tax resident companies, in which the percentage held by the Group exceeds 75% have, from 2005 onwards, been taxed on a consolidated basis in Spain. Currently, the fiscal consolidation is performed by Galp Energia España S.A., on behalf of Galp Energia SGPS, S.A. The weighted income tax rate applied to the Companies headquartered in Spain is of 25%.

However, estimated income tax of the Company and its subsidiaries is accounted for based on their tax results. In the year ended 31 December 2017, €503 m was recorded in the caption "Income tax".

The following situations may affect income tax payable in the future:

i) In accordance with current Portuguese legislation, corporate income tax returns are subject to review and correction by the tax authorities for a period of four years except when there are carried forward tax losses, tax benefits have been granted or there are claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended;

ii) Under current legislation, tax losses in Portugal can be reported and carried forward during a period of five years, for 2013 and 2017 taxable income, and 12 years for taxable income arising between 2014 and 2016;

iii) There is no limit for the use of tax losses of Group companies based in Brazil and Spain. On the other hand, tax losses of Group companies based in the Netherlands are carried forward for a maximum period of nine years.

iv) The Group has accounted for deferred tax assets for tax losses carried forward only for subsidiaries in which there is high probability of recovery.

Income tax and Energy sector extraordinary contribution for the year ended 31 December 2017 and 2016 are as follows:

Unit: €m

Captions	December 2017			December 2016		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
			567			328
Income tax	**446**	**57**	**503**	**238**	**22**	**260**
Current income tax	166	92	258	119	32	151
(Excess)/Insuficiency of income tax for the preceding year	7	-	7	4	-	4
"IRP" - Oil income Tax	(12)	5	(7)	12	(1)	11
"PE" - Special Participation Tax	285	(40)	245	103	(9)	94
Energy sector extraordinary contribution			**64**			**68**

Below is a reconciliation of the income tax for the years ended 31 December 2017 and 2016, and detail of deferred taxes:

Unit: €m

	December 2017	Rate	Income Tax	December 2016	Rate	Income Tax
Income before taxes:	**1,274**	**27.00%**	**344**	**536**	**27.00%**	**145**
Adjustments to taxable income:						
Effective tax rate and Tax income		**39.48%**	**503**		**48.57%**	**260**
Application of the equity method		(3.53%)	(45)		(0.87%)	(5)
"PE" - Special participation and "IRP" - Tax on Oil Income		18.65%	238		14.31%	77
Other additions and deductions		(2.64%)	(34)		8.13%	43

10.1. Energy Sector Extraordinary Contribution

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 on that date.

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 m, to be paid in instalments of €52 m in May of each of the years 2015, 2016 and 2017, respectively. During the year ended 31 December 2017, pursuant order No. 92-A / 2017 of March 2, the economic values of the take-or-pay contracts were changed, which was reflected in the increase of the CESE amount, in the amount of €32 m. This increase has no retroactive effect and applies to the current year.

On 31 December 2017 and 31 December 2016, the energy sector extraordinary contribution is detailed as follows:

Unit: €m

	Statement of Financial Position				Income Statement
	Provisions (Note 21)		"CESE II" Deferred Cost (Note 13)		Energy Sector Extraordinary Contribution
	"CESE I"	"CESE II"	Short Term	Long Term	
2017					
Initial Balance	**(52)**	**(162)**	**22**	**86**	**-**
"CESE I" Increase	(18)	-	-	-	18
Order No. 92-A / 2017	-	(32)	7	25	-
"CESE II" Periodization	-	-	(2)	(26)	28
"CESE II" Increase	-	(8)	-	-	8
National Energy Efficiency Fund (FNEE)	-	-	-	-	10
December 2017	**(70)**	**(202)**	**27**	**85**	**64**
2016					
Initial Balance	**(52)**	**(158)**	**23**	**108**	**-**
"CESE I" Increase	(29)	-	-	-	29
Changes in consolidation perimeter	29	-	-	-	-
"CESE II" Periodization	-	-	(1)	(22)	23
"CESE II" Increase	-	(4)	-	-	4
National Energy Efficiency Fund (FNEE)	-	-	-	-	12
December 2016	**(52)**	**(162)**	**22**	**86**	**68**

10.2. Current income tax

As of 31 December 2017 and 31 December 2016, the current income tax receivable and payable is as follows:

Unit: €m

	Assets		Liabilities	
	2017	2016	2017	2016
	4	-	(115)	(75)
Galp Gás Natural Distribuição Group	4	-	-	16
State and Other Public Entities	-	-	(115)	(91)

Galp Gás Natural Distribuição

The companies of the Galp Gás Natural Distribuição Group, headquartered in Portugal in which the Group has an interest equal or greater than 75%, 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.

Accordingly, the amount of corporate income tax advance payments made by Galp Energia SGPS, SA (as responsible under the special regime for the taxation of groups of companies) on behalf of Galp Gás Natural Distribuição Group companies, as well as amounts related to the payment/receipt of Corporate Income Tax pending of settlement with the entities, are recognised in the current income tax receivable and / or payable.

State and Other Public Entities

The amount due to State and other public entities includes the current income tax estimated tax for the year ended 31 December 2017, deducted from the income tax advances made (namely, payments on account, special payments on account, additional payments on account and withholding taxes).

10.3. Deferred taxes

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

Unit: €m

	Deferred Taxes December 2016 - Assets				
	Initial balance	Effect in results	Effect in equity	Effect of currency translation	Ending balance
Captions	**335**	**(36)**	**16**	**(22)**	**293**
Adjustments to accruals and deferrals	5	-	-	-	5
Adjustments to tangible and intangible assets	28	(12)	-	(2)	14
Adjustments to inventories	1	-	-	-	1
Overlifting adjustments	2	(1)	-	-	1
Retirement benefits and other benefits	87	10	(3)	-	94
Double economical taxation	3	-	-	-	3
Financial instruments	-	1	-	-	1
Tax losses carried forward	96	(45)	-	(2)	49
Regulated revenue	7	-	-	1	8
Non deductible provisions	47	30	-	(4)	73
Potential foreign exchange differences Brazil	21	(31)	20	(10)	-
Others	38	12	(1)	(5)	44

Unit: €m

	Deferred Taxes December 2016 - Assets						
	Initial balance	Effect in results	Effect in equity	Effect of currency translation	Changes in the consolidation perimeter	Other adjustments	Ending balance
Captions	462	(60)	(92)	43	(18)	-	335
Adjustments to accruals and deferrals	7	(1)	-	-	(1)	-	5
Adjustments to tangible and intangible assets	41	(14)	-	2	-	(1)	28
Adjustments to inventories	1	-	-	-	-	-	1
Overlifting adjustments	1	1	-	-	-	-	2
Retirement benefits and other benefits	102	(2)	(1)	-	(12)	-	87
Double economical taxation	3	-	-	-	-	-	3
Financial instruments	-	2	(2)	-	-	-	-
Tax losses carried forward	102	(13)	-	6	-	1	96
Regulated revenue	9	1	-	-	(3)	-	7
Non deductible provisions	33	11	-	4	(1)	-	47
Potential foreign exchange differences Brazil	133	(50)	(89)	27	-	-	21
Others	30	5	-	4	(1)	-	38

Unit: €m

	Deferred Taxes December 2017 - Liabilities				
	Initial balance	Effect in results	Effect of currency translation	Changes in the consolidation perimeter	Ending balance
Captions	(66)	(21)	7	(2)	(82)
Adjustments to accruals and deferrals	(1)	1	-	-	-
Adjustments to tangible and intangible assets	(27)	(6)	4	-	(29)
Adjustments to tangible and intangible assets fair value	(9)	2	-	-	(7)
Dividends	(14)	14	-	-	-
Financial instruments	(1)	(2)	-	-	(3)
Regulated revenue	(12)	-	-	-	(12)
Accounting revaluations	(1)	-	-	-	(1)
Others	-	(31)	3	-	(28)
Outros	(1)	1	-	(2)	(2)

Unit: €m

	Deferred Taxes December 2016 - Liabilities				
	Initial balance	Effect in results	Effect of currency translation	Changes in the consolidation perimeter	Ending balance
Captions	(109)	39	(6)	10	(66)
Adjustments to accruals and deferrals	-	(1)	-	-	(1)
Adjustments to tangible and intangible assets	(40)	18	(5)	-	(27)
Adjustments to tangible and intangible assets fair value	(15)	4	(1)	3	(9)
Dividends	(28)	14	-	-	(14)
Financial instruments	-	(1)	-	-	(1)
Regulated revenue	(23)	5	-	6	(12)
Accounting revaluations	(2)	-	-	1	(1)
Others	(1)	-	-	-	(1)

Changes in deferred taxes reflected in Equity, correspond to:

- The amount of €4 m of changes in deferred taxes related to actuarial gains/(losses); and

- €20 m, which includes €14 m related to deferred taxes on exchange rate differences resulting from financial contributions which are similar to quasi-capital (Note 17) and €6 m relating to non-controlling interests.

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

Tax losses for which deferred tax assets were recognised are as follows:

Unit: €m

Year	Tax losses carried forward	Limit year use	Deferred tax asset
The Netherlands:	**27**		**7**
2016	27	2025	
Spain:	**138**		**34**
2015	138	No limit	
Brazil	**23**		**8**
2016	23	No limit	

Regarding the assumptions underlying the existence of future taxable income sufficient to realise the deferred tax assets, Galp follows the medium and long-term plan designed for the companies.

It should also be noted that in the case of jurisdictions where there are fiscal consolidation regimes, Galp simulates the implementation of these consolidations. It should also be referred that the prescribed legal limits for recovery of the losses are considered as the period for the recovery of deferred tax assets arising from tax losses.

In situations where the legal period for recovery exceeds the periods for which the Group makes the preparation of budgets and plans, forecasts are made for those periods based on the values established for the Budgets and Plans.

Tax losses carried forward in Brazil, namely regarding Petrogal Brazil S.A., will be recovered through future taxable results that may be expected as a result of the growing oil exploration activity. In the Galp Energia Brazil S.A. case, since there is no expectation of taxable profit over the next five years, the respective deferred tax assets was derecognised.

Regarding the companies headquartered in the Netherlands, the deferred tax assets established in 2016 in relation to losses from liquidation of Tarfaya BV were partially reversed, once Galp Energia E&P BV generated positive results in 2017.

11. Goodwill

Accounting policy

The differences between the subsidiaries acquisition cost and the fair value of the identifiable assets and liabilities of these companies at the acquisition date (or during a period of 12 months after that date), if positive, are recorded under Goodwill (when it results from Goodwill in Group companies) or included in the caption “Investments in associated companies” (when it results from associates). The negative differences are recognised immediately in the income statement.

The positive differences between the acquisition cost of investments in foreign entities and the fair value of the identifiable assets and liabilities at the date of acquisition (or during a period of 12 months after that date), are recognised in their functional currencies and translated to the Group’s functional currency (Euros) at the rate of exchange at the end of the reporting period. Exchange rate differences resulting from the translation are recorded in equity in the caption “Translation reserve”.

Goodwill on acquisitions prior to the date of transition to IFRS (1 January 2004) has been maintained at the amount recorded in accordance with generally accepted accounting principles in Portugal (deemed cost) as at that date and was subject to impairment tests at the reporting date. Goodwill stopped being amortised as at that date, but is subject to impairment tests, at least annually.

Any impairment losses are recorded immediately in the statement of financial position as a deduction to the amount of the assets and are recorded against the income statement caption Results from investments in associates and impairment losses on Goodwill, included in financial results.

If initial recognition of a business combination can only be determined provisionally at the end of the period in which the concentration occurred (due to the fact that the fair value attributed to the identifiable assets, liabilities and contingent liabilities of the acquired entity can only be determined provisionally) Galp recognises the business combination using the information available. The amounts determined provisionally are adjusted when the fair value of the assets and liabilities are accurately determined, up to a period of 12 months after the acquisition date. During that period, Goodwill or any other recognised gain will be adjusted by an amount equal to the adjustment to the fair value at the date of acquisition of assets, liabilities and contingent liabilities identifiable being recognised or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the combination. This includes any depreciation, amortisation or other additional gain or loss recognised as result of completing the initial recognition.

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The difference between the amounts paid to acquire an equity share in Group companies and the fair value of the acquired companies' equity as at 31 December 2017 was as follows:

Subsidiaries		Acquisition year	Acquisition cost
Galp Energia España, S.A. (*)			
Galp Comercializacion Oil España, S.L.	(a)	2008	177
Galp Distribuición Oil España, S.A.U.	(b)	2008	173
Petróleos de Valência, S.A. Sociedad Unipersonal	(a)	2005	14
Petróleos de Portugal - Petrogal, S.A.			
Galp Comercialização Portugal, S.A.	(c)	2008	146
Galp Swaziland (PTY) Limited		2008	18
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	7
Empresa Nacional de Combustíveis - Enacol, S.A.R.L		2007 and 2008	8
Galp Mozambique, Lda.		2008	6
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.		2006	3
Lusitaniagás - Companhia de Gás do Centro, S.A.		2002/3 and 2007/8/9	1

* Additionally, Goodwill exists regarding the acquisition of the Companies Gasinsular – Combustíveis do Atlântico, SA, SAAGA – Sociedade Açoreana de Armazenagem de Gás, S.A., and Galp Sinopec Brazil Services (Cyprus), but as their amount is below €0.5m they are not disclosed.

a) The subsidiaries Petróleos de Valência, S.A. Sociedad Unipersonal and Galp Comercializacion Oil España, S.L. were incorporated in Galp Energia España, S.A., through a merger process, during 2010.

b) The subsidiary Galp Distribuición Oil España, S.A.U., was incorporated in Galp Energia España, S.A. through a merger process, during 2011.

c) The subsidiary Galp Comercialização Portugal, S.A., was incorporated in Petróleos de Portugal - Petrogal, S.A. through a merger process, during 2010.

d) The exchange differences result from the conversion of Goodwill recorded in local companies' currency to Group's reporting currency (Euros) at the exchange rate prevailing on the date of the financial statements (Notes 2.3.1 and 17.2).

e) In 2016 Galp Gás Natural Distribuição (GGND) Group ceased to fully consolidate in the Galp Energia, SGPS, S.A. Group, and the companies comprising the Group are therefore presented as joint ventures .

f) Amounts determined as a result of Goodwill impairment tests (Note 5.4), carried out in 2016.

Unit: €m

Equity proportion at the acquisition date		Goodwill movements						
		2015				2016		2017
%	Amount	Dec 2015	Currency exchange differences (d)	Changes in consolidation perimeter (e)	Impairments (f)	Dec 2016	Currency exchange differences (d)	Dec 2017
		137	1	(2)	(49)	87	(3)	84
100.00%	129	38	-	-	(38)	-	-	-
100.00%	124	11	-	-	(11)	-	-	-
100.00%	6	-	-	-	-	-	-	-
100.00%	69	51	-	-	-	51	-	51
100.00%	1	21	1	-	-	22	(3)	19
100.00%	1	6	-	-	-	6	-	6
15.77%	4	4	-	-	-	4	-	4
100.00%	3	4	-	-	-	4	-	4
25.00%	1	1	-	(1)	-	-	-	-
1.54%	1	1	-	(1)	-	-	-	-

Goodwill Impairment analysis

When performing impairment tests, Goodwill is allocated to the respective cash generating unit. Value in use is determined by the present value of the estimated future cash flows of the cash generating unit. The recoverable amount is estimated for the cash-generating unit to which it may belong, according to the method of discounted cash flows. The discount rate used reflects Galp Energia Group's WACC for the reporting segment and country of each cash generating unit.

Assumptions

Cash generating unit	Valuation model	Cash flow	Groth factor	Discount Rate December 2017	 December 2016
Investment (Business segments)	DCF (Discounted Cash Flow)	According to corporate business plan	Gordon model with 2% of perpetuity growth factor	WACC between:	WACC between:
				R&M [7.3%-11.1%]	R&D [7.3%-11.1%]
				E&P [10%-12%]	E&P [10%-12%]
				G&P [6.3%-6.9%]	G&P [6.3%-6.9%]

E&P - Exploration & Production
R&M - Refining & Marketing
G&P - Gás & Power

The Group has maintained its WACC rates from 2016 to 2017 by prudence.

According to the defined assumptions, in the year ended 31 December 2017, there were no impairment losses under Goodwill.

Stress testing was performed on the valuation model, with assumptions varying (i) in a pessimistic scenario, a WACC rate increase of 2%, while cash flow reduce by 10%, as well as (ii) an optimistic scenario, presenting the maintenance of the WACC rate and increase in cash flows by 10%, not resulting from the pessimistic scenario any impairment in Goodwill.

12. Tangible and intangible assets

Accounting policy:

Tangible assets

Tangible assets acquired up to 1 January 2004 (date of transition to IFRS) are measured according with IFRS 1 option, at deemed cost, which corresponds to cost, revalued, when applicable, in accordance with the legislation in force up to that date, less accumulated depreciation and cumulative impairment losses.

Tangible assets acquired after that date are recorded at cost less accumulated depreciation and cumulative impairment losses. Acquisition cost includes the invoice price, transport and assembly costs and financial costs incurred during the construction phase.

Tangible assets in progress refer to tangible assets in construction and are recorded at cost less cumulative impairment losses. Tangible assets are depreciated as from date the assets are substantially completed or the assets are ready for use.

Deemed cost (for acquisitions up to 1 January 2004) or acquisition cost depreciation is calculated on a straight-line basis (on a monthly basis), as from the year the assets are available for use, as intended by management, at the rates considered most appropriate to depreciate the assets during their estimated economic useful life, limited, when applicable, to the concession period.

The average annual depreciation rates used are as follows:

	Rates 2017	Rates 2016
Land and natural resources		-
Buildings and other constructions	4.80%	4.48%
Machinery and equipment	12.42%	10.25%
Transport equipment	16.27%	17.41%
Tools and utensils	21.77%	19.38%
Administrative equipment	19.11%	18.99%
Reusable containers	12.96%	13.43%
Other tangibel assets	8.03%	8.61%

The capital gain/loss resulting from the write-off or disposal of tangible assets is determined by the difference between the sale price and the net book value as of the date of the write-off/ disposal. The net book value includes accumulated impairment losses. The resulting accounting capital gains/losses are recorded in the consolidated income statement “Other operating income” or “Other operating costs”, respectively.

Recurring repair and maintenance costs are expensed in the year they are incurred. Major overhauls involving the replacement of parts of equipment or of other tangible assets are recorded as tangible assets if the replaced parts are identified and written off, and depreciated over the remaining period of economic useful life of the respective tangible assets.

Oil exploration and production activity

The Exploration and Production activity is divided in three phases: Exploration, Development and Production.

What distinguishes the three phases is essentially the stage of the works performed and the discovery or not of commercially viable reserves. Thus, in the exploration phase the company performs expenditures on research (i.e. seismic, drilling, geological and geophysical studies). At this stage IFRS 6 is applied, and Galp has adopted the accounting criteria accepted by the standard, thus maintaining its previous accounting policy, which in this case consists of the capitalisation of these operating expenses. At this stage, there are contingent and prospective resources, and the company performs periodic impairment analysis, recognising dry wells (i.e. no proved reserves or without subsequent use) as a cost of the year.

The company may incur some expenses prior to the acquisition of mineral rights, which are recognised as costs of the year.

In the development phase there are already commercially viable reserves, not yet developed. Thus, Galp starts carrying out investments for the extraction of these reserves, related to platforms, pipelines and expenses with internal and contracted technical labour. Galp capitalises technical labour internal expenses with engineers and geologists hired by Galp for the development of resources and reserves for the extraction of those minerals.

Finally in the production phase there are proved developed reserves, and as a result such mineral resources commence being extracted and sold.

At any of these stages, including production, the company performs periodic impairment tests in order to rule out any evidence of non-recoverability of the investment.

Tangible assets related to oil exploration and production are recorded at acquisition cost and mainly relate to costs incurred in the exploration and the development of the exploration area, including overheads incurred up to the beginning of production and are recorded in tangible assets in progress. When the oil field begins production, these costs are transferred from tangible assets in progress to tangible fixed assets and depreciated at the UOP method according to the expenses' nature.

Joint operations in oil exploration consortiums are recognised in accordance with the established agreements. Therefore, these jointly operations are recorded by the proportion of the interest held ("working interest") in the oil consortium.

Development and Exploration expenses are depreciated in accordance with a coefficient calculated based on the proportion of the volume produced in each period in relation to the proved developed reserves at the end of the period plus production for the period ("UOP").

The proved developed reserves, used by the Group to determine the depreciation rate in accordance with UOP method, were determined by a specialised and independent entity.

Exploration expenses relating to fields which are still in the exploration and development phase are classified as tangible assets in progress in the caption "Tangible assets".

Leases

Lease contracts are classified as:

- Finance leases if all the risks and benefits of ownership are substantially transferred, and
- Operating leases when this does not occur.

Finance and operating leases are classified based on the substance rather than the form of the legal contract.

Leases in which the Group is the Lessee

Tangible assets acquired under finance lease contracts and the corresponding liabilities are recorded in accordance with the financial method. In accordance with this method the cost of the assets (the lower of the fair value or the discounted amount of the lease instalments) is recorded in tangible assets, the corresponding liability is recorded and interest included in the lease instalments and depreciation of the fixed assets, calculated as explained in Note 7, are recorded as a financial cost and amortisation and depreciation cost in the income statement of the year to which they relate, respectively. In the case of operating leases, the lease instalments are recorded as costs for the year, on a straight-line basis over the period of the contract, in the income statement caption "External supplies and services".

Floating production storage and offloading (FPSO) rents that are being used in the exploration and production (E&P) business are derived from contracts established within existing consortium and are charged to the Group in the proportion of the share held in each of the consortium. Those charges regarding FPSO are likely to be classified as debt under IFRS 16 (for accounting periods after 1st of January 2019).

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Intangible assets are only recorded if it is probable that they will result in future economic benefits to the Group, they are controlled by the Group and can be reliably measured.

Development expenses are only recognised as intangible assets if the Group has the technical and financial ability to develop the asset, decides to complete the development and starts commercialising or using it, and it is probable that the asset created will generate future economic benefits. If the development costs do not fulfil these requirements, they are recorded in profit and loss for the year when occurred.

Research expenses not related to petroleum exploration and production activities are recognised as an expense of the period.

Intangible assets include costs incurred on information systems development, exclusivity bonuses paid to retailers of Galp products and rights on land use costs, which are amortised over the period of the respective contracts (which ranges from ten to 20 years).

Intangible assets with finite useful life are amortised on a straight-line basis.

The amortisation rates are set in accordance with the period of the existing contracts or expected use of the intangible assets.

Oil exploration and production activities

Intangible assets recognised in oil exploration and production are recorded at acquisition cost and are mainly related with acquiring oil exploration and production licences (signature bonus), and are amortised on a straight-line basis, as from the date production starts, over the remaining period of the licence.

Natural gas operations

The natural gas infrastructures, namely the gas distribution networks, are amortised over the concession period (45 years) or of the exploration licence (20 years).

The Group capitalises costs relating to the conversion of natural gas consumptions, which involves costs incurred adapting the installations. The Group considers that it can control the future economic benefits resulting from this conversion through the continued sale of gas to its clients (Dec-law 140/2006 of 26th of July). These costs are amortised on a straight-line basis up to the end of the natural gas distribution company's concession period.

12.1. Movements in tangible assets

Movements in tangible assets at 31 December 2017 are as follows:

2017

Tangible Assets:	Land and natural resources	Buildings and other constructions	Machinery and equipment
Acquisition cost:			
Acquisition cost at 1 January 2017	**284**	**936**	**8,097**
Additions	-	-	155
Additions by financial costs capitalisation (Note 9)	-	-	-
Write-offs/Disposals	-	(3)	(26)
Exchange differences	-	1	(334)
Transfers	-	5	584
Acquisition cost at 31 December 2017	**284**	**939**	**8,476**
Accumulated impairments at 1 January 2017	**(14)**	**(15)**	**(23)**
Increase in impairments	-	-	(10)
Exchange differences	-	-	-
Utilisation	1	-	2
Transfers of impairments	-	-	(117)
Impairments balance at 31 December 2017	**(13)**	**(15)**	**(148)**
Total acquisition cost balance at 31 December 2017	**271**	**924**	**8,328**
Accumulated depreciations			
Accumulated depreciations at 1 January 2017	**(2)**	**(689)**	**(5,312)**
Depreciations for the year	-	(35)	(646)
Write-offs/Disposals	-	3	23
Exchange differences	-	-	219
Accumulated depreciations at 31 December 2017	**(2)**	**(721)**	**(5,716)**
Net amount at 31 December 2017	**269**	**203**	**2,612**

The additions in the period ended 31 December 2017 include capitalised interest in the amount of €89 m (Note 9).

Caption of “Exchange differences” refers to the revaluation of the opening balances and the depreciation/impairment of the financial year of the assets of subsidiaries denominated in foreign currency into Euro.

The transfer of Impairments, in the amount of €117 m, is due to the transfer from tangible assets in progress to fixed tangible assets.

Unit: €m

Transport equipment	Tools and utensils	Administrative equipment	Reusable containers	Other tangible assets	Tangible assets in progress	Total tangible assets
30	**5**	**178**	**160**	**91**	**2,935**	**12,716**
1	-	2	-	1	605	764
-	-	-	-	-	89	89
-	-	(1)	(5)	(1)	(41)	(77)
-	-	-	-	-	(357)	(690)
-	-	4	5	-	(601)	(3)
31	**5**	**183**	**160**	**91**	**2,630**	**12,799**
-	**-**	**(1)**	**-**	**(2)**	**(324)**	**(379)**
-	-	-	-	-	(71)	(81)
-	-	-	-	-	41	41
-	-	-	-	-	40	43
-	-	-	-	-	117	-
-	**-**	**(1)**	**-**	**(2)**	**(197)**	**(376)**
31	**5**	**182**	**160**	**89**	**2,433**	**12,423**
(28)	**(4)**	**(167)**	**(145)**	**(80)**	**-**	**(6,427)**
(1)	-	(6)	(4)	(2)	-	(694)
-	-	1	5	1	-	33
-	-	-	-	-	-	219
(29)	**(4)**	**(172)**	**(144)**	**(81)**	**-**	**(6,869)**
2	**1**	**10**	**16**	**8**	**2.433**	**5,554**

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

2016

Tangible Assets:	Land and natural resources	Buildings and other constructions	Machinery and equipment
Acquisition cost:			
Acquisition cost at 1 January 2016	**285**	**943**	**7,498**
Additions	-	1	40
Additions by financial costs capitalisation (Note 9)	-	-	-
Write-offs/Disposals	(1)	(11)	(87)
Adjustments	-	-	(131)
Adjustments for currency differences in initial balance	-	(3)	203
Transfers	-	9	577
Transfer to investments held for sale	-	(2)	(3)
Changes in perimeter	-	(1)	-
Acquisition cost at 31 December 2016	**284**	**936**	**8,097**
Accumulated impairments at 1 January 2016	**(10)**	**(21)**	**(24)**
Increase in impairments	(2)	(1)	(8)
Reversal of impairments	-	-	2
Exchange differences	-	-	-
Utilisation/Transfers of impairments	(2)	7	7
Impairments balance at 31 December 2016	**(14)**	**(15)**	**(23)**
Total acquisition cost balance at 31 December 2016	**270**	**921**	**8,074**
Accumulated depreciations			
Accumulated depreciations at 1 January 2016	**(2)**	**(675)**	**(4,861)**
Depreciations for the year	-	(25)	(532)
Write-offs/Disposals	-	9	76
Adjustments	-	-	111
Adjustments for currency differences in initial balance	-	1	(108)
Transfer to investments held for sale	-	1	2
Accumulated depreciations at 31 December 2016	**(2)**	**(689)**	**(5,312)**
Net amount at 31 December 2016	**268**	**232**	**2,762**

Unit: €m

Transport equipment	Tools and utensils	Administrative equipment	Reusable containers	Other tangible assets	Tangible assets in progress	Total tangible assets
30	**5**	**178**	**159**	**92**	**2,278**	**11,468**
-	-	2	-	1	980	1,024
-	-	-	-	-	81	81
-	-	(5)	(3)	(4)	(123)	(234)
-	-	-	-	-	(4)	(135)
-	-	-	(2)	-	318	516
1	-	3	6	2	(595)	3
(1)	-	-	-	-	-	(6)
-	-	-	-	-	-	(1)
30	**5**	**178**	**160**	**91**	**2,935**	**12,716**
-	**-**	**(1)**	**-**	**(2)**	**(230)**	**(288)**
-	-	-	-	-	(191)	(202)
-	-	-	-	-	-	2
-	-	-	-	-	(15)	(15)
-	-	-	-	-	112	124
-	**-**	**(1)**	**-**	**(2)**	**(324)**	**(379)**
30	**5**	**177**	**160**	**89**	**2,611**	**12,337**
(28)	**(4)**	**(167)**	**(145)**	**(80)**	**-**	**(5.962)**
(1)	-	(5)	(4)	(3)	-	(570)
-	-	5	3	3	-	96
-	-	-	-	-	-	111
-	-	-	1	-	-	(106)
1	-	-	-	-	-	4
(28)	**(4)**	**(167)**	**(145)**	**(80)**	**-**	**(6,427)**
2	**1**	**10**	**15**	**9**	**2,611**	**5,910**

Movements in intangible assets at 31 December 2017 are as follows:

2017				Unit: €m
Intangible Assets:	**Industrial property and other rights**	**Goodwill**	**Intangible assets in progress**	**Total intangible assets**
Acquisition cost:				
Acquisition cost at 1 January 2017	**607**	**20**	**42**	**669**
Additions	2	-	177	179
Write-offs/Disposals	(14)	-	-	(14)
Exchange differences	(8)	-	(4)	(12)
Transfers	11	-	(8)	3
Acquisition cost at 31 December 2017	**598**	**20**	**207**	**825**
Accumulated impairments at 1 January 2017	**(46)**	**(8)**	**(3)**	**(57)**
Increase in impairments	-	(1)	(2)	(3)
Exchange differences	5	-	-	5
Utilisation	12	-	-	12
Transfers of impairments	21	-	(21)	-
Impairments balance at 31 December 2017	**(8)**	**(9)**	**(26)**	**(43)**
Total acquisition cost balance at 31 December 2017	**590**	**11**	**181**	**782**
Accumulated amortisations				
Accumulated amortisations at 1 January 2017	**(334)**	**(10)**	**-**	**(344)**
Amortisations for the year	(30)	-	-	(30)
Write-offs/Disposals	1	-	-	1
Exchange differences	1	-	-	1
Total Accumulated amortisations at 31 December 2017	**(362)**	**(10)**	**-**	**(372)**
Net amount at 31 December 2017	**228**	**1**	**181**	**410**

The caption “Industrial property and other rights” essentially includes the Surface Rights and Signature Bonus.

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

2016 Unit: €m

Intangible Assets:	Industrial property and other rights	Goodwill	Service Concession Arrangements	Intangible assets in progress	Intangible assets in progress - Service Concession Arrangements	Total intangible assets
Acquisition cost:						
Acquisition cost at 1 January 2016	**600**	**20**	**1,744**	**32**	**2**	**2,398**
Additions	4	-	-	20	15	39
Write-offs/Disposals	(10)	-	(1)	-	-	(11)
Exchange differences	3	-	-	4	-	7
Transfers	11	-	15	(14)	(15)	(3)
Transfers to assets held for sale	(1)	-	-	-	-	(1)
Changes in the consolidation perimeter	-	-	(1,758)	-	(2)	(1,760)
Acquisition cost at 31 December 2016	**607**	**20**	**-**	**42**	**-**	**669**
Accumulated impairments at 1 January 2016	**(51)**	**(8)**	**-**	**(3)**	**-**	**(62)**
Increase in impairments	(1)	-	-	-	-	(1)
Exchange differences	(1)	-	-	-	-	(1)
Utilisation	7	-	-	-	-	7
Impairments balance at 31 December 2016	**(46)**	**(8)**	**-**	**(3)**	**-**	**(57)**
Total acquisition cost balance at 31 December 2016	**561**	**12**	**-**	**39**	**-**	**612**
Accumulated amortisations						
Accumulated amortisations at 1 January 2016	**(305)**	**(10)**	**(617)**	**-**	**-**	**(932)**
Amortisations for the year	(30)	-	(34)	-	-	(64)
Write-offs/Disposals	1	-	1	-	-	2
Changes in the consolidation perimeter	-	-	650	-	-	650
Total Accumulated amortisations at 31 December 2016	**(334)**	**(10)**	**-**	**-**	**-**	**(344)**
Net amount at 31 December 2016	**227**	**2**	**-**	**39**	**-**	**268**

12.2. Main events occurring during the year ended 31 December 2017

The increases noted in tangible and intangible assets captions, amounting to €1,032 m, mainly include:

Exploration & Production segment

- €658 m regarding exploration and development investments in blocks in Brazil;
- €179 m regarding exploration investments in blocks in Angola;
- €66 m regarding exploration in other geographies.

Gas and Power segment

- €9 m regarding development of information systems.

Refining & Marketing Segment

- €111 m related to industrial investments made in the refineries, terminals, parks and in the retail business.

Others Segment

- €4 m related to investments made by the service provider at the corporate level.

In the period ended on 31 December 2017, tangible and intangible assets amounting to €57 m were disposed and written-off, of which €55 m were already in an impairment situation, refering essentially to equipment, expenses and block without economic viability.

12.3.Split of tangible and intangible assets in progress

The split of tangible and intangible assets in progress (including advances to suppliers on tangible and intangible assets net of impairment losses) in the year ended 31 December 2017 and 31 December 2016 is as follows:

Unit: €m

	December 2017			December 2016		
Captions	Assets in progress	Impairments	Net amount	Assets in progress	Impairments	Net amount
Assets in progress	**2,837**	**(223)**	**2,614**	**2,977**	**(327)**	**2,650**
Exploration of oil in Brazil	1,411	(23)	1,388	1,568	(30)	1,538
Exploration of oil in Angola	824	(127)	697	835	(230)	605
Exploration in Mozambique	312	(7)	305	315	(7)	308
Other projects	290	(66)	224	259	(60)	199

The Exploration & Production segment is divided in three stages: Exploration, Development and Production.

The transition from the exploration stage to the development stage is related to the discovery of commercially viable reserves and the transition to the production stage is related with the beginning of the production process, which is when the proved reserves are developed.

As mentioned in the accounting policies, Galp capitalises the investment expenses in all three stages, subjecting them to periodic impairment tests.

12.4. Amortisation, depreciation and impairment losses in the year

Amortisation, depreciation and impairment losses for the years 2017 and 2016 are as follows:

Unit: €m

	December 2017			December 2016		
	Tangible	Intangible	Total	Tangible	Intangible	Total
Amortisation, depreciation and impairment (Note 7)	**775**	**33**	**808**	**770**	**65**	**835**
Amortisation, depreciation for the period	694	30	724	570	30	600
Amortisation for the period - service concession arrangements	-	-	-	-	34	34
Impairments - Gross amount	81	3	84	200	1	201

12.5. Impairment on tangible and intangible assets

Accounting policy

Impairment tests are performed as of the financial statements date and whenever a decline in the asset value is identified. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded against income statement caption Amortisation, depreciation and impairment loss of tangible assets.

The recoverable amount is the greater of the fair value and the value in use. Fair value is the amount that would be obtained from selling the asset in a transaction between independent knowledgeable parties, less the costs directly attributable to the sale. Value in use corresponds to the present value of the future cash flows generated by the asset during its estimated economic useful life. The recoverable amount is estimated for the asset or cash generating unit to which it belongs. The discount rate used reflects WACC used by Galp for the reporting segment and country of the asset. The cash generating unit subject to impairment analysis depends on the reporting segment.

Impairment losses recorded in previous periods are reversed when it is concluded that they no longer exist or have decreased. Such tests are made whenever there are indications that an impairment recorded in an earlier period has reverted. Reversal of impairment is recognised as a decrease in the income statement caption Amortisation, depreciation and impairment loss of tangible assets. However, impairment losses are only reversed up to the amount the asset would be recorded (net of amortisation or depreciation) if the impairment loss had not been recorded previously.

Refining and distribution assets

Tangible and intangible assets related with refining and distribution of oil products are assessed by the Group for impairment at the end of each reporting period, considering internal and external sources of information, namely the Portuguese and Spanish service station networks. In its annual impairment tests in respect of the oil distribution segment, the Group considers the cash generating unit (CGU) to be the service station network of each country and has applied this criteria consistently given the importance of the interdependence of income resulting from the existence of loyalty and fleet owner's cards that the company provides to its customers. This is based on the fact that management information is analysed in this way, and operational decisions and investments are made on that basis.

The impairment tests carried out by the Group are based on the estimated recoverable amount of each service station compared to its net book value at the end of each reporting period. The recoverable amount (value in use) determined by the Group corresponds to the present value of the expected future cash flows determined based on annual budgets and business plans for each service station, using the WACC discount rate of that business segment, according to its specific risk.

Impairment tests are also performed on other assets of the refining and distribution segment, including refineries and tangible assets associated with logistics and storage activities.

The period of the projections of the cash flows varies as a function of the cash generating unit's average useful life.

Gas & Power assets

Whenever there are impairment indicators in the Gas & Power assets, the Company performs impairment tests. The CGU of the gas segment is defined as the gas networks and respective concessions. For the Power segment, the defined CGUs are the specific cogeneration plants.

The impairment tests carried out by the Group are based on the estimated recoverable amount of each CGU compared to its net book value at the end of each reporting period. The recoverable amount (value in use) determined by the Group corresponds to the present value of the expected future cash flows determined based on annual budgets and business plans for each CGU at its present condition, using the WACC discount rate of that business segment, according to its specific risk.

The period of the projections of the cash flows varies as a function of the cash generating unit's average useful life.

In the case of activities in which the assets are regulated the impairment analysis is based on the Regulatory Asset Base (RAB). This analysis is based on the value of the remunerated assets for regulated rate purposes.

Oil exploration and production assets

The impairment losses on oil exploration and production assets are determined when:

- Economically feasible reserves are not found;
- The licensing period ends and the exploration licence is not expected to be renewed;
- When an acquired area is returned or abandoned;
- When the expected economic future benefits are less than the investment made.

Tangible and intangible assets related with oil exploration and production are assessed periodically (annually and quarterly when indicators are noted) by the Group for impairment. The selected cash generating unit is the country or block depending on the stage of maturity of the investments.

The assessment for block/country impairment is made in accordance with the Expected Monetary Value (EMV model), comparing the carrying amount of the investments with the present value of the expected future cash flows using the WACC discount rate, calculated considering the estimates of:

i) Probable reserves;

ii) Investment and future operating costs needed to recover the probable reserves;

iii) Contingent resources, adjusted by a factor of probability of success;

iv) Investment and future operating costs required to recover the contingent resources;

v) Reference price of a barrel of Brent;

vi) Exchange rate Euro/U.S. Dollar;

vii) CGU taxation mechanisms;

viii) Estimated production level and concession period; and

ix) Abandonment costs and environmental restoration.

The EMV model considers in its calculation the POS (Probability of Geological Success or Probability of Success), which is a conditional statistical probability (Bayesian probability). This probability used in the Geology science considers a probability matrix based on seismic information and other G&G (Geological & Geophysical) information. This information is measured taking into account the quantity, quality and certainty (data control) thereof.

The cash flow projection period is equal to the recovery of reserves and resources period, limited to the period of the concession contracts, when applicable.

The information contained in paragraphs:

(i) is determined by independent experts for the quantification of the estimated oil reserves;

(ii), (iii), (iv), (vii), (viii) and (ix) is internally determined by Galp, or, whenever available, through information provided by the operator of each Block, namely the information included in the approved development plans, adjusted to the expectation of the Company and legal information available; and

(v) and (vi) is that contained in the five-year budget of Galp Group and constant after that period.

The assessment of impairment by country is similar to that described by block, however the estimated cash flows only take into account the information contained in paragraphs (iii) to (ix) above, since probable reserves are not yet determined.

Galp prepares impairment testing in any stage of Exploration and Production, meaning, in the Exploration, Development and Production stages.

In the Exploration phase, the CGU depends on investment characteristics in each country where the investment is made. At an early investment stage in a country the CGU is the country, given that the investment comprises investment in signature bonuses and any generic research performed in the area/total areas. When the total areas are divided by the official authorities of the country in blocks, Galp sets as CGU the block, down-levelling the assessment in impairment tests. At this stage as there are no reserves, Galp uses in the impairment tests the prospective and contingent resources (1C, 2C and 3C) with very low POS (Probability of Success). Thus, if reserves discovery occurs, the investment passes to the next stage, development, having previously been subject to impairment tests.

In the development and production stages, Galp considers as CGU the block. Also, in these stages the model considers P.O.S., higher than the one considered in the first stage, since there are already commercially viable reserves. Impairment tests are performed based on 2P reserves (proved and probable reserves), since these are used by Galp and its partners in the consortium in the decisions to carry out or not the investments.

In the year ending December 31 2017, the amount of €419 m, net of tangible and intangible impairments, presented the following movements:

Unit: €m

	December 2017					December 2016				
	Initial balance	Increase / Decrease	Utilisation	Adjustments	Ending balance	Initial balance	Increase / Decrease	Utilisation	Adjustments	Ending balance
	436	84	(55)	(46)	419	350	201	(131)	16	436
Tangible Assets	379	81	(43)	(41)	376	288	200	(124)	15	379
Intangible Assets	57	3	(12)	(5)	43	62	1	(7)	1	57

The accumulated amount of €419 m at year end 31 December, 2017 mainly include:

- €269 m for impairment losses on non-operated and operated blocks and other assets in Brazil and Angola;
- €45 m for impairment losses in blocks in Namibia;
- €74 m for impairment losses in the retail network in Portugal and Spain;

The increases/decreases in the amount of €84 m refers to:

- €45 m for impairment losses in Block 14 and Malange in Angola;
- €22 m for impairment losses in a 3 Blocks from Peniche Basin in Portugal;
- €6 m for impairment losses related with the closure of some fuel stations and other tangible assets related to the retail business in Spain;
- €5 m for impairment losses on exploration activities in some recent blocks in Brazil;
- €4 m for impairment losses due to the disinvestment of several tangible assets in the Refining & Marketing business.
- €2 m for impairment losses on oil exploration activities from East Timor.

During the year 2017, impairments were recognised in Angola (€45 m - 14/14k block and Malange), resulting from the likelihood of a negative outcome in relation to the ongoing negotiations of the fiscal regime with a negative impact on Net Present Value (NPV) and in the case of the Malange area assets, the impairment results from the abandonment of the development activities of this area.

The impairment amount recognized in the Peniche´s basin in Portugal, includes assets in the exploration phase, due to the revision made during the year to Galp's assets portfolio, from which it was concluded that there is a low probability of these assets being developed.

The impairment resulting from recent areas in Brazil (€5 m), results from the acquisition of seismic data of third round, as a result of which Galp concluded that the investment will not be realised.

The economic impairment in the oil exploration area in East Timor is due to committed expenses with assets whose economic recoverability is reduced.

The remaining impairments in the amount of €10 m refer to tangible assets with negative performance (i.e. in Spain) or that are obsolete (scheduled refining stoppages) for which losses are expected to arise from the maintenance interventions.

The amount of €55 m utilisation corresponds essentially to equipment, expenses and block rights without economic viability in Namibia, Peniche and Brazil in the amounts of €24 m, €21 m and €7 m respectively.

Adjustments mainly refers to the revaluation of foreign currency balances from subsidiaries denominated in foreign currencies.

Stress analysis for impairment tests over tangible and intangible assets

Oil exploration and production segment

Tangible and intangible assets of the oil exploration and production segment were subject to impairment tests at year end, being also tested the sensitivity of the carrying value of the main assets to the Brent price fluctuation.

Assumptions:

The forecast of Brent prices considered in impairment studies, was based on the estimates of the main brokers and peers of the Company (see table below), being the oil resources and reserves considered for accounting purposes referred to in Note 24.

Year 2018	Year 2019	Year 2020	Year 2021	Year 2022
55$/bbl	60$/bbl	65$/bbl	70$/bbl	70$/bbl

The analysis considered a future average exchange rate of EUR/USD of 1.21 and EUR/BRL of 3.91 and a discount rate of 10.5%, which reflects the WACC of the E&P Business Unit, calculated on a USD basis.

From the impairment tests carried out, the safety margin to the carrying value per CGU, of the regions in which Galp operates (Angola, Mozambique and Brazil) is positive, with exception from Block14/14K in Angola, due to asset advanced maturity.

In the context of the stress analysis carried out to test the impact of Brent's volatility on the value of the main E&P assets, it is possible to summarise the following conclusions:

Angola: a 10% reduction in Brent price has a negative impact on the impairment test, resulting in a potential impairment of approximately €94 m in specific CGUs. This impairment may occur in a future scenario of reduction of the Brent assumption, in which the remaining variables of the analysis would remain immutable (e.g. Opex, Capex);

Mozambique and Brazil: the 10% reduction in the Brent price does not represent a risk of potential impairments in the CGU of these geographies;

Refining and Marketing of Oil products segment

Impairment tests were carried out on the service station network in Portugal and Spain accompanied by a stress analysis.

For the two CGU, stations network in Portugal and in Spain, the stress analysis was based on the following fundamental assumptions:

- A negative variation of cash flows by 10%;
- An increase in the discount rate by 1%.

The retail station network in Portugal presents a positive safety margin, and if subject to a sensitivity analysis taking into account the aforementioned assumptions does not reveal potential future impairments. The cash-generating unit was subject to a discount rate of 6%.

The retail station network in Spain presents a positive safety margin. In a sensitivity analysis to the network in Spain, a potential additional impairment exists to the one recognised in the amount of €75 m. This impairment can occur if the negative assumptions are noted in the future, considering a scenario where the remaining variables of the analysis would remain immutable. The cash-generating unit was subject to a discount rate of 6%.

From the analysis made to the refining cash-generating unit, the referred CGU has a positive safety margin. A sensitivity analysis was performed on the impairment test, considering assumptions identical to those used for the impairment tests of the network. The result of this sensitivity analysis was positive. The cash-generating unit was subject to a discount rate of 8.2%.

12.6. Exploration segment assets

The table below, details the Assets in progress and Fixed assets for the exploration and production segment on year ended 31 December 2017:

Unit: €m

	Angola	Brazil	East Timor	Namibia	Mozambique	Portugal	Uruguai	S. Tome	Total
	1,847	3,106	-	5	311	45	-	22	5,336
Assets in progress	724	1,327	-	5	307	45	-	22	2,430
Signature Bonus	-	160	-	-	2	-	-	1	163
Investment	-	160	-	21	2	3	-	1	187
Impairment	-	-	-	(21)	-	(3)	-	-	(24)
Assets in exploration	142	393	-	5	249	37	-	20	846
Investment	234	409	4	29	255	41	8	20	1,000
Impairment	(92)	(16)	(4)	(24)	(6)	(4)	(8)	-	(154)
Assets in development	541	598	-	-	18	-	-	-	1,157
Investment	577	605	-	-	18	-	-	-	1,200
Impairment	(36)	(7)	-	-	-	-	-	-	(43)
Financial interests	41	173	-	-	38	8	-	1	261
Investment	41	174	-	-	38	8	-	1	262
Impairment	-	(1)	-	-	-	-	-	-	(1)
Others	-	3	-	-	-	-	-	-	3
Investment	-	3	-	-	-	-	-	-	3
Fixed Assets	1,123	1,779	-	-	4	-	-	-	2,906
Signature Bonus	21	4	-	-	4	-	-	-	29
Investment	21	4	2	-	4	-	-	-	31
Impairment	-	-	(2)	-	-	-	-	-	(2)
Assets in exploration	10	83	-	-	-	-	-	-	93
Investment	109	83	-	-	-	-	-	-	192
Impairment	(99)	-	-	-	-	-	-	-	(99)
Assets in development	1,090	1,641	-	-	-	-	-	-	2,731
Investment	1,107	1,641	-	-	-	-	-	-	2,748
Impairment	(17)	-	-	-	-	-	-	-	(17)
Financial interests	2	48	-	-	-	-	-	-	50
Investment	2	48	-	-	-	-	-	-	50
Others	-	3	-	-	-	-	-	-	3
Investment	-	3	-	-	-	-	-	-	3

Expenses capitalised as assets in the exploration and evaluation stage, for which proved reserves do not currently exist as of year end 2017 and 2016, are as follows:

Unit: €m

	Gross Assets						Costs	Cash-Flow
Geography	Signature bonus	Exploration	Interests	Total	Impairments	Net Assets	Annual impairment	Annual investment
2017	**215**	**868**	**107**	**1,190**	**(317)**	**873**	**(28)**	**280**
Angola	1	53	-	54	(54)	-	-	-
Brazil	181	458	61	700	(190)	510	(5)	184
East Timor	2	4	-	6	(6)	-	(2)	2
Namibia	21	29	-	50	(45)	5	-	3
Mozambique	6	255	37	298	(6)	292	-	66
Portugal	3	41	8	52	(8)	44	(21)	6
Uruguay	-	8	-	8	(8)	-	-	-
Sao Tome and Principe	1	20	1	22	0	22	-	19
2016	**87**	**951**	**92**	**1,130**	**373**	**758**	**(25)**	**72**
Angola	1	50	-	51	(51)	-	-	-
Brazil	35	511	51	597	(214)	382	(25)	45
East Timor	2	3	-	5	(5)	-	-	-
Namibia	38	45	-	83	(79)	5	-	4
Mozambique	7	276	30	313	(7)	306	-	21
Portugal	3	55	11	69	(9)	61	-	(1)
Uruguay	-	8	-	8	(8)	-	-	-
Sao Tome and Principe	1	3	-	4	-	4	-	3

13. Trade and other receivables

Accounting policy

According to the categories established in IAS 39, accounts receivable is initially recorded at fair value and subsequently measured at amortised cost, less any impairment losses, recognised under "Impairment losses on accounts receivable". Usually, the amortised cost of these assets does not differ from their nominal value or their fair value. Third party debt is a category of financial assets (see Note 2.3.4 a).

13.1. Trade receivables

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

Unit: €m

Captions	December 2017 Current	December 2017 Non-current	December 2016 Current	December 2016 Non-current
	1,018	**-**	**1,041**	**1**
Trade Receivables	**1,193**	**-**	**1,224**	**1**
Trade receivables - current accounts	1,011	-	1,034	1
Trade receivables - doubtful accounts	181	-	188	-
Trade receivables - notes receivable	1	-	2	-
Impairment on trade receivables	(175)	-	(183)	-

The movements in the caption "Impairment of trade receivables" for the years ending 31 December 2017 and 2016 were as follows:

Unit: €m

Impairment on Trade receivables	Initial Balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in consolidation perimeter	Ending balance
December 2017	183	18	(2)	(22)	(2)	-	-	175
December 2016	200	47	(26)	(36)	-	(1)	(1)	183

The increase and decrease in the caption "Impairment of trade receivables" in the net amount of €16 m was recorded in the caption "Provision and impairment losses on receivables" (Note 7).

The following is an ageing schedule of Group trade receivables as of 31 December 2017 and 2016:

Unit: €m

Ageing other receivables	Not Overdue	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2017	**881**	**103**	**13**	**9**	**1**	**1**	**10**	**1,018**
Gross amount	881	108	51	27	5	4	117	1,193
Impairments	-	(5)	(38)	(18)	(4)	(3)	(107)	(175)
2016	**866**	**83**	**25**	**4**	**1**	**59**	**3**	**1,041**
Gross amount	866	91	58	12	7	177	13	1,224
Impairments	-	(8)	(33)	(8)	(6)	(118)	(10)	(183)

Overdue balances which have not been subject to adjustments are in respect of receivables for which there are payment agreements or for which there is a total or partial expectation of settlement.

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

13.2.Other receivables

Accounting policy

Under/Over Lifting

It is industry practice to do under or overliftings of its share in crude. This under/overlifting intends to optimise the transport costs between the partners. In underlifting, the partner has made a sale on behalf of the company. Thus, an account receivable is recorded and a sale is recognised. This account receivable is tested for impairment. So, in a situation where the crude market price as of the end of the reporting period is lower than the price considered in the valuation of the account receivable (accrual) an impairment is recognised in the income statement (gross margin). In overlifting, the Company recognises a sale and then defers it through Other accounts payable (Note 20). Underlifting is in fact, on a substance over form basis, a sale made by the partner of stock which by right belongs to Galp (entitlement), and therefore falls under the scope of IAS 18.14. Overlifting is a sale made by Galp of stock that by right belongs (entitlement) to the partner. Therefore, the revenue recognition principle is not satisfied and for this reason the sale is deferred through other accounts payable. Payments and receipts of over and underlifting are compensated in a subsequent date in barrels of crude, as defined in the Production Sharing Agreement (PSA). The Company considers that in terms of substance over form the production shared under the Production Sharing Agreement is not subject to price risk since the operation is for use of the contractors and the settlement of the under and overlifting is made through physical delivery (Barrels of crude). Therefore, the accounts receivable and accounts payable are not under the scope of IAS 39, that is, the measurement at fair value, in accordance with the exemption referred in paragraph 5 (own use exemption).

The non-current and current caption “Other receivables” as of 31 December 2017 and 31 December 2016 is detailed as follows:

Unit: €m

Captions	Note	December 2017 Current	December 2017 Non-current	December 2016 Current	December 2016 Non-current
		990	**254**	**1,166**	**245**
		997	**254**	**1,174**	**248**
State and Other Public Entities:		**27**	**17**	**77**	**-**
Value Added Tax - Reimbursement requested		4	-	4	-
"COFINS" - Contribution to social security financing		12	-	-	-
"PIS" - Program of social integration and formation of the patrimony of the public servant		5	-	-	-
"ICMS" - tax on goods and services rendered		2	17	-	-
Others		4	-	73	-
Other debtors		**215**	**-**	**192**	**-**
Non operated blocks		127	-	144	-
Underlifting		70	-	19	-
Suppliers debtor balances		12	-	17	-
Operated blocks		4	-	5	-
Advances to suppliers		2	-	7	-
Related Parties		**495**	**30**	**631**	**38**
Share capital subscribers	23	29	-	-	-
Dividends	5.5	-	-	-	-
Loans granted to Sinopec Group	23	459	-	610	-
Loans to associates, joint ventures and other related parties	23	-	30	-	38
Other receivables - associates, joint ventures and other related parties	23	7	-	21	-
Other accounts receivables		**47**	**36**	**47**	**36**
Means of payment		6	-	7	-
Personnel		2	-	2	-
Guarantees		2	9	1	12
"ISP" - Tax on Oil Products - Congeners credit		1	-	1	-
Loans granted		-	5	-	-
Other receivables		36	22	36	24
Accrued income:		**145**	**63**	**163**	**63**
Sales and services rendered not yet invoiced - Natural Gas		32	-	57	-
Sales and services rendered not yet invoiced - Electricity		52	-	45	-
Sales and services rendered not yet invoiced		15	-	21	-
Adjustment to tariff deviation - "pass through"		18	-	21	-
Accrued management and structure costs		3	-	3	-
Adjustment to tariff deviation - Regulated revenue		1	1	1	1
Adjustment to tariff deviation - Energy tariff		3	62	-	62
Other accrued income		21	-	15	-
Deferred charges:		**68**	**108**	**64**	**111**
Energy sector extraordinary contribution	10.1	27	85	22	86
Catalyser charges		9	-	14	-
Deferred charges - external supplies and services		8	-	6	-
Prepaid rent		3	-	5	-
Prepaid rent relating to service stations concession contracts		4	23	3	25
Prepaid insurance		1	-	1	-
Other deferred costs		16	-	13	-
Impairment of other receivables		**(7)**	**-**	**(8)**	**(3)**

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

Unit: €m

Impairment of other receivables	Initial Balance	Increases	Decreases	Utilisation	Transfers	Ending balance
December 2017	**11**	**2**	**(3)**	**(5)**	**2**	**7**
Other receivables - Current	8	2	(3)	(2)	2	-
Other receivables - Non- Current	3	-	-	(3)	-	-
December 2016	**11**	**-**	**-**	**-**	**-**	**11**
Other receivables - Current	8	-	-	-	-	8
Other receivables - Non- Current	3	-	-	-	-	3

The increase and decrease in the caption "Impairment of other receivables" in the net amount of €1 m is included in the caption "Provisions and impairment losses on receivables" (Note 7).

The caption "Loans granted" includes the amount of €459 m (US$551 m) 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 2018, remunerated at a three-month LIBOR interest rate plus a spread and registered as a current asset. In the period ending 31 December 2017, interest related to loans granted related to related companies amounted to €7 m.

The amount of €70 m recorded in the caption "Other receivables – underlifting" represents the amounts to be received by the Group for the lifting of barrels of crude oil below the production quota (underlifting) and is valued at the lower of the market price at the sale date and the market price on 31 December 2017.

The amount of €127 m presented in the caption "Other receivable – Non-operated Blocks", includes the amount of €79 m 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 "Accrued income - sales and services rendered not yet invoiced - Natural Gas", amounting to €32 m, is mainly related with the billing of natural gas consumption in December, to be issued to customers in January.

The caption "Accrued income - sales and services rendered not yet invoiced - Electricity", amounting to €52 m, is mainly related with the billing of electricity consumption in December, to be issued to customers in January.

Expenses recorded in deferred costs amounting to €27 m, relate to prepayments of rents regarding service station leases and are registered as a cost over the respective concession period, which varies between 17 and 32 years.

There are core activities and pass through activities within the Retailers of Last Resort (RLR). This classification relates to the nature of which, in the first there is "value creation" intrinsic to the company and in the second activity the company is limited to billing its customers, and to pass on to the companies the amounts due for their core activities.

In general terms, in the case of the pass-through activities:

- For RLRs, they charge to the end customers the tariffs for access to the transport and distribution infrastructures (UGS, URT and URD tariffs), which pass on the ONGDNs (the fraction of transportation access fee is then passed by these to REN) and the cost of natural gas is simply passed on to the Retailer of Last Resort Wholesaler (RLRW) in the Energy Tariff.

The caption Accrued income – Adjustments to tariff deviation – Energy tariff, contains the following detail:

Unit: €m

Wholesale gas commercialisation activity - Energy Tariff (“CURG”)	2016	Variation	2017
	44	**3**	**47**
Gas Year 2008-2009	**2**	**-**	**2**
First half of Gas Year 2008-2009 (31.12.2008)	32	-	32
Second half of Gas Year 2008-2009 (30.06.2009)	28	-	28
Adjustment to regulated tariff - Real - Gas year 2008-2009	7	-	7
Regulated Revenue in respect of Gas year 2008-2009 - Amortisation difference	(65)	-	(65)
Second half of 2009	**8**	**-**	**8**
Second half of 2009	8	-	8
Fiscal Year of 2010	**16**	**-**	**16**
First half of 2010	15	-	15
Second half of 2010	1	-	1
Fiscal Year of 2011	**34**	**-**	**34**
First half of 2011	21	-	21
Second half of 2011	13	-	13
Fiscal Year of 2012	**(4)**	**-**	**(4)**
First half of 2012	(4)	-	(4)
Second half of 2012	-	-	-
Fiscal Year of 2013	**(2)**	**-**	**(2)**
First half of 2013	(1)	-	(1)
Second half of 2013	(1)	-	(1)
Fiscal Year of 2014	**(10)**	**-**	**(10)**
First half of 2014	(6)	-	(6)
Second half of 2014	(4)	-	(4)
Fiscal Year of 2015	**2**	**-**	**2**
First half of 2015	1	-	1
Second half of 2015	1	-	1
Fiscal Year of 2016	**(2)**	**-**	**(2)**
First half of 2016	(1)	-	(1)
Second half of 2016	(1)	-	(1)
Fiscal Year of 2017	**-**	**3**	**3**
First half of 2017	-	3	3
Second half of 2017	-	-	-
	44	**3**	**47**
Accrued charges (Note 20.2)	(18)	-	(18)
Accrued Income	62	3	65

The amount of €47 m relates to the cumulative difference between the natural gas acquisition cost from the Group's suppliers and regulated tariffs defined by ERSE for each Gas Year, applied in the billing to customers. This difference will be recovered by the tariff reviews of the following years, in accordance with the mechanism established by ERSE. These amounts are to be paid at euribor 12 months plus a spread defined annually by ERSE.

Galp recorded €62m in non-current assets as of 31 December, 2017, relating to the energy tariff deviation, which will be recovered in accordance with the time schedule defined by ERSE. Presently, since the Gas Year 2014-2015, this process is interrupted.

The caption "Accrued income – Adjustments to tariff deviation – Regulated revenue", includes the following detail:

Unit: €m

Distribution and commercialisation of natural gas	2016	Regulated Revenue in respect of Gas year - Amortisation / Reversal (Note 6)	Adjustment between the estimated regulated revenue and the revenues invoiced (Note 6)	2017
	(12)	5	(7)	(14)
Fiscal Year of 2014	**(1)**	**2**	**-**	**1**
First half of 2014	(1)	-	-	(1)
Second half of 2014	(2)	-	-	(2)
Adjusment to Fiscal year 2014	-	-	-	-
Regulated Revenue Fiscal Year 2014 Reversal	2	2	-	4
Fiscal Year of 2015	**(6)**	**3**	**-**	**(3)**
First half of 2015	-	-	-	-
Second half of 2015	(6)	-	-	(6)
Regulated Revenue Fiscal Year 2015 Reversal	-	3	-	3
Fiscal Year of 2016	**(5)**	**-**	**-**	**(5)**
First half of 2016	(3)	-	-	(3)
Second half of 2016	(2)	-	-	(2)
Fiscal Year of 2017	**-**	**-**	**(7)**	**(7)**
First half of 2017	-	-	(3)	(3)
Second half of 2017	-	-	(4)	(4)
	(12)	**5**	**(7)**	**(14)**
Accrued charges (Note 20.2)	(14)	5	(7)	(16)
Accrued Income	2	-	-	2

The caption "Adjustment to tariff deviation – regulated revenue" amounting to €14 m is related to the difference between the estimated regulated revenue published for the regulated activity and the revenue for the real invoices issued (Note 6). These amounts are remunerated at the twelve-month Euribor rate, plus a spread defined annually by ERSE.

From 2010, financial statements for ERSE, started to be reported in accordance with the calendar year. Consequently, the opening balances have been reclassified to reflect the calendar year.

During the year ending 31 December, 2017, the differences for the Group's Regulated Revenue for the calendar year 2015 were settled, resulting in an amount payable of €3 m. As the accrual made is lower than the amount agreed, the Group recognised in the caption Rendered services the respective decrease amounting to €3 m.

Items contained in Section IX of the Tariff Regulations: "Compensation for the application of tariff uniformity of the Tariff Regulations" defines the Compensations and Transfers between Regulated Entities. These amounts, enshrined in the annual publication of ERSE for Regulated Revenues are designed to ensure the recovery of the regulated revenues and ensure economic and financial equilibrium for the regulated entities.

Finally, it should be noted that the ERSE has established this compensation and transfer mechanism to allow the establishment of a uniform national tariff, since from the consumption structure in each distribution area (absolute size of the consumption and weight on the domestic and industrial sectors) there are distributors which are not able to achieve a recovery of the revenue ("insufficient" tariff), while in others there is an over- recovery ("high" tariff). Thus, in the latter case ("payers") the excess income recovered is transferred to the former ("receivers"), ensuring a balanced recovery of the regulated revenues.

The following is an ageing schedule of Group Other receivables as of 31 December 2017 and 2016:

Unit: €m

Ageing other receivables	Not Overdue	Overdue up to 90 days	Overdue up to 180 days	Overdue up to 365 days	Overdue up to 545 days	Overdue up to 730 days	Overdue over 730 days	Total
2017	**1,241**	**2**	**-**	**-**	**-**	**-**	**1**	**1,244**
Gross amount	1,243	2	-	-	-	-	6	1,251
Impairments	(2)	-	-	-	-	-	(5)	(7)
2016	**1,406**	**-**	**-**	**-**	**1**	**3**	**1**	**1,411**
Gross amount	1,411	-	-	-	1	3	7	1,422
Impairments	(5)	-	-	-	-	-	(6)	(11)

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

Galp holds collateral guarantees on receivables, namely bank guarantees and security deposits, which as of 31 December 2017, amount to approximately €103 m.

14. Inventories

Accounting policy

Inventories (merchandise, raw and subsidiary material, finished and semi-finished products, and work in progress) are stated at the lower acquisition cost (in the case of merchandise and raw and subsidiary material) or production cost (in the case of finished and semi-finished products and work in progress) or net realisable value.

Net realisable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realisable value, the difference is recorded in the operating cost caption "Cost of sales".

As such, the cost of inventories used/sold is determined as follows:

Raw and subsidiary materials

Crude oil – the cost includes the invoice price, transport and insurance costs, being the cost of sales determined on a weighted average basis, applicable to a single family of products, which includes all crude oil types.

Other raw materials (excluding general materials) – the cost includes the invoice price, transport and insurance costs. The cost of sales is determined on a weighted average basis, by family of products, determined considering the characteristics of the different materials.

General materials – the cost includes the invoice price, transport and insurance costs. The cost of sales is determined on a weighted average basis.

Products and work in progress

Production cost includes the cost of materials, external supplies and services and overheads.

Finished and semi-finished products

Crude oil – crude oil produced in the oil exploration and production activity held in inventory as at 31 December of each year, corresponds to the Company's share of the total inventory of each development area. Such inventories are measured at their production cost, which includes direct production costs, the depreciation for the year and abandonment provision costs. The cost of sales is determined on a weighted average basis. However, extracted crude oil, namely in Brazil, is valued at net realisable value in the statement of financial position, as there is a contract with the operator for the sale of crude oil and also as this is a common practice for oil producers to value their crude stock at the net realisable value, in accordance with IAS 2.3 par. a) and IAS 2.4.

Oil products - finished and semi-finished products are measured at production cost, which includes the cost of raw and other materials consumption, direct labour costs and production overheads. If acquired from third parties they are measured at cost, which includes the invoice price and transport and insurance costs. The cost of sales is determined on a weighted average basis applied to families of products considering the characteristics of the products.

The Petrogal subgroup includes, in the caption finished and semi-finished products, the Tax on Oil Products (Imposto sobre Produtos Petrolíferos – ISP) relating to finished goods dispatched for consumption which are subject to that tax and is stated at cost (since it is similar to a customs duty). The cost of sales is determined on a weighted average basis. This tax is reflected in Cost of Sales when the sale of finished goods occurs and it is also reflected in the selling price of the products in equal value. Galp details the amount recognised as cost of sale in Note 6.

Other finished and semi-finished products – production costs include raw materials and variable and fixed production costs. The cost of sales is determined on a weighted average basis.

Goods

Cost includes the invoice price, transport and insurance costs. The cost of sales is determined on a weighted average basis.

The cost of imported natural gas also includes the costs relating to transport and rights of passage through Moroccan territory incurred up to the Portuguese border.

As mentioned above, the Petrogal subgroup also includes, in the inventories caption, Tax on Oil Products relating to goods already dispatched which are subject to that tax.

Raw materials supplies and goods in transit are not available for consumption or sale and are segregated from other inventories and valued at specific cost

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

Unit: €m

	December 2017	December 2016
Captions	**970**	**869**
Raw, subsidiary and consumable materials:	**369**	**249**
	381	**261**
Crude oil	156	142
Other raw materials	65	60
Raw material in transit	160	59
Impairment on raw, subsidiary and consumable materials	**(12)**	**(12)**
Finished and semi-finished products:	**423**	**408**
	423	**408**
Finished products	193	209
Semi-finished products	230	196
Finished products in transit	-	3
Impairment on finished and semi-finished products	**-**	**-**
Goods	**178**	**212**
	179	**213**
Goods	178	213
Goods in transit	1	-
Impairment on goods	**(1)**	**(1)**

The detail of the Inventory caption by type of product can be broken down as follows:

Unit: €m

Detail of inventories per type of product	December 2017	December 2016
Total Inventories	**970**	**869**
Crude	313	198
Other raw materials	19	15
Gasoline	70	94
Diesel	223	246
Jet fuel	61	56
Fuel	53	39
LPG (petroleum gas)	15	12
Base oil and lubricants	36	30
Chemicals, solvents and aromatics	18	17
Naphthas	16	19
NG (natural gas)	29	51
Special Taxes ("ISP" in Portugal and "IIEE" in Spain)	58	24
Store products	24	6
Various materials	6	28
Petroleum products basket	27	29
Others	2	5

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 31 December 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 m and €35 m respectively (Note 20.2).

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 movement in Inventories impairment captions for the years ending 31 December 2017 and 2016 is as follows:

Unit: €m

Captions	Initial balance	Increases	Decreases	Ending balance
December 2017	**13**	**-**	**-**	**13**
Impairment on raw, subsidiary and consumable materials	12	-	-	12
Impairment on goods	1	-	-	1
December 2016	**29**	**1**	**(17)**	**13**
Impairment on raw, subsidiary and consumable materials	12	-	-	12
Impairment on finished and semi-finished products	3	1	(4)	-
Impairment on goods	14	-	(13)	1

15. Other financial investments

Other financial investments as at 31 December 2017 and 31 December 2016 are detailed as follows:

Unit: €m

	December 2017		December 2016	
Captions	Current	Non-Current	Current	Non-Current
Other Financial Investments	**66**	**32**	**19**	**26**
Financial derivatives at fair value through profit and loss (Note 22)	**51**	**11**	**19**	**2**
Swaps and Options over Commodities	**42**	**11**	**19**	**2**
Futures over Commodities	9	-	-	-
Other Financial Assets	**15**	**21**	**-**	**24**
Futures with physical delivery of Natural Gas	15	-	-	-
Others	-	21	-	24

As at 31 December 2017 and 31 December 2016, the derivative financial instruments are valued at their fair value on those dates (Note 22).

The caption Other Financial assets – Others is related with the loan granted to Empresa Nacional de Hidrocarbonetos (ENH) under the activity developed in Area 4 in Mozambique. Despite the loan to be settled within the next twelve months, management considers prudent to present the amount as Non-current.

16. Cash and cash equivalents

Accounting policy

The amounts included in Cash and cash equivalents correspond to cash values, bank deposits, time deposits and other cash investments, which maturity is less than three months and can be immediately mobilised with a risk of insignificant change in value.

For the purposes of the statement of cash flows, the caption "Cash and cash equivalents" also includes bank overdrafts included in the caption "Loans and overdrafts" in the statement of financial position.

For the periods ending 31 December 2017 and 31 December 2016 the caption "Cash and cash equivalents" is detailed as follows:

Unit: €m

	December 2017	December 2016
Cash and cash equivalents in the consolidated statement of cash flows	**1,096**	**923**
Cash and cash equivalents	**1,197**	**1,033**
Cash	7	5
Cash Deposits	611	218
Term deposits	61	33
Other negotiable securities	3	69
Other treasury investments	515	708
Bank overdrafts	**(101)**	**(110)**
Bank overdrafts (Note 18)	(101)	(110)

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

Unit: €m

	December 2017	December 2016
Other negotiable securities	**3**	**69**
High liquidity Futures (Note 22)	**-**	**4**
Electricity Futures	-	3
CO_2 Futures	-	1
Other securities	**3**	**65**
Futures with physical delivery of Natural Gas	3	1
Bank deposits certificates	-	64

These futures are recorded in this caption due to their high liquidity and reduced risk of loss of value (Note 22).

During 2017, there were no restrictions or constraints, besides those that result from the law itself, regarding the use or distribution of funds presented as Cash and cash equivalents, in its various geographies.

17. Equity

Equity management policy

The Galp Group has equity at 31 December 2017 in the amount of €6.1 bn and set in its equity management policy a limit of indebtedness in amounts equal to or lower than 2x Net Debt/EBITDA, despite the contracts with financial institutions allowing a ratio between 3.5 and 3.75. The net debt at year ending 2017 amounted to €1.9 bn, setting this target ratio at 0,95x.

The Group's organisational structure is supported by three sub-holdings, one for the Exploration and Production (E&P) business, the other for the Refining and Marketing (R&M) business and the other for Gas and Power (G&P).

Galp Energia E&P BV covers the entire E&P business in dollars and finances its subsidiaries primarily with equity and internal loans. The capital employed by the company is primarily owned by Galp E&P BV and Galp Sinopec Brazil Services BV and amounts to approximately €4.8 bn.

The R&M business is developed by Petrogal, S.A. and its subsidiaries, which has an employed capital of €2.5bn. Petrogal is financed with share premium amounting to €2 bn in accordance with a reasonable Net Debt/EBITDA ratio.

The G&P business is basically supported by Galp Gás Natural, S.A., with an employed capital of €0.6 bn.

17.1. Share capital

Capital structure

The share capital of Galp Energia SGPS, 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. and are not listed.

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

The Company's shareholder structure as of 31 December 2017 and 31 December 2016 was as follows:

	December 2017			December 2016		
	Number of shares	% of Capital	% of Voting rights	Number of shares	% of Capital	% of Voting rights
Total	**829,250,635**	**100%**	-	**829,250,635**	**100%**	-
Amorim Energia,BV	276,472,161	33.34%	33.34%	276,472,161	33.34%	33.34%
Parpública - Participações Públicas, SGPS, S.A.	62,021,340	7.48%	7.48%	58,079,514	7.00%	7.00%
Free float	490,757,134	59.18%	59.18%	494,698,960	59.66%	59.66%

17.2. Reserves

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

Unit: €m

Captions	Notes	December 2017	December 2016	Changes in the period (December 2017 - December 2016)
Reserves		**2,506**	**3,095**	**(589)**
Legal reserves		**166**	**166**	-
Free distribution reserves		**28**	**28**	-
Translation reserves:	**17.2.2**	**(186)**	**404**	**(590)**
Reserves - financial allocations ("*quasi capital*")	17.2.2	(174)	(149)	(25)
Reserves - financial allocations ("*quasi capital*")	17.2.2	(282)	(243)	(39)
Reserves - Tax on financial allocations ("*quasi capital*")	17.2.2 e 10.3	108	94	14
Reserves - Translation of financial statements	17.2.2	(14)	548	(562)
Reserves - Goodwill currency update	11	2	5	(3)
Hedging reserves:	**17.2.3**	**4**	**3**	**1**
Reserves - financial derivatives	17.2.3 e 27	6	5	1
Reserves - Deferred tax on financial derivatives	17.2.3 e 10.3	(2)	(2)	-
Other reserves:	**17.2.4**	**2,494**	**2,494**	-
Reserves - Capital increase in the subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services B.V.		2,493	2,493	-
Reserves - Capital increase in other subsidiaries		1	1	-

17.2.1. Legal reserves

In accordance with the Company deeds and Commercial Law (Código das Sociedades Comerciais - CSC), the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may, in certain circumstances, be used to increase capital or to absorb losses after all the other reserves have been utilised. In 2017 the caption did not present any changes as the legal reserves have already reached 20% of share capital.

17.2.2. Translation reserves

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

i) €14 m cumulative balance relating to negative exchange differences resulting from the translation of financial statements in foreign currency to Euros

Unit: €m

Translation reserves - Per currency:	Exchange rate as of 31 December 2016	Initial balance	Variation	Ending balance	Exchange rate as of 31 December 2017
Reserves - Translation reserves		**548**	**(562)**	**(14)**	
Gambian Dalasi	44.1	**(1)**	1	**-**	55.8
United States Dollars	1.054	**710**	(473)	**237**	1.199
Cape Vert Escudos	110.265	**-**	-	**-**	110.265
Guinea-Bissau CFA Francs	655.957	**-**	-	**-**	655.957
Angolan Kwanza	184.475	**(8)**	3	**(5)**	184.497
Swaziland Lilangeni	14.424	**-**	-	**-**	14.881
Mozambican Meticais	74.94	**(21)**	1	**(20)**	70.09
Brazilian Reais	3.431	**(132)**	(94)	**(226)**	3.973
Morroccan Dirham	10.613	**-**	-	**-**	11.155

ii) €174 m cumulative balance 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 Brasil, B.V., Galp Sinopec Brazil Services B.V. and Winland International Petroleum, SARL (WIP) 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 m cumulative balance regarding positive exchange rate differences resulting from the translation of Goodwill

17.2.3. 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 ending 31 December 2017, the amount of €6 m (Note 22) is related with fair value of financial derivatives – cash flow hedges and €2 k relates to the respective tax impact, and presents the following detail:

Unit: €m

Hedging reserves		December 2017	December 2016	Changes in the period (December 2017 -December 2016)
Hedging reserves		**4**	**3**	**1**
Reserves - financial derivatives (Note 22)		**6**	**5**	**1**
Group companies	(*)	7	6	1
Financial investments in associates and joint ventures	(*)	(2)	(1)	(1)
Hedging reserve. arising from the sale of Âncora Wind - Energia Eólica. S.A.. transferred to the Retained earnings Caption (Note 5.1)		1	-	1
Reserves - Deferred tax on financial derivatives		**(2)**	**(2)**	**-**
Group companies (Note 10)	(*)	(2)	(2)	-

* Comprehensive income for the year attributable to shareholders.

17.2.4. Other reserves

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

On 28 March 2012,WIP, a subsidiary of Tip Top Energy, SARL (Sinopec Group), subscribed and paid a capital increase amounting to $4,797,528,044.74 in respect of the subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services, B.V. (previously denominated Galp Brazil Services, B.V.), acquiring 30% of the shares and voting rights of both Galp subsidiaries.

As a result of the capital increase operation, the Galp Group has retained the operational and financial control of the companies, for which it now owns 70% of the capital and voting rights, continuing, under IFRS 10, to consolidate their assets by the full consolidation method. Accordingly, the difference of €2,493 m between the amount paid of the capital increase and the book value of the equity at the date of the increase was recognised in equity under the caption “Reserves”.

Reserves – capital increases in other subsidiaries (amounts bellow 1 m)

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

In July 2013, under the terms of a contract signed in August 2012 in which it committed to purchase the remaining shares at completion of the plant, the Group acquired 99% of the capital of Enerfuel, S.A. As the Group already had control, the Company was already consolidated using the full consolidation method. Accordingly, the negative difference of €31 k between the amount paid and the book value of equity at the acquisition date, was recognised in equity under reserves.

Reserves - increase of 33.0541% in the capital of the subsidiary Setgás Comercialização, S.A.

On 21 December 2015, the Group acquired from Enagás – SGPS, S.A. 33.0541% of the capital of the subsidiary Setgás – Comercialização, S.A., which was previously controlled by the Group and consolidated using the full consolidation method. Accordingly, the difference of €450 k between the amount paid and the book value of the equity at the acquisition date, was recognised in equity under reserves.

Special reserves

The amount of €20 k refers to a donation made in the subsidiary Gasinsular - Combustíveis do Atlântico, S.A.

17.3. Earnings per share

Earnings per share as of December 31, 2017 and 2016 were as follows:

Unit: €m

	Note	December 2017	December 2016
Consolidated net income for the year attributable to the Shareholders of Galp Energia SGPS. S.A.		614	179
Weighted average number of shares for the purpose of net income per share	17.1	829,250,635	829,250,635
Basic and diluted earnings per share (amounts in Euros):		**0.74**	**0.22**

Due to the fact that there were no dilutive situations, the diluted earnings per share was equal to the basic earnings per share.

17.4. Non-controlling interests

As of 31 December 2017, the caption "Non-controlling interests" included in equity refers to the following subsidiaries:

		Total		Galp Sinopec Brazil Services B.V.	
Movement occurred under Non-controlling interests	**Notes**	**Dec 17**	**Dec 16**	**Dec 17**	**Dec 16**
% Non-controlling interest at 1 January 2017				**30.00%**	**30.00%**
Non-controlling interests at 1 January 2017		**1,563**	**1,416**	**1,310**	**1,269**
Share capital		2	-	-	-
Share premium		95	-	(4)	-
Reserves	(a)				
Reserves - Translation of financial statements	(a)(*)	(195)	99	(164)	42
Reserves - financial allocations ("*quasi capital*")	(a) (*)	(11)	52	-	-
Retained earnings	(*)				
Previous years results	(*)	-	-	-	-
Net result for the year	(*)	93	29	33	(1)
Changes in the consolidation perimeter	(c)	-	(20)	-	-
Assigned dividends	(b)	(86)	(13)	(64)	-
Non-controlling interests at 31 December 2017		**1,461**	**1,563**	**1,111**	**1,310**
% Non-controlling interest at 31 December 2017				**30.00%**	**30.00%**
Dividends paid to other shareholders	(b)	(78)	(9)	(68)	-

* Comprehensive income for the year attributable to non-controlling interests.

a) Changes in non-controlling interests in the caption translation reserves has the following detail:

- Foreign exchange variations resulting from the translation of the financial statements of the subsidiary Petrogal Brasil, SA from Brazilian Reais (BRL) into Euros (EUR) and of the subsidiary Galp Sinopec Brazil Services BV from US Dollars (USD) into Euros (EUR);
- Foreign exchange differences resulting from the financial allocations made to Petrogal Brasil, SA, denominated in Euros and in United States dollars, which are similar to the share capital (*quasi capital*), also forming an integral part of the net investment in that foreign operation in accordance with IAS 21.

b) Dividends attributed and paid to minority shareholders (Note 17.5).

Of the amount of €86 m of allocated dividends, €78 m were paid in the year ending 31 December 2017. Additionally, the subsidiary Petrogal Brasil, S.A. paid €5 m, related to dividends for the year ending 31 December 2016, to the minority shareholder Winland International Petroleum, SARL (WIP), and €3 m corresponds to exchange differences that occurred between the allocation and payment date.

Thus, during the year ending December 31, 2017, dividends were paid in the amount of €78 m (Note 17.5).

Unit: €m

Petrogal Brasil. S.A.		Empresa Nacional de Combustíveis - Enacol. S.A.R.L		Petromar - Sociedade de Abastecimentos de Combustíveis. Lda.		Other companies	
Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
30.00%	30.00%	51.71%	51.71%	20.00%	20.00%		
230	105	19	20	3	3	1	19
2	-	-	-	-	-	-	-
99	-	-	-	-	-	-	-
(30)	56	-	-	-	-	(1)	1
(11)	52	-	-	-	-	-	-
						-	-
-	-	-	-	-	(1)	-	1
54	24	3	2	1	1	2	3
-	-	-	-	-	-	-	(20)
(18)	(7)	(2)	(3)	-	-	(2)	(3)
326	**230**	**20**	**19**	**4**	**3**	**-**	**1**
30.00%	30.00%	51.71%	51.71%	20.00%	20.00%		
(5)	(4)	(2)	(3)	-	-	(3)	(2)

c) Changes in consolidation perimeter in the year ending 31 December 2016:

The Company Galp Gás Natural Distribuição, S.A. (GGND) holds financial interests in the subsidiaries i) Lusitaniagás - Companhia de Gás do Centro, S.A. (96.842%); ii) Beiragás - Companhia de Gás das Beiras, S.A. (59.519%); and iii) Setgás - Sociedade de Produção e Distribuição de Gás, S.A.

Due to the sale of 22.5% of the share capital of the subsidiary Galp Gás Natural Distribuição, S.A. (GGND) during 2016 and considering the Shareholders' agreements which establish joint control over the Company, Galp Gás Natural Distribuição, S.A. and its respective subsidiaries are accounted for under the equity method.

The amount of €20 m corresponds to non-controlling interests in the subsidiaries at the disposal date, at which time they ceased to be fully consolidated and were accounted by using the equity method.

The following table includes the detail of the financial statements (i.e. statement of financial position and income statement) of the entities with non-controlling interests as of 31 December 2017 and 31 December 2016:

Statement of Financial Position

Assets	Galp Sinopec Brazil Services B.V.		Petrogal Brasil. S.A.	
	Dec 17	Dec 16	Dec 17	Dec 16
Noncurrent assets:				
Intangible assets			2,285	2,352
Tangible assets			158	8
Investments in associates and joint ventures	1,062	1,027	(2)	
Other receivables	1,021	1,186	34	19
Deferred tax assets			85	88
Total noncurrent assets:	**2,083**	**2,213**	**2,560**	**2,467**
Current assets				
Inventories			96	19
Trade receivables	1		60	156
Other receivables	1,570	2,069	245	200
Income tax receivables	19		15	
Cash and cash equivalents	60	96	180	75
Total current assets:	**1,650**	**2,165**	**596**	**450**
Total assets:	**3,733**	**4,378**	**3,156**	**2,917**
Liabilities:				
Noncurrent liabilities:				
Bank loans				
Other payables			1,544	1,781
Deferred tax liabilities			34	13
Provisions			201	94
Total noncurrent liabilities:	**-**	**-**	**1,779**	**1,888**
Current liabilities:				
Bank loans and overdrafts				
Trade payables	1	1	13	17
Other payables			194	197
Other financial instruments				1
Current income tax payable	29	11	85	49
Total Current liabilities:	**30**	**12**	**292**	**264**
Total liabilities	**30**	**12**	**2,071**	**2,152**
Total Equity and Liabilities	**3,733**	**4,378**	**3,156**	**2,917**

* Provisional financial statements at the closing date.

unit €m

	Empresa Nacional de Combustíveis - Enacol. S.A.R.L		Petromar - Sociedade de Abastecimentos de Combustíveis. Lda.		Other companies	
	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
	17	17	5	5	31	33
	2	2			1	(2)
					1	1
	19	**19**	**5**	**5**	**33**	**32**
	4	5	2	4	3	3
	16	15	3	2	6	7
	5	7	3	3	3	3
	2	1	2		(1)	26
	14	17	7	7	13	12
	41	**45**	**17**	**16**	**24**	**51**
	60	**64**	**22**	**21**	**57**	**83**
					15	19
					10	10
						1
					3	(1)
	-	**-**	**-**	**-**	**28**	**29**
					3	3
	11	16		2	9	10
	8	9	3	2	13	10
	3	2	1	1	1	1
	22	**27**	**4**	**5**	**26**	**24**
	22	**27**	**4**	**5**	**54**	**53**
	60	**64**	**22**	**21**	**57**	**83**

Income Statement	Galp Sinopec Brazil Services B.V.		Petrogal Brasil. S.A.	
	Dec 17	Dec 16	Dec 17	Dec 16
Operating income:				
Sales	-	-	1,174	719
Services rendered	52	16	2	1
Other operating income	-	-	33	39
Total operating income:	**52**	**16**	**1,209**	**759**
Operating costs				
Cost of sales	-	-	(99)	20
External supplies and services	52	16	426	248
Employee costs	-	-	12	9
Amortisation. depreciation and impairment losses on fixed assets	-	-	278	204
Provisions and impairment losses on receivables	-	-	-	(1)
Other operating costs	-	-	37	38
Total operating costs:	**52**	**16**	**654**	**518**
Operating result:	**-**	**-**	**555**	**241**
Financial income	88	80	11	16
Financial costs	-	-	(52)	(37)
Exchange (losses) gains	-	-	(11)	(3)
Income from financial investments and impairment losses on Goodwill	42	(65)	-	(1)
Income before taxes:	**130**	**15**	**503**	**216**
Income tax	(19)	(17)	(324)	(138)
Energy sector extraordinary contribution	-	-	-	-
Net income for the year	**111**	**(2)**	**179**	**78**

* Provisional financial statements at the closing date.

17.5. Dividends

In accordance with the resolution of the General Shareholders' Meeting held on May 12, 2017, Galp Energia, SGPS, SA shareholders were granted dividends in the amount of €413m related to the distribution of net income for the year 2016 and retained earnings. An interim dividend of €206 m was distributed on September 23, 2016 and the remaining €207 m was paid on May 30, 2017.

In addition, the Board of Directors approved the payment of an interim dividend, in the amount of €207 m fully paid on September 21, 2017, related to the 2017 fiscal year.

During the year ending December 31, 2017, dividends amounting to €78 m were paid by subsidiaries of the Galp group to minority shareholders (Note 17. 4)).

As a consequence of the above, during the year ending December 31, 2017, the Group paid dividends amounting to €491 m.

Unit: €m

Empresa Nacional de Combustíveis - Enacol. S.A.R.L		Petromar - Sociedade de Abastecimentos de Combustíveis. Lda.		Other companies	
Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
111	88	62	51	57	56
1	1	-	-	13	91
2	2	-	-	4	17
114	**91**	**62**	**51**	**74**	**164**
89	68	53	41	45	44
10	9	2	2	15	51
4	5	1	1	3	6
2	2	1	1	3	19
1	-	-	-	-	-
2	4	(1)	(2)	1	9
108	**88**	**56**	**43**	**67**	**129**
6	3	6	8	7	35
-	-	-	-	1	-
-	-	(1)	(1)	-	(10)
1	1	-	-	-	(1)
1	1	-	-	-	1
8	**5**	**5**	**7**	**8**	**25**
(2)	(1)	(1)	(2)	(2)	(5)
-	-	-	-	-	(5)
6	4	4	5	6	15

18. Loans

Accounting policy

Loans are recorded as liabilities at the nominal value received, net of expenses incurred in the issuance of these loans. Loans are subsequently measured at amortised cost.

Financial charges are calculated at the effective interest rate and are recorded in the income statement in accordance with the accrual basis.

Financial charges include interest and commission expenses with the structuring of the loans.

Loans details

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

Unit: €m

	December 2017		December 2016	
	Current	Non-current	Current	Non-current
	551	2,532	325	2,578
	159	937	308	912
Bank loans:	159	937	308	912
Origination Fees	(1)	(1)	(1)	(1)
	160	938	309	913
Loans and commercial paper	59	938	198	913
Bank overdrafts (Note 16)	101	-	110	-
Discounted notes	-	-	1	-
Bonds and Notes:	392	1,595	17	1,666
Origination Fees	(3)	(5)	(6)	(4)
	395	1,600	23	1,670
Bonds	395	100	23	670
Notes	-	1.500	-	1.000

Current and non-current loans and bonds, excluding origination fees, bank overdrafts and discounted notes, have the following repayment plan as of 31 December 2017:

Unit: €m

	Loans		
Maturity	Total	Current	Non-current
	2,992	454	2,538
2018	454	454	-
2019	699	-	699
2020	649	-	649
2021	535	-	535
2022	110	-	110
2023 and subsequent years	545	-	545

As of 31 December 2017 and 31 December 2016, loans and bonds obtained, excluding bank overdrafts and discounted notes, are expressed in the following currencies:

		December 2017		December 2016	
Currency		Total initial amount	Due amount	Total initial amount	Due amount
			2,992		2,804
United States Dollars	USD	100	83	126	60
Euro	EUR	3.426	2,909	3.580	2,744

The average interest rates of the loans and bonds, including costs associated with overdrafts, incurred by the Group, in 2017 and 2016, amounted to 3.46% and 3.52% respectively.

Description of the main loans

Commercial paper issuance

As of 31 December 2017, the Group has contracted commercial paper programs which are fully underwritten, amounting to €940 m, which are divided into €490 m medium- and long-term and €450 m short-term. Of this amount, the Group has used €490 m 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 31 December 2017, the Group has contracted Revolving Credit Facilities, with an underwriting commitment totaling €383 m and with approximately 1.5 years of maturity. This amount was fully available, but not used, as of 31 December 2017.

Bank loans

Detail of the main bank loans, contracted by the subsidiary Galp Energia E&P BV, as of 31 December 2017:

Unit: €m

Entity	Due amount	Interest Rate	Maturity	Reimbursement
	233			
UniCredit Bank Austria	150	6M Euribor + spread	April 2020	April 2020
Bank Itaú	83	6M Libor + spread	June 2022	June 2022

Additionally, the Group has project finance loans amounting to €20 m, 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 31 December 2017:

Unit: €m

Entity	Due amount	Interest Rate	Maturity	Reimbursement
	254			
EIB (Instalment A - Sines cogeneration)	16	Fixed rate	September 2021	Semi-annual instalments beginning in March '10
EIB (Instalment B - Sines cogeneration)	8	Fixed rate	March 2022	Semi-annual instalments beginning in September '10
EIB (Instalment A - refinery conversion)	138	Revisable fixed rate	February 2025	Semi-annual instalments beginning in August '12
EIB (Instalment B - refinery conversion)	92	Fixed rate	February 2025	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 conversion project of the Sines and Matosinhos refineries, are guaranteed by Petróleos de Portugal - Petrogal, S.A.

The remaining loan with the EIB, amounting to €92 m, is guaranteed by a bank syndicate.

The Galp Group has bank loans contracted, which in some cases have covenants which, if triggered by banks, lead to early repayment (Note 26).

Bonds

Detailed information for bonds as of 31 December 2017:

Unit: €m

Emission	Due amount	Interest Rate	Maturity	Reimbursement
	495			
GALP ENERGIA/2012-2018 FRN	260	Euribor 3M + spread	February '18	February '18
GALP ENERGIA/2013-2018	110	Euribor 3M + spread	March '18	March '18
GALP ENERGIA/2013-2018 €200 M.	25	Euribor 6M + spread	April '18	April '18
GALP ENERGIA/2012-2020	100	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).

On November 15, 2017, Galp issued notes under the EMTN Program in the amount of €500 m, with maturity on February 15, 2023 and a 1% coupon, which are admitted to the trading on the London Stock Exchange.

BNP Paribas, Caixa BI, Deutsche Bank, Société Générale CIB (B&D) and UniCredit acted as Joint-Bookrunners.

Detail by issue, as of December 31, 2017:

Unit: €m

Emission	Due amount	Interest Rate	Maturity	Reimbursement
	1,500			
Galp 4.125% 01.2019	500	Fixed rate 4.125%	January 2019	January 2019
Galp 3.000% 01.2021	500	Fixed rate 3.000%	January 2021	January 2021
Galp 1.000% 02.2023	500	Fixed rate 1.000%	February 2023	February 2023

The fair value of the bonds (Note 27) was measured based on inputs observed in the market, therefore its classification in the fair value hierarchy is Level 2 (Note 22).

Detail of the reconciliation of liabilities arising from financing activities (including loans obtained, excluding overdrafts and discounted notes) as of December 31, 2017, for the purposes of the consolidated statement of cash flows is as follows:

Unit: €m

			Non monetary changes		
	December 2016	Cash Flow	Acquisition	Currency translation impact	December 2017
Long term debt	**2,804**	**193**	**-**	**(5)**	**2,992**
Long Term Loans	2,804	193		(5)	2,992

19. Post employment benefits

Accounting policy

Retirement benefits

Some Group companies are commited to pay their employees' pension supplements due to age, disability and pensions to surviving relatives, as well as early retirement and pre-retirement pensions. With the exception of early retirement and pre-retirement pensions, these payments are calculated on an incremental basis in accordance with the years of service of the employee. Early retirement and pre-retirement pensions mainly correspond to the employee's wage. When applicable, these commitments also include the payment of Social Security of pre-retired personnel, voluntary social insurance of early retirees and retirement bonuses payable upon normal retirement.

The Group has created autonomous pension funds managed by external entities (*Fundo de Pensões Petrogal, Fundo de Pensões Sacor Marítima and Fundo de Pensão Galp Energia España*) to cover their liabilities relating to pension supplements. Although some liabilities, such as, early retirement pensions are covered by specific provisions included on the statement of financial position caption Post-employment and other employee benefits liabilities.

At the end of each reporting period the companies obtain actuarial valuations by a specialised entity in accordance with the Projected Unit Credit Method and compare the amount of their liabilities with past services with the market value of the funds and with the balance of the liabilities recognised, in order to determine any additional liabilities that need to be recorded.

Actuarial gains and losses determined in each year and for each of the benefits granted, resulting from adjustments to the demographic assumptions, experience adjustments, are recorded in the statement of comprehensive income impacting the financial position.

The discount rate is determined by the actuary through developed models that take into account the maturity of the liabilities and characteristics of the population for each plan. The discount rate consists of half-yearly rates (i.e. zero coupon) developed from high-quality corporate bond pricing and yield information in accordance with IAS 19.

Net interest related with retirement benefits is reflected on the income statement caption Net interest on retirement benefits and other benefits.

The benefit plans identified by the Petrogal Sub-Group is complementary to the public social security scheme, in accordance with the rules officially in force on December 31, 1993 and provides the following benefits:

- Pension supplements for retirement, disability and surviving orphans;
- Pre-retirement;
- Early retirement;
- Retirement bonus;
- Voluntary social insurance;

The Petrogal closed Pension Fund has the purpose of paying supplementary pensions for old age and disability, as well as survivors' pensions.

The Sacor Maritima Defined Benefit Plan is complementary to the public schemes and provides the following benefits:

- Pension supplements for retirement and disability;
- Pension supplements for surviving dependents; and
- Pre-retirement pension.

The closed Sacor Maritima Pension Fund aims for the payment of pension supplements for retirement and disability and survival pensions.

The pension plans are governed by Portuguese law applied to pension funds and supervised by the Supervisory Authority for Insurance and Pensions (*Autoridade de Supervisão de Seguros e Pensões – ASF*).

The Fund Management Company is responsible for executing all necessary or convenient acts and operations to ensure the good administration and management of the Fund in accordance with what has established in the Constitution Agreement and in the Fund Management Contract.

CGD Pensões is the fund management company of the Petrogal Fund, and Pensões Gere manages the Sacor Maritima pension fund.

Two scenarios have been used for the calculation of the liabilities of these defined benefit plans:

- Finance scenario - used by Galp Group to determine liabilities; and
- Minimum Solvency Level scenario - scenario using recommended assumptions to calculate the minimum amount of funding of the Pension Funds (Rule No. 21/96 -R).

The liabilities presented in this report have been calculated based on the Projected Unit Credit method. The principle behind this method is to cover the benefits of each of the participants of the plan as they accrue, taking into account the future growth of costs associated with the benefit under analysis. Thus, the total cost for each participant is divided into units, each of which is associated with a past or future year of service.

For the purpose of the assessment, the cumulative liability of an individual is the present value of the accumulated benefits, at the reference date.

Post Service Liability (PSL) result from the sum of the accumulated liabilities for all participants in the plan.

On 31 December 2002 the Portuguese Insurance Institute authorised the creation of the Galp Energia defined contribution Pension Fund. In 2003 Galp Energia, SGPS, S.A. created a defined contribution Pension Fund for its employees and allowed employees of other Group companies to join this fund. Presently, Galp Energia SGPS, Petróleos de Portugal – Petrogal, S.A., Galp Energia SA, Galp Exploração e Produção Petrolífera, SAAGA – Sociedade Açoreana de Armazenagem de Gás, SA, Galp Gás Natural SA, Galp Gas & Power, SA and Galp Power SA are associates of the Fund. When the new plan is chosen, Group companies contribute with an annually defined amount to the fund, corresponding to a percentage of the salary of each employee, which is recorded as a cost for that year

In the Defined Contribution Plan, the benefits to be attributed to employees are the result of the contributions made up to the time of retirement by both the Company and employees.

The Defined Contribution Plan provides that in the event of death or invalidity of a worker in active employment, the monthly benefit to be paid added to the Social Security pension shall guarantee a minimum total pension equal to 50% of the pensionable salary of the employee on the date of occurrence.

Under such plans, the Companies make contributions of 3% of the pensionable salary and a "matching" contribution of an amount equal to the employee's contribution, up to a limit of 1% of the pensionable salary.

The annual cost is fixed as a percentage and has no risk to changes in life expectancy, fund performance, Social Security contributions, and does not require actuarial valuations.

Other retirement benefits - health care, life insurance and minimum defined benefit plan benefit (disability and survival)

The Group's costs with respect to healthcare, life insurance and defined contribution minimum benefit plan are recognised over the period the employees entitled to these benefits are in service of the respective companies, the liability being reflected in the statement of financial position caption Post-employment and other employee benefits liabilities. Payments to the beneficiaries are deducted from the liability.

The health insurance benefit aims to cover medical/hospital expenses in accordance with existing policies.

The life insurance benefit aims to ensure financial protection of employees and/or spouses and children in the event of death or disability and in accordance with the existing policies.

At the end of each reporting period the companies obtain actuarial valuations by a specialised entity in accordance with the Projected Unit Credit Method and compare the amount of their liabilities with past services with the market value of the funds and with the balance of the liabilities recognised, in order to determine any additional liabilities that need to be recorded.

The actuarial gains and losses recorded in each year are recorded as described above.

On December 31, 2017 and December 31, 2016, the assets of the Petrogal and Sacor Marítima Pension Funds, valued at fair value, were as follows, in accordance with the report presented by the respective management company:

Unit: €m

	December 2017	December 2016
Total	**270**	**284**
Bonds	166	173
Shares	59	51
Other Investments	10	10
Real Estate	3	3
Liquidity	2	17
Property	30	30

During the year ending 31 December, 2017, no contributions were made to the Pension Funds.

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

Unit: €m

Captions	December 2017	December 2016
	(326)	**(359)**
Retirement benefits	(124)	(136)
Other benefits	(202)	(223)

The caption Retirement benefits include retirement, disability and orphanage supplements, pre-retirement, early retirement, retirement premium and voluntary social insurance. The other benefits consist essentially of health insurance, life insurance and the minimum benefit of the defined contribution plan.

The caption Retirement Benefits amounting to €124 m includes €8 m for the subsidiary Petróleos de Portugal - Petrogal, S.A., to cope with already agreed pre-retirements that will only be effective in 2018.

In the year ending December 31, 2017 and December 31, 2016, the Group had recorded in equity the following amounts related to retirement benefits and other benefits:

Unit: €m

Captions	December 2017	December 2016
	90	**118**
	111	**142**
Retirement benefits	**59**	**67**
Other benefits	52	75
Deferred tax (note 10)	**(21)**	**(24)**

The caption Employee costs - Retirement benefits - pensions and insurance in the amount of €28 m (Note 7) includes essentially:

Unit: €m

	December 2017	December 2016
	25	**28**
Retirement benefits	10	14
Other benefits	6	6
Defined contribution plan	4	4
Pre-retirements and early retirements not included in previous items	5	4

The caption Financial Costs - Net interest with retirement benefits and other benefits in the amount of €8 m (Note 9) mainly includes:

Unit: €m

Captions	December 2017	December 2016
	7	**9**
Retirement benefits	2	3
Other benefits	5	6

The table below shows the number of participants and beneficiaries of the Petrogal and Sacor Maritima pension funds sorted by category:

	December 2017	December 2016
	6,574	**6,646**
Active	1,684	1,659
Pre-Retired	304	312
Early Retirements	303	320
Disability Retirements	51	72
Age Retirements	2,636	2,671
Pensioners - Widows/Orphans	1,596	1,612

During 2017 there were 29 new cases of pre-retirement, 16 new cases of early retirement and 4 withdrawals for termination by mutual agreement.

The average maturity of liabilities for the defined benefit plans, is 9.7 years.

The assumptions used for the calculation of post-employment benefits and other benefits are considered by the Group as those that best meet the commitments set out in the pension plan and are set out as follows:

	Retirement benefits		Other Benefits	
	2017	2016	2017	2016
Rate of return on assets	2.25%	2.25%	-	-
Technical interest rate	2.25%	2.25%	2.25%	2.25%
Rate of increase in salaries/costs	1.00%	1.00%	[1.00% - 3.50%]	[1.00% - 4.00%]
Rate of increase in pensions	[0.00% - 2.00%]	[0.00% - 1.40%]	-	-
Current personnel and pre-retirees mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Retired personnel mortality table	INE 2009-2011	INE 2009-2011	INE 2009-2011	INE 2009-2011
Disability table	50% EVK 80	50% EVK 80	50% EVK 80	50% EVK 80
Common age for retirement	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65	66 years or 65 years if at least with 43 years of discounts to S.S. at 65
Method	Projected credit unit	Projected credit unit	Projected credit unit	Projected credit unit

The detail of the caption Retirement Benefits and Other benefits at December 31, 2017 and December 31, 2016 are as follows:

Unit: €m

	Total		Retirement benefits		Other benefits	
	2017	2016	2017	2016	2017	2016
Changes in past service liability (PSL)						
PSL at the end of the previous year	639	738	416	484	223	254
Current service cost	6	7	-	1	6	6
Interest cost	13	16	8	10	5	6
Actuarial (gain) / loss	(20)	2	3	10	(23)	(8)
Benefit payments made by the Fund	(24)	(24)	(24)	(24)	-	-
Benefit payments made by the Company	(34)	(37)	(25)	(27)	(9)	(10)
Changes in the benefits plan	2	-	2	-	-	-
Cut back - Early retirements	4	7	4	7	-	-
Cut back - Pre-retirement	6	6	6	6	-	-
Cut Back - Migration to DC	(5)	-	(5)	-	-	-
Changes in consolidation perimeter	-	(76)	-	(51)	-	(25)
PSL at the end of the current year	**587**	**639**	**385**	**416**	**202**	**223**
Changes in coverage of financial assets (pension fund)						
Assets at the end of the previous year	284	319	284	319	-	-
Net interest	6	7	6	7	-	-
Benefit payments	(24)	(24)	(24)	(24)	-	-
Changes in consolidation perimeter	-	(24)	-	(24)	-	-
Cut Back - Migration to DC	(5)	-	(5)	-	-	-
Financial gains / (losses)	10	6	10	6	-	-
Assets at the end of the current year	**271**	**284**	**271**	**284**	**-**	**-**
Reconciliation of gains and losses - through Comprehensive Income						
(Gain) / loss from actuarial experience	8	15	(3)	(3)	11	18
(Gain) / loss by actuarial assumptions change	12	(17)	-	(7)	12	(10)
Financial (Gain) / loss	10	6	10	6	-	-
Other impacts	(30)	(4)	(7)	4	(23)	(8)
(Gains) / losses to be recognized in the year-end	**-**	**-**	**-**	**-**	**-**	**-**
Reconciliation to the Statement of Financial Position						
(Gains) / losses recognized at the beginning of the year - Asset/(Liability)	(355)	(419)	(132)	(165)	(223)	(254)
Net cost of the year	(25)	(29)	(14)	(17)	(11)	(12)
Benefit payments made directly by the Company	34	37	25	27	9	10
Gains / (losses) recognized - through Comprehensive Income	30	4	7	(4)	23	8
Changes in consolidation perimeter	-	27	-	2	-	25
Transfers between companies	-	25	-	25	-	-
Other adjustments effects	-	-	-	-	-	-
Total recognized at year end - Assets / (Liabilities)	**(316)**	**(355)**	**(114)**	**(132)**	**(202)**	**(223)**
Net cost of the year						
Current service cost	6	7	-	1	6	6
Interest cost	7	9	2	3	5	6
Net cost of the year before special events	**13**	**16**	**2**	**4**	**11**	**12**
Cut back impact - Early Retirement	4	7	4	7	-	-
Cut back impact - Pre-retirement	6	6	6	6	-	-
Other adjustments	2	-	2	-	-	-
Net cost of the year	**25**	**29**	**14**	**17**	**11**	**12**
Reconciliation of gains and loss recognized- through Comprehensive Income						
Cummulative (Gains) / losses recognized at the beginning of the year	142	147	67	63	75	84
Actuarial (Gains) and Losses from experience	(8)	(15)	3	3	(11)	(18)
(Gains) / losses from change in assumptions	(12)	17	-	7	(12)	10
Financial (Gains) / losses	(10)	(6)	(10)	(6)	-	-
Associates	(1)	6	(1)	4	-	2
Changes in consolidation perimeter	-	(7)	-	(4)	-	(3)
Cummulative (Gains) / losses recognized at the end of the year	**111**	**142**	**59**	**67**	**52**	**75**

The actuarial losses related to past service liabilities which occurred in 2017 amounting to €20 m can be segregated as follows:

- by changes in assumptions: losses of €12 m related only to the change in the growth rate with health costs; and

- by experience: losses amounting to €8 m;

The financial losses resulting from the Funds, amounting to €10 m, are a consequence of the difference between the estimated value for the development of the Fund and the actual value shown in the previous paragraph, as detailed below:

Unit: €m

	Estimated	Real	Deviation	Date
Initial balance	**306**	**284**	**(22)**	**31/12/2016**
Estimate adjustment	(22)		22	2017
Benefits payment	(24)	(24)	-	
Associates contributions	2	-	(2)	
Transfer to the Galp Energia Pension Fund (relating to the employee migration to the DC Plan)	-	(5)	(5)	
Total Movements	**(44)**	**(29)**	**(7)**	
Fund return	6	16	10	
Ending balance	**268**	**271**	**3**	**31/12/2017**

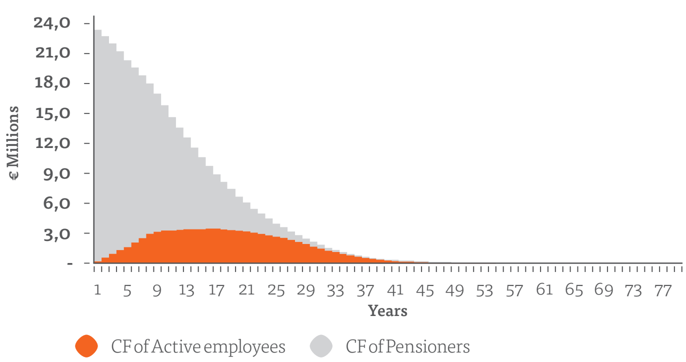
As of December 31, 2017, the breakdown of the expected value of future benefit payments for the next five years is as follows:

Unit: €m

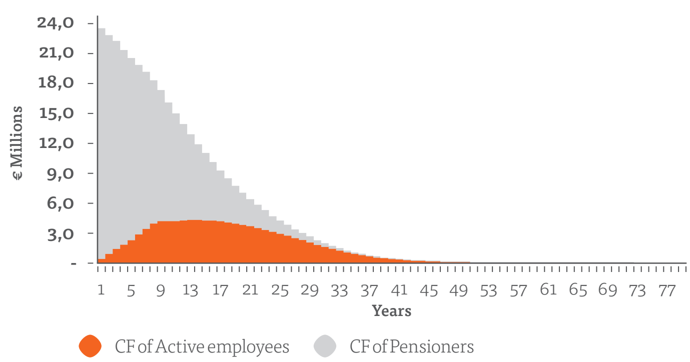
	Payment Expectation		
	Total	Retiremet benefits	Other benefits
	150	**104**	**46**
2018	35	26	9
2019	33	24	9
2020	31	22	9
2021	28	19	9
2022	23	13	10

Payment distribution associated with the Petrogal Pension Fund:

Financing scenario



Solvency minimum



Sensitivity analysis of the discount rate

A sensitivity analysis was performed in order to measure the impact on liabilities caused by a change in the discount rate. For this purpose, a negative variation of 25 b.p. in the discount rate was considered.

Unit: €m

Liabilities	Discount rate 2.25%	Discount rate 2.00%	Variation
	587	**602**	
Retirement benefits	385	394	2.34%
Other benefits	202	208	2.97%

Sensitivity analysis of the growth rate of health insurance costs

Unit: €m

Captions	2.50%	3.50%	4.50%
Past Services Liabilities	161	185	215
Impact on past services liabilities	(24)	-	30
Increase / (Decrease) in Liabilities	-13%	-	16%

Historical analysis of the actuarial gains and losses

The historical analysis, for the last five years, of actuarial gains and losses was carried out with reference to the Petrogal Pension Fund, considering its representation in the Group total:

Unit: €m

Discount rate	2.25%	2.25%	2.50%	2.75%	3.75%
	2017	2016	2015	2014	2013
Liabilities amount (a)	**264**	**282**	**288**	**294**	**302**
Value of the Fund (b)	**263**	**275**	**286**	**304**	**307**
Actuarial Gains (+) and Losses (-)	**(2)**	**(10)**	**(11)**	**(19)**	**35**
Gains (+) and Losses (-) for changes in assumptions	-	(6)	(6)	(24)	44
Actuarial Gains (+) and Losses (-) from experience (c)	(2)	(4)	(5)	5	(9)
Financial Gains (+) and Losses (-) (d)	**10**	**7**	**(2)**	**26**	**(3)**
(c)/(a)	-1%	-1%	-2%	2%	-3%
(d)/(b)	4%	3%	-1%	9%	-1%
Real Return on Plan Assets (%)	6.00%	4.90%	2.10%	12.70%	3.60%
Real Return on Plan Assets	15	14	6	37	11

Group post-employment defined benefit pension plan and health and life insurance are exposed to various risks, among which are the following:

a) Longevity risk

Real longevity higher than projected may lead to an increase in liabilities.

b) Bond interest rate risk

A decrease of the reference interest rate used as discount rate leads to increased liabilities, which can be mitigated in the situation where a Fund exists as a financing vehicle, by the exposure of the assets to the Bond segment.

c) Investment risk

The main investment risks are the risk of the interest rate, credit risk, equity market risk and currency risk. The implications that the level of risk related to the investment policy may have on compliance with the minimum solvency of the fund, result from interest rate fluctuations, exposure to shares and alternative markets, resulting in a lower performance to the discount rate. Being, in this specific case, the risk of interest rate fluctuation the most relevant, since the portfolios are primarily invested in this asset class. This, together with the impact of risks which cannot be mitigated (e.g. variations of the population), increases the probability of necessary additional contributions (other than the current service cost) to maintain the solvency of the fund.

d) Risk of adverse developments in the real cost with health insurance and life insurance

Asset/Liability management strategy used for risk mitigation

The fund's current investment strategy resulted from an alignment study between the financial asset and liabilities promoted by the Associate. The Associate collaborates with the Actuary in monitoring the adequacy of the financial assets that comprise the portfolio of the fund and the liabilities assumed by the pension plan.

The Fund management entity has software in which the investment restrictions established by the legislation in force at each moment are modeled. It has also modeled the restrictions arising from the Investment Policy agreed with the Associate. Since all assets in the portfolio are classified and framed in one or more groupings created for this purpose, daily deviations control reports are available automatically and the need for management adjustments is analysed.

20. Trade payables and other payables

Accounting policy

Trade payables and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Usually, the amortised cost of these liabilities does not differ from their nominal value.

20.1. Trade payables

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

Unit: €m

Captions	December 2017	December 2016
Trade payables	**889**	**850**
Trade payables - current accounts	227	363
Trade payables - pending invoices	662	487

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.

20.2. Other payables

Accounting policy

Advance payments from third parties for the constitution of the strategic reserve

Galp constitutes, under the law in force, the strategic reserves of certain entities for which it is required to do so and that are Galp' customers. Strategic reserves, as the remaining stock in the statement of financial position, are valued at the lower of book value (Weighted Average Basis) and the market price. The advance payments are valued at market value, depending on the contractual terms of each customer/operator and are updated on monthly basis. Market prices are those of refined products which constitute the strategic reserves. Galp charges a storage fee in respect of the strategic stock stored for third parties.

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

Unit: €m

Captions	Note	December 2017 Current	December 2017 Non-Current	December 2016 Current	December 2016 Non-Current
		854	**286**	**886**	**305**
State and other public entities:		**380**	**-**	**351**	**-**
Value Added Tax payables		249	-	195	-
"ISP" - Tax on oil products		93	-	116	-
Personnel and Corporate Income Tax Withheld		13	-	10	-
Social Security contributions		6	-	6	-
Other taxes		19	-	24	-
Other payables		**130**	**79**	**197**	**84**
Tangible and intangible assets suppliers		77	79	97	84
Advances on sales	14	12	-	35	-
Overlifting		34	-	60	-
Non operated Blocks		2	-	2	-
Trade receivables credit balances		2	-	3	-
Trade receivables advance payments		3	-	-	-
Related parties		**12**	**158**	**7**	**180**
Other payables - Associates. joint ventures and other related companies		-	-	2	-
Dividends payable	17.5 and 23	12	-	5	-
Loans - Other shareholder	23	-	158	-	180
Other accounts payables		**40**	**4**	**38**	**4**
Personnel		9	-	7	-
"ISP" - Other operators debit		11	-	5	-
Guarantee deposits and guarantees received		3	4	2	3
Advances related to disposal of financial investments	4.2	-	-	5	-
Other creditors		17	-	19	1
Accrued costs:		**280**	**27**	**271**	**31**
External supplies and services		143	-	117	-
Holiday, holiday subsidy and corresponding contributions		26	-	26	-
Bonuses to employees		24	3	27	4
Accrued interest		45	-	49	-
Accrued insurance premiums		1	-	2	-
Adjustment to tariff deviation - regulated revenue - "ERSE" regulation		6	10	5	9
Adjustment to tariff deviation - other activities - "ERSE" regulation		6	-	5	-
Discounts. bonuses and rappel related to sales		5	-	4	-
Adjustment to tariff deviation - energy tariff - "ERSE" regulation		4	14	-	18
Other accrued costs		20	-	36	-
Deferred income:		**12**	**18**	**22**	**6**
Services rendered		8	-	7	-
Government investment grants		1	6	1	6
Others		3	12	14	-

The caption “Advances on sales” amounting to €12 m is related with Group liabilities with competitors for strategic reserves (Note 14).

The amount of €34 m 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 €11 m recorded in the caption “ISP – Other operators credit” 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 €158 m recorded in the caption “Loans – Other shareholders” refers, essentially, to the following:

- Winland International Petroleum, SARL, granted loans amounting to €157 m (US$188 m) 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 ending 31 December 2017 the amount of €7 m is recognised under the caption “Interest”, regarding loans obtained from related companies (Note 9).

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 m.

Considering the consolidated net result presented by the Group, the net income for the year includes an accrual of €21 m, related to the participation of the employees in the result for the period, which is included in the caption Bonus to employees current, in the amount of €24 m.

The caption “Non-current tangible and intangible assets suppliers” essentially refers to surface rights.

Land use rights presented in the Galp financial statements represent exclusive use rights over such land. These rights grant the same legal rights and obligations attributed to the owners of the land (in particular, the rights to build and use) over a given period of time, as contractually established.

The most relevant land use rights relate to the Sines refinery, in Portugal, with an initial period of 30 years, and being continuously extended by option of Galp, which is accounted for as intangible assets with a net book value of €51 m. Regarding Spain, several land surface rights recognised as intangible assets present the net book value of €22 m.

The information regarding the maturity of the liabilities for the land surface rights is detailed as follows:

Unit: €m

Net amount	**68**
Total	76
<1 year	6
>1 year and <5 years	24
>5 years	46
Interests (Amortized cost)	**(8)**

Considering the maturity of the land surface rights and the conditions for renewal of such rights, they are similar to a financial lease.

21. Provisions

Accounting policy

General

Provisions are recorded when, and only when, the Group has a present obligation (legal, contractual or constructive) resulting from a past event, and it is probable is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted on each consolidated statement of financial position date so as to reflect the best estimate at that date.

Galp measures the uncertain tax positions, including provisions for taxes, by the tax estimate amount and not by probabilities.

Exploration and Production activities (Block abandonment)

Provisions for abandonment costs are intended to cover all the costs incurred by the Company at the end of the useful production life of oil fields.

Provisions are based on the operator's estimate of total abandonment costs. The Company recognises the abandonment provisions proportionally, as it builds each production well in order to meet its decommissioning obligations. Therefore, it apportions the expenditure with the dismantling of the wells and environmental recovery by the number of wells that it estimates to build, recognising over time the obligation in proportion to the wells already constructed. The estimated expenditure's net present value is calculated at a risk-free interest rate and a corresponding amount is capitalised in tangible assets. The provision for abandonment is subsequently increased by the risk-free interest rate and increased or decreased by changes in the operator's estimates. Changes to estimates also affect the valuation of the asset.

Estimated expenditure to be incurred and capitalised in tangible assets is depreciated using the UOP Method, in which that expenditure is multiplied by a coefficient that is the proportion of the volume produced in each depreciation period in relation to the proved developed reserves at the end of the period plus production for the period.

The changes in provisions in the year ending 31 December 2017 and 2016 were as follows:

Unit: €m

Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Changes in the consolidation perimeter	Ending balance
December 2017	**429**	**236**	**(24)**	**(3)**	**(18)**	**-**	**619**
Lawsuits	20	2	(1)	-	(2)	-	19
Financial investments	4	-	(2)	-	(2)	-	-
Taxes	31	-	(21)	-	(2)	-	8
Environmental matters	3	15	-	-	-	-	18
Abandonment of blocks	139	154	-	-	(12)	-	281
"CESE" I	52	18	-	-	-	-	70
"CESE" II	162	40	-	-	-	-	202
Other risks and charges	18	7	-	(3)	-	-	21
December 2016	**428**	**93**	**(53)**	**(16)**	**7**	**(31)**	**429**
Lawsuits	29	-	(12)	-	3	-	20
Financial investments	4	-	-	-		-	4
Taxes	33	2	-	(5)	1	-	31
Environmental matters	2	1	-	-	-	-	3
Abandonment of blocks	129	47	(41)	-	4	-	139
"CESE" I	52	29	-	-	-	(29)	52
"CESE" II	158	4	-	-	-	-	162
Other risks and charges	21	10	-	(10)	(1)	(2)	18

The increase in provisions, net of the decreases, as of 31 December 2017 were as follows:

Unit: €m

	Operating Costs Provisions (Note 7)	Tangible assets	Financial income/ costs	Energy sector extraordinary contribution	Deferred costs "CESE"	Income tax	Investments in associates and joint ventures	Total
December 2017	**22**	**147**	**5**	**54**	**4**	**(21)**	**-**	**211**
Other risks and charges	22	-	-	-	-	-		22
Abandonment of blocks	-	147	7	-	-	-		154
Estimate for additional payments of "IRP" - Petroleum Income Tax	-	-		-	-	(21)		(21)
Financial investments	-	-	(2)	-	-			(2)
"CESE" I	-	-		18	-	-		18
"CESE" II	-	-		36	4	-		40
December 2016	**(10)**	**16**	**3**	**33**	**-**	**(9)**	**7**	**40**
Other risks and charges	4	-	-	-	-	-	-	4
Abandonment of blocks	(14)	16	4	-	-	-	-	6
Estimate for additional payments of "IRP" - Petroleum Income Tax and Special participation	-	-	-	-	-	(9)	-	(9)
Financial Investments	-	-	()	-	-	-	-	-
Future liabilities with disposal of GGND	-	-	-	-	-	-	7	7
"CESE" I	-	-	-	28	-	-	-	28
"CESE" II	-	-	-	4	-	-	-	4

Lawsuits

The provision for current lawsuits amounts to €19 m and includes mainly: an amount of €4 m relating to liability for fines applied by the Competition Authority for contracts entered into with distributors in the LPG business and the amount of €10 m related to the provision of the estimate for payment of an additional amount of the special participation tax in Brazil. The amount of €2 m 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 5).

Taxes

The caption provision for taxes in the amount of €8 m includes essentially the provision to cover a tax contingency related to a correction to the taxable amount of the subsidiary Petrogal for the years 2001 and 2002.

During the year ending December 31, 2017, the decrease in the provision by €21 m resulted from the reversal of a provision for the Angolan tax authority for additional liquidations of IRP.

Environmental issues

The amount of €18 m 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.

During the year ending December 31, 2017, the increase in the provision of €15 m arises from the creation of the provision for decontamination of soils in storage facilities.

Abandonment of blocks

The amount of €281m 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 at year end were as follows:

Unit: €m

	Initial balance	Increases	NPV interests increase	Exchange differences (Cta's) (a)	Exchange differences (P/L) (b)	Ending balance
	139	**147**	**7**	**(17)**	**5**	**281**
Blocks in Brazil	**79**	**112**	**5**	**(11)**	**6**	**191**
Lula and Gas pipeline	51	71	3	(7)	4	122
Iracema	28	41	2	(4)	2	69
Blocks in Angola	**60**	**35**	**2**	**(6)**	**(1)**	**90**
Block 1	7	-	-	-	(1)	6
Block 14 - Kuito	13	2	-	(1)	-	14
Block 14 - BBLT	(3)	4	-	1	-	2
Block 14 - TL	41	5	2	(6)	-	42
Block 14 - K	2	2	-	-	-	4
Block Kaombo	-	22	-	-	-	22

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

The increases recorded are mainly due to the start of production of new production wells and update of the abandonment estimate cost.

CESE I

In the year ending December 31, 2017, the provision for "Energy Sector Extraordinary Contribution I – CESE I" includes the amount of €70 m corresponding to the total responsibility on that date, and which date that the group is disputing. This provision was increased in the amount of €18 m, recognised in the income statement under the caption " Energy Sector Extraordinary Contribution " (Note 10).

CESE II

In the year ending December 31, 2017, the caption provisions for the tax "Energy Sector Extraordinary Contribution II – CESE II" includes the amount of €202 m corresponding to the total responsibility on that date, and which date that the group is disputing. An increase of €40m was recorded in the current year, recognised as described in Note 10, in Deferred Costs and in the results under the item Energy Sector Extraordinary Contribution.

Other risks and charges

As at 31 December 2017 the caption "Provisions – other risks and charges", amounting to €21 m, comprises €7 m for the provision related to potential compensation to the buyer of 22.5 % in GGND in case CESE I tax becomes due, if the subsidiaries of the Galp Group Gás Natural Distribuição S.A. need to make the payment of CESE I.

The remaining amounts are regarding past events mentioned in prior years financial statements.

22. Other financial instruments - financial derivatives

Accounting policy

Derivative instruments

Hedge accounting

The Group uses derivative instruments in managing financial risks as a way to hedge such risks. Derivative instruments to hedge financial risks are not used for trading purposes.

Derivative instruments used by the Group to hedge cash flows mainly relate to commodities price hedging (electricity). The indices are as identical as possible to actual purchases. Derivative instruments used by the Group to hedge fair value mainly relate to commodities price hedging (natural gas). The indices are identical to the contracts signed with customers.

The following criteria are used by the Group to classify derivative instruments as cash flow and fair value hedging instruments:

- The hedge is expected to be highly effective in offsetting the changes in the cash flow of the hedged risk (cash flow hedge) or changes in the fair value (fair value hedge);
- The hedging effectiveness can be reliably measured;
- There is adequate documentation of the hedge at the beginning of the operation; and
- The hedged transaction is highly probable.

Financial derivatives are initially recorded at fair value calculated by independent external entities using generally accepted valuation methods (such as Discounted cash flows, Black-Scholes model, Binomial and Trinomial models and Monte-Carlo simulations, among others, depending on the type and nature of the financial derivative).

Changes in the fair value of these instruments are presented in the equity caption "Hedging reserves", being transferred to the income statement when the hedged instrument affects profit and loss.

In fair value hedge, the derivatives are recorded at their fair value through profit and loss. In situations where the hedged instrument is not measured at fair value (i.e. commodity trading contracts), the effective portion of the hedge is adjusted to the book value of the hedged instrument through the income statement.

Hedge accounting is discontinued when the derivative instruments mature or are sold. Where the derivative instrument stops qualifying as a hedging instrument, the accumulated fair value differences deferred in the equity caption "Hedging reserves" are transferred to the income statement or added to the book value of the asset which gave rise to the hedging transaction, and subsequent revaluations are recognised directly in the income statement.

A review was made of the Galp Group's existing contracts so as to detect embedded derivatives, namely contractual clauses that could be considered as financial derivatives and no financial derivatives that should be recognised at fair value have been identified.

When embedded derivatives exist in other financial instruments or other contracts, they are recognised as separate derivatives in situations in which the risks and characteristics are not intimately related to the contracts and in situations in which the contracts are not reflected at fair value with unrealised gains and losses reflected in the income statement.

Trading instruments

To manage the risk related to the variance in the Group's refining margin, the Group uses derivative financial instruments, essentially crude oil and finished product swaps. Although these instruments are contracted to hedge financial risk in accordance with the Group's risk management policies, they do not comply with the requirements of IAS 39 for hedge accounting, and so changes in their fair value are recorded in the income statement for the period in which they occur. These investments are measured at fair value.

Fair value hierarchy

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

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

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

Financial derivatives are defined, in accordance with IAS/IFRS, as “financial assets at fair value through profit and loss” or “financial liabilities at fair value through profit and loss”. Financial derivatives on commodities that are contracted to hedge the fair value variability or to address any risks that may affect the results of customer contracts of exercise are termed as “fair value hedge”. On the other hand, financial derivatives on commodities that are contracted to hedge cash flow of customer contracts are termed as “cash flow hedges”.

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

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

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

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

Unit: €m

Fair value	31 December 2017					31 December 2016				
	Assets		Liabilities			Assets		Liabilities		
	Current	Non-Current	Current	Non-Current	Equity (Note 17.2.3)	Current	Non-Current	Current	Non-Current	Equity (Note 17.2.3)
Financial derivatives	**51**	**11**	**(21)**	**(3)**	**7**	**23**	**2**	**(17)**	**(1)**	**6**
Commodities Financial Derivatives	**51**	**11**	**(21)**	**(3)**	**7**	**23**	**2**	**(16)**	**(1)**	**6**
Swaps (Note 15)	42	11	(21)	(3)	3	19	2	(16)	(1)	(1)
Futures (Note 15)	9	-	-	-	4	-	-	-	-	7
Futures (Note 16)	-	-	-	-	-	4	-	-	-	-
Currency Financial Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**
Non-deliverable Forwards	-	-	-	-	-	-	-	(1)	-	-

The MTM (Mark-to-Market) of the derivative financial liabilities amounts to €24 m. Of this amount, €21 m are classified as current liabilities and will be realised over one year. The amount presented in non-current liabilities, amounting to €3 m will be realised until 2022.

The accounting impact as of 31 December 2017 and 31 December 2016 of the gains and losses with derivative financial instruments is presented in the following table:

Unit: €m

	31 December 2017				31 December 2016			
	Income Statement			Equity (Note 17.2.3)	Income Statement			Equity (Note 17.2.3)
	Potencial (MTM)	Real	MTM+Real	Potencial (MTM)	Potencial (MTM)	Real	MTM+Real	Potencial (MTM)
Gains and losses on financial instruments	**4**	**8**	**12**	**1**	**7**	**(57)**	**(50)**	**8**
Commodities Financial Derivatives	**3**	**12**	**15**	**1**	**8**	**(48)**	**(40)**	**8**
Swaps	27	(11)	16	2	30	(14)	16	2
Swaps - Fair value hedge	(22)	-	(22)	-	(23)	-	(23)	-
Futures	(2)	23	21	(1)	1	(34)	(33)	6
Currency Financial Derivatives	**1**	**(4)**	**(3)**	**-**	**(1)**	**(9)**	**(10)**	**-**
Non-deliverable Forwards	1	(4)	(3)	-	(1)	(10)	(11)	-
Forwards	-	-	-	-	-	1	1	-

The caption "Income from financial instruments" includes the potential value of MTM (Mark-to-market) of commodities derivatives, as shown in the following table:

Unit: €m

	December 2017	December 2016
Income on Financial Instruments	**-**	**18**
Commodities Financial Derivatives	(5)	8
Swaps	(3)	7
Futures	(2)	1
Other operations	**5**	**10**
Other trading operations	5	10

The fair value of financial instruments recognised under cost of sale amounts to a positive amount of €20 m, which includes derivatives on commodities and MTM of derivatives in Contango operations (Note 7).

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

Unit: €m

	December 2017	December 2016
Fair Value changes in Equity	**1**	**7**
Group companies (Note 17.1.3)	2	7
Associates and joint ventures (Note 17.1.3)	(1)	-

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

Unit: €m

		31 December 2017		31 December 2016	
		Maturity		Maturity	
		< 1 year	> 1 year	< 1 year	> 1 year
Notional value of outstanding financial derivatives		**113**	**2**	**81**	**(4)**
Commodities Financial Derivatives					
Swaps	Buy	307	86	129	14
	Sell	302	88	142	21
Futures	Buy	131	4	76	3
	Sell	26	-	6	-
Currency Financial Derivatives					
Non-deliverable Forwards	Buy	3	-	27	-
	Sell	-	-	-	-
Swaps	Buy	-	-	41	-
	Sell	-	-	44	-

Galp Group has financial derivatives over commodities recognised as 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 negative amount of €22 m, through the caption Other financial instruments, related to the fair value hedge and in Equity, under the caption Hedging reserves, the positive amount of €1 m relating to cash-flow hedge. The cash flow hedges reflected in Equity, when closed are reclassified to income for the year. The amount of closed hedging instruments amounts to positive €20 m, and was recognised under the heading Cost of Sale.

Galp Group 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 if its maturity and management intention are for maintaining it for less than 3 months in its portfolio (IAS 7.7). Otherwise, these financial derivatives are included in the portfolio of the remaining derivatives. The gains and losses on commodity futures (Brent and electricity) are classified in the caption "Cost of sales". Changes in the fair value of open positions are recorded in financial income, under income from financial instruments. As these futures are exchange-traded, subject to a Clearing House, gains and losses are continuously recorded in the income statement.

23. Related parties

Accounting policy

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) Both entities are joint ventures of the same third party; (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (vi) The entity is controlled or jointly controlled by a person identified in (a); (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Balances and transactions with related parties in 2017 and 2016, respectively, were as follows:

Assets

Unit: €m

	2017					
		Non current	Current			
	Total related parties	Loans granted (Note 13)	Trade receivables	Loans granted (Note 13)	Other receivables (Note 13)	Accruals and deferrals
	570	30	35	459	36	10
Associates	20	8	2	-	4	6
Joint ventures	42	22	16	-	2	2
Tip Top Energy. SARL	459	-	-	459	-	-
Other related parties	49	-	17	-	30	2

Unit: €m

	2016					
		Non current	Current			
	Total related parties	Loans granted (Note 13)	Trade receivables	Loans granted (Note 13)	Other receivables (Note 13)	Accruals and deferrals
	681	38	8	610	21	4
Associates	28	15	6	-	4	3
Joint ventures	43	23	2	-	17	1
Other related parties	-	-	-	-	-	-
Tip Top Energy. SARL	610	-	-	610	-	-

Current and non-current loans granted to associates, joint ventures and related companies as of 31 December 2017 refers essentially to loans granted to the following entities:

Unit: €m

	Current assets - loans granted (Note 13)	Interest related to loans granted (Note 9)
by Galp Sinopec Brazil Services B.V.	459	-7
to Tip Top Energy. SARL	459	-7

Tip Top Energy, an entity of the Sinopec Group, and Galp established a Loan Facility Agreement in which they established that part of the funds resulting from the capital increase made by Sinopec in Petrogal Brasil would be lent to the shareholders repayment plan for these loans indexed to the CAPEX needs of E&P Brazil with a maturity of March 2016 (4 years). However, as loan balances have been reduced less than expected due to a more efficient investment level, Galp and the partner have agreed to extend the repayment maturity of these Sinopec loans.

On May 2017, Galp and Sinopec agreed to change the terms of the final reimbursement clause established in the Loan Facility Agreement, being established as the maturity date September 28, 2018. In view of the foregoing and with the aim of giving greater flexibility to the management of the agreement, the parties further agreed that the Loan Facility Agreement would be renewed from September 2017 for successive periods of 3 months until 28 September 2018, and either party may notify the remainder that it does not intend to renew, and that notification should be made with at least 180 days before the next renewal.

Regarding the credit risk of the balance, Sinopec has a rating of A + (S & P) and A1 (Moody's). Neither Sinopec require Galp nor Galp Sinopec is entitled to any guarantee from Sinopec. The loan agreement follows an unsecured loan format.

The loan that Galp Sinopec Brazil Services BV granted to Sinopec on March 28, 2012, is remunerated at a 3-month LIBOR interest rate, plus a spread, reaching maturity in September 2018.

In the year ending December 31, 2017, interest amount of €8m was recorded under interest related to loans granted to related companies (Notes 9 and 13.2).

The movement in the Loans granted to Sinopec since the execution of the agreement up to 31 December, 2017 is as follows:

	US$m	Exchange rate 31 December 2017	Unit: €m
Other receivables	**551**	**1.1993**	**459**
Loan 28/03/2012	1.229	1.1993	1,024
Interest capitalization	78	1.1993	65
Received interests	(61)	1.1993	(51)
Partial reimbursements	(695)	1.1993	(579)

The remaining loans granted bear interest at market rates and do not have a defined repayment term.

Liabilities

Unit: €m

	2017				
		No current	Current		
	Total related parties	Loans obtained (Note 20.2)	Trade payables	Other payables (Note 20.2)	Accruals and deferrals
	265	**158**	**70**	**12**	**25**
Associates	7	-	7	-	-
Joint ventures	81	-	62	-	19
Winland International Petroleum. SARL (W.I.P.)	174	157	-	12	5
Other related parties	3	1	1	-	1

The amount of €157 m recorded in the medium and long term to be paid to Winland International Petroleum, SARL (WIP) – Sinopec Group entity, relates to shareholder loans obtained by the subsidiary Petrogal Brasil, SA, which bear interest at market rate and have defined 10-year reimbursement plan.

Unit: €m

	2016				
		No current	Current		
	Total related parties	Loans obtained (Note 20.2)	Trade payables	Other payables (Note 20.2)	Accruals and deferrals
	278	180	64	7	27
Associates	7	-	7	-	-
Joint ventures	80	-	57	2	21
Winland International Petroleum. SARL (W.I.P.)	190	179	-	5	6
Other related parties	1	1	-	-	-

Income tax

The caption Current income tax payable includes the amounts calculated by the Galp Gás Natural Distribution Group through the special tax regime for groups of companies to be received by Galp Energia, SGPS, S.A. in the amount of €4 m.

Transactions

Unit: €m

	2017				
	Purchases	Operating costs	Operating income	Financial Costs (note 9)	Financial Income (note 9)
	73	127	(262)	9	(8)
Associates	73	6	(25)	-	-
Joint ventures	-	107	(31)	-	-
Tip Top Energy. SARL	-	-	-	-	(7)
Winland International Petroleum. SARL (W.I.P.)	-	-	-	9	-
Other related parties	-	14	(206)	-	(1)

The amount of €206 m presented in Operating income – Other related parties includes €136 m of sales and services rendered to Repsol Polímeros, SA.

Unit: €m

	2016				
	Purchases	Operating costs	Operating income	Financial Costs (note 9)	Financial Income (note 9)
	77	**44**	**(11)**	**9**	**(7)**
Associates	77	7	(2)	-	(1)
Joint ventures	-	37	(9)	-	(1)
Tip Top Energy. SARL	-	-	-	-	(5)
Winland International Petroleum. SARL (W.I.P.)	-	-	-	9	-
Other related parties	-	-	-	-	-

24. Oil and gas reserves (unaudited)

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

Reserves considered by Galp for accounting purposes are as follows:

Volume (in Kboe)	1P Reserves	2P Reserves	3P Reserves	Contingent resources 1C	Contingent resources 2C	Contingent resources 3C	Prospective resources (mean risked)
Africa	78,546	106,176	121,656	93,094	398,816	1,064,458	327,632
Latin America	304,217	642,054	843,494	203,351	952,764	2,232,318	141,690
Rest of the world	-	-	-	-	-	-	96,291
Total	**382,763**	**748,230**	**965,150**	**296,445**	**1,351,580**	**3,296,776**	**565,613**

The description of the type of reserves and resources can be found in the glossary attached to this report.

25. Financial and risk management

Accounting policy

The Group has an organisation and systems to identify, measure and control the different risks to which it is exposed to and uses various financial instruments to hedge, in accordance exposed to with corporate guidelines common to the Group. The contracting of these instruments is centralised.

Risk management

Galp is exposed to several types of market risks (price risk, exchange rate risk and interest rate risk) inherent to the petroleum, natural gas and electricity industries, which affect the Group's financial results. The main market risks result from fluctuation of the crude oil price, its derivatives and the exchange rate.

Galp discloses in the Management Report a chapter on Risk Management and the main risks to which the Group is exposed to including operating risks, not mentioned in this document.

Market risk

a) Commodities price risk

Due to the nature of its business, Galp is exposed to the risk of volatility of the international price of crude oil, of its derivatives and of natural gas and electricity. The frequent fluctuations in the price of crude oil and refined products generate uncertainty and have a significant impact on operating results.

The Group partially controls this risk through the derivatives market for oil and natural gas, to protect the refining margin from adverse market changes.

In respect of the natural gas and electricity activities, the Group partially controls this risk through the establishment of natural gas and electricity purchase and sale contracts with similar indexes, so as to protect the business margin from adverse market changes.

b) Exchange rate risk

The US dollar is the currency used for the reference price in the oil and natural gas markets. Since Galp prepares its financial statements in Euros, this factor, among others, exposes its operations to exchange rate risk. Given that the operating margin is mainly related to US dollars, the Company is exposed to fluctuations in exchange rates, which can contribute positively or negatively to income and margins.

Since this is a currency risk associated to other variables, such as the price of oil and natural gas, the Company takes a cautious approach to hedging risk, as there are natural hedges between the statement of financial position and cash flows. The level of exposure of cash flows and especially the statement of financial position is a function of the price levels of oil and natural gas.

As a result of the above, Galp controls its exchange rate exposure on an integrated basis rather than on each operation exposed to exchange risk. The purpose of exchange rate risk management is to limit the uncertainty resulting from variations in exchange rates. As of 31 December 2017, Galp held derivatives to hedge exchange rate risk (Note 22).

c) Interest rate risk

The total interest rate position is managed centrally. Interest rate exposure relates mainly to bank loans and bonds bearing interests. The purpose of managing interest rate risk is to reduce the volatility of financial costs in the income statement. The interest rate risk management policy aims to reduce exposure to variable rates fixing interest rate risk on loans, using a mix of variable and fixed rate instruments.

As at 31 December 2017 Galp did not hold interest rate derivatives positions.

Sensitivity analysis performed to market risks resulting from financial instruments, as required by IFRS 13

The analysis prepared by the Group in accordance with IFRS 7 and IFRS 13 is intended to illustrate the sensitivity of profit before taxes and of equity to potential variations in the Brent, natural gas and electricity prices, exchange rates and interest rates of financial instruments, as defined in IAS 32, such as financial assets and liabilities and financial derivatives reflected on the statement of financial position as of 31 December 2017 and 2016. The financial instruments affected by the above mentioned market risks include Trade receivables, Other receivables, Trade payables, Other payables, Loans, Cash and Financial derivatives. When cash flow hedges are applied, fair value is recorded in the equity caption Hedging reserves only if it is shown that the hedge is efficient.

There may be financial instruments with more than one market risk, in which case the sensitivity analysis is performed for each variable at a time, the others remaining constant, therefore ignoring any correlation between them, which is unlikely to occur.

Sensitivity analyses do not include the impact of current or deferred taxes, which could reduce the presented variations, depending on the tax laws in the various geographic areas where the Group operates, as well as fiscal conditions for each company.

Foreign currency investments were not included in the analysis as the Group does not record them at fair value as defined in IAS 39.

Fluctuations of monetary balances in foreign currencies may directly affect the caption Translation reserves included in Equity in Galp Group's consolidated financial statements, if those monetary balances are stated in the same functional currency of the individual company under analysis.

Therefore, the sensitivity analysis is illustrative and does not represent actual current loss or gain, or other current variations in equity.

The following assumptions were considered in the sensitivity analysis of exchange rates:

- Exchange rate variation of +/- 10%

The sensitivity analysis includes significant balances in foreign currency relating to Trade receivables, Other receivables, Trade payables, Other payables, Loans, Financial derivatives and Cash.

The sensitivity analysis performed on exchange rates, presented in the statement of financial position, is as follows:

Unit: €m

		2017					2016				
			Income Statement		Equity			Income Statement		Equity	
		Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests	Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests
Investments - Depreciation/ (appreciation) of x% of the EUR versus USD	+10%	618	26	-	34	18	658	8	-	55	3
	-10%		(26)	-	(34)	(18)		(8)	-	(55)	(3)
Investments - Depreciation/ (appreciation) of x% of the BRL versus USD and versus EUR (a)	+10%	153	12	5	(1)	-	63	4	2	(4)	(2)
	-10%		(12)	(5)	1			(4)	(2)	4	2
Investments - Depreciation/ (appreciation) of x% of the EUR versus AOA	+10%	24	2	-	-	-	-	-	-	-	-
	-10%		(2)	-	-	-		-	-	-	-
Loans - Depreciation/ (appreciation) of x% of the EUR versus USD	+10%	233	(16)	-	(7)	-	210	15	-	(21)	-
	-10%		16	-	7	-		(15)	-	21	-
Derivatives - Depreciation/ (appreciation) of x% of the EUR versis USD (a)	+10%	7	(1)	-	-	-	10	(1)	-	-	-
	-10%		1	-	-	-		1	-	-	-
Payables - Depreciation/ (appreciation) of x% of the EUR versus USD	+10%	144	(14)	-			64	(6)	-	-	-
	-10%		14	-	-	-		6	-		
Receivables - Depreciation/ (appreciation) of x% of the EUR versus USD	+10%	550	9	-	32	14	681	7	-	43	18
	-10%		(9)	-	(32)	(14)		(7)	-	(43)	(18)
Payables - Depreciation/ (appreciation) of x% of the BRL versus USD and versus EUR (b)	+10%	157	-	-	(11)	(5)	189	-	-	(13)	(5)
	-10%		-	-	11	5		-	-	13	5

(a) Includes derivatives drawn in USD. Exposure over exchange rate variability of Mark-to-Market.
(b) Includes 10% variation in the exchange rate of BRL to USD, and 10% variation in the exchange rate of USD to EUR.

The following assumptions were considered in the commodities price sensitivity analysis:

- Price variation of +/- 10% of the price of the commodity;
- Correlation between market risks was ignored;
- Sensitivity analysis was made for balances relating to financial derivatives over commodities.

The effect of changes in the proved petroleum reserves as a result of changes in the Brent price was not calculated.

Commodity "Brent Futures" were not considered in the sensitivity analysis performed on the commodity price derivatives, as these have a monthly maturity.

A summary of the sensitivity analysis for the commodities price reflected on the statement of financial position is presented below:

Unit: €m

		2017					2016				
			Income Statement		Equity			Income Statement		Equity	
		Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests	Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests
Variation in the price of the underlying derivatives on natural gas commodities (a)	+10%	34	-	-	-	-	12	-	-	-	-
	-10%		-	-	-	-		-	-	-	-
Variation in the price of the underlying derivatives on oil commodities	+10%	(7)	(27)	-	-	-	(9)	(9)	-	-	-
	-10%		27	-	-	-		9	-	-	-
Variation in the price of the underlying derivatives on other commodities	+10%	11	-	-	-	-	5		-	-	-
	-10%		-	-	-	-		-	-	-	-

(a) Exludes impacts of derivatives classified as fair value hedge and cash flow hedge.

The following assumptions were considered in the interest rate sensitivity analysis:

- Parallel shift of 0.5% in the time structure of interest rates;
- Analysis of interest rate risk includes Sinopec accounts receivable, variable interest rate loans and interest rate financial derivative;
- The income before taxes is affected by the interest rate risk sensitivity analysis, except for interest rate financial derivatives classified as cash flow hedges, in which the sensitivity analysis, if within the required efficiency parameters, affects equity.

A summary of the sensitivity analysis for financial instruments reflected on the statement of financial position is presented below:

Unit: €m

		2017					2016				
			Income Statement		Equity			Income Statement		Equity	
		Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests	Exposure amount	Attributable to Shareholders	Non-controlling interests	Attributable to Shareholders	Non-controlling interests
Loans - Parallel shift in interest rate	+0.5%	2.992	(4)	-	-	-	2.812	(7)	-	-	-
	-0.5%		4	-	-	-		7	-	-	-
Applications - Parallel shift in interest rate (a)	+0.5%	931	2	-	-	-	1.473	6	1	-	-
	-0.5%		(2)	-	-	-		(6)	(1)	-	-

The analysis was not affected by interest rate derivatives as the referred derivatives were not noted in subsidiaries, but only in the associates and joint ventures.

Liquidity risk

Liquidity risk is defined as the amount by which profit and/or cash flow of the business are affected as a result of the Group's constraint to obtain the financial resources necessary to meet its operating and investment commitments.

Galp finances itself through cash flows generated by its operations and maintains a diversified portfolio of loans and bonds. The Group has access to credit amounts that are not fully used but that are at its disposal. These credits can cover all loans that are repayable in 12 months. The available short term and medium/long term credit lines that are not being used, amount to 1,3 billion Euros as of 31 December 2017 and are sufficient to meet any immediate demand. In addition to these credits, the Group had approximately 1.2 billion Euros of cash and cash equivalents, as stated in the statement of financial position, as of 31 December 2017 which, combined with the credit facilities, amounted to 2.5 billion Euros of liquidity as of 31 December 2017.

Credit risk

Credit risk results from potential non-compliance, by one of the parties, of contractual obligations to pay and so the risk level depends on the financial strength of the counterparty. In addition, counterparty credit risk exists on monetary investments and hedging instruments. Credit risk limits are established by Galp and are implemented in the various business segments. The credit risk limits are defined and documented and credit limits for certain counterparties are based on their credit ratings, period of exposure and monetary amount of the exposure to credit risk.

Impairment of accounts receivable is detailed in Note 13.

Insurance claim risk

Galp has insurance contracts in place to reduce its exposure to various risks resulting from insurance claims that may occur during the pursuit of its activities, as follows:

- Property insurance - covering risks of Material Damages, Machinery Breakdown, Loss on Exploration and Construction;
- General liability insurance - covering risks of general activity (on-shore), risks related to maritime activities (off-shore), aviation risks, environmental risks and management risks (Directors & Officers);
- Social insurance - covering risks of work accidents, personal accidents, life and health;
- Financial Insurance - covering credit risk, collateral and theft;
- Transportation Insurance - covering all risks related to cargo and hull;
- Other insurances - covering vehicles, travel, etc.

26. Contingent assets and liabilities

26.1. Contingent assets

Regarding the contract termination process related to the construction of the "Sacor II" ship and following the decision of the arbitration court, the manufacturer was ordered to pay the sum of €4 m (€3 m plus interest). On 3 April 2013, the insolvency administrator filed for closure and liquidation of the manufacturing company. As of 31 December 2017, the effective liquidation from the sale of the assets is pending. Due to uncertainty regarding the amount receivable resulting from liquidation, the amount receivable was not recorded in the financial statements for the year ending 31 December 2017.

26.2. Contingent liabilities

As of 31 December 2017, the Company and its subsidiaries had the following contingent liabilities:

i) A legal proceeding which was brought against the Group by a subcontractor in relation to the construction of "Sacor II" ship amounting to a total of €2 m, is currently suspended at the Lisbon Maritime Court, awaiting the final judgment. The Board of Directors, supported by its legal advisors believes that it is not possible to determine the responsibilities that may arise to the subsidiary Sacor Maritima SA as a result of that process, but considers the chances of a condemnation to be reduced.

ii) Additional Corporate Income Tax assessments amounting to €37 m for which provision of €8 m was booked (Note 10 and 21).

iii) Related with the agreement celebrated with Matosinhos Municipality Council as of 14 June 2013, some liabilities may arise some liabilities associated with the decontamination process of the soils, before the final disposal of the plots to the Matosinhos Municipality Council. To this date, the Company has no information to enable it to estimate the amount of such liabilities since the necessary studies and assessments have not yet been prepared.

26.3. Other financial commitments

The Group's financial commitments not included in the statement of financial position as of 31 December 2017 are:

i) Galp Group has bank loans that in some cases have covenants that can, if triggered by banks, lead to early repayment of the borrowed amounts. As of 31 December 2017, the Medium/Long term debt amounted to 2,5 billion Euros. From this amount, the contracts with covenants correspond to 0.3 billion Euros. The existing covenants are designed essentially to ensure compliance with financial ratios that monitor the financial position of the Company, including its ability to service debt. The Total Net Debt to consolidated EBITDA ratio is the most frequently used and as at 31 December 2017 was 0,95x in accordance with the methodology stated in the contracts. The ratio stipulated in the contracts without is in general terms of 3,5 – 3,75 x EBITDA; and

ii) Galp Group has medium and long-term contracts with Gas suppliers and Gas clients, which guarantee a minimum of acquisitions and sales, guaranteeing a good operational performance.

The valued contractual commitments are presented below:

Unit: €m

	2018	2019	2020	2021	2022	Post-2022
Natural gas purchases	1.247	1.217	1.219	658	555	1.871

These amounts refer to contractual commitments to purchase natural gas under long-term contracts with Take-or-Pay clauses negotiated and held for own use. These contracts are normally made for 20-25 years, require a minimum purchase quantity and are subject to price revision mechanisms indexed to international oil / gas quotes. The amounts were calculated based on the natural gas prices on December 31, 2017. The contractual purchase commitments updated at a WACC rate of 6.4% represent about 5.5 billion Euros.

Unit: €m

	2018	2019	2020	2021	2022	Post-2022
Natural gas sales	571	325	325	163	163	204

These amounts refer to contractual commitments for the sale of natural gas under medium and long-term contracts with negotiated Take-or-Pay clauses. The amounts were calculated based on the natural gas prices on 31 December 2017. The contractual sales commitments updated at a WACC rate of 6.4 % represent approximately 1.5 billion Euros.

26.4. Guarantees granted

As part of ongoing business operations, the Group has entered into agreements with other parties where commitments have been given for commercial, regulatory or other operational purposes totalling €421 m. As of December 31, 2017, responsibilities with collaterals granted mainly includes:

i) Collateral for crude oil exploration concession agreements have been granted to the Brazilian Agency of Petroleum, Natural Gas and Biofuels ("ANP"), in the amount of €37 m. The collateral has been granted in connection with the performance of the Minimum Exploration Programs, where Galp, as consortium member, is required to perform certain seismic and drilling well activities during the exploration period;

ii) Collateral granted to Petróleo Brasileiro S.A. ("Petrobrás") in the amount of €82 m to guarantee the gas supply contract from the development modules of Lula Pilot and Lula NE.

iii) Under the financing of the Coral South FLNG project, Galp Energia SGPS SA shall provide a guarantee (DSU-Debt Service Undertaking agreement) on the total outstanding amount at each moment in proportion to its participation. This guarantee expires at the time of the Actual Completion Date (estimated for the year 2024) if no obligations are outstanding under the DSU. As of December 31, 2017, Galp's stake on the responsibility amounted to €84 m.

iv) Also within the scope of this financing, Galp Energia SGPS SA provides a guarantee covering 1/9 of the DSU on behalf of ENH ("Empresa Nacional de Hidrocarbonetos" and one of consortium members of Coral South FLNG project), which corresponds to the Galp's share on the consortium excluding ENH. As of December 31, 2017, Galp's stake on the responsibility taken on regarding ENH amounted to €9 m.

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

The carrying amount and fair value of the financial assets and liabilities presented in Statement of Financial Position are the same for most of the cases. However, due to difficulties in the settlement of the fair value, financial assets available for sale (which are equity instruments not admitted to listing on regulated markets) are recorded at acquisition cost as referred in the respective note. For the bond loans recognised in the Financial Position, their fair value is €1,555 m as of December 31, 2017 and €1,743 as of December 31, 2016, and were measured based on observable market variables, being the classification in the Fair Value hierarchy Level 2 (see fair value hierarchy in Note 22).

28. Information on environmental matters

Accounting policy

CO_2 emitted by the Group's industrial plants and the "CO_2 emission licences" attributed to it under the National CO_2 Licence Allotment Plan do not give rise to any financial statement recognition provided that: (i) it is not estimated that there will probably be a need for costs to be incurred by the Group to acquire emission licences in the market, which would be recognised by the booking of an accrual or (ii) it is not estimated that such licences are sold. In the event that these excessive licences are sold, income would be recognised.

Emissions during the year 2017 amounted to 3,589,981 TON/CO_2, being the EUA's securities held by the Galp Group of 3,594,177 TON/CO_2, which are sufficient to meet Galp Group's commitments.

Galp holds in its portfolio Futures on CO_2 maturiting in December 2018, which represents 400,000 Ton/CO_2.

Due to the acquisition in previous years of licences to cover CO_2 emission liabilities, Petrogal recognised a cost of €8m as an expense in the year (Note 7).

As of 31 December 2017, the pro-forma values of greenhouse gas emissions were below assigned and acquired licences. Thus, no accruals were made to the additional costs mentioned above.

29. Subsequent events

Accounting policy

Events that occur after the financial statements date that provide additional information on conditions that existed at the end of the reporting period are recorded in the consolidated financial statements. Events that occur after the financial statements date that provide information on conditions that exist after the financial statements date, if material, are disclosed in the notes to the consolidated financial statements.

Change in accounting policy for the Exploration and Production (E&P) activity with effect from January 1, 2018

In accordance with the accounting policy followed from 1999 to date for E&P activity, Galp capitalises the exploration expenses, in accordance with IFRS 6 - 'Exploration and evaluation of mineral resources', which are depreciated in the event of commercial viable discoveries, over the production period.

As an interim standard, IFRS 6 provides for a voluntary change in the accounting policy defined at the date of the first adoption of IFRS, continuing also to allow that this new policy does not fully comply with the IFRS conceptual framework, as long as it complies with paragraph 13 of IFRS 6, which requires the information provided by the new policy to be more relevant and reliable.

Galp believes that the new accounting policy being adopted is more reliable, as it considers a more prudent approach and provides better comparability with other companies as it is adopted by all major IOC´s (International Oil Company) .

Thus, with effect from January 1, 2018, Galp will recognise as operating cost all expenditures incurred in the exploration phase (ie exploration and evaluation assets) related to exploration, ie expenditures related to geology and geophysics studies (G&G) and general and administrative expenses (G&A). Other exploration phase expenditures, namely Exploratory Wells, are capitalised in assets in progress, which are subject to periodic impairment tests, recognising however dry wells as cost for the year. At the start of production, capitalised costs are depreciated based on the present depreciation policy.

In addition to the costs related to the exploration phase mentioned above, the overhead expenses related to general and administrative expenses (G&A) carried forward, in accordance with the previous accounting policy, from the exploration phase to the development phase, will be adjusted in equity according to the adoption of the new accounting policy.

Being a voluntary change in accounting policy, the referred accounting policy will be retrospectively applied in accordance with IAS 8 and comparative information restated.

The expected effect on Shareholders' Equity on January 1, 2018 is detailed as follows:

	Unit: €m
Equity on 01/01/2018 – Current policy*	**4,619**
Exploration and appraisal assets	
- G&G e Seismic	(118)
- G&A	(75)
- Others	(73)
Development Assets	
- G&A	(54)
- Others	(1)
Capitalized interest:	**(43)**
Deferred tax:	**62**
Equity on 01/01/2018 – New policy*	**4,317**
Equity impact	**(302)**

Galp agreement with ExxonMobil for farm-down in Namibia

Galp is in the process of farming-down a 40% participating interest in the Petroleum Exploration Licence (PEL) 82 in Namibia to an ExxonMobil subsidiary.

Following the conclusion of the transaction, both Galp and ExxonMobil will hold a 40% interest in the licence, and Galp will maintain the operatorship. The National Petroleum Corporation of Namibia (NAMCOR) and Custos, a local Namibian company, each hold a 10% stake in the licence.

The licence is located in the Walvis basin and covers an area of 11,444 km2 in water depths ranging from 300 m to 2,000 m.

The transaction conclusion is subject to satisfaction of customary conditions precedent, including the approval of the relevant competent Namibian authorities.

30. IFRS standards adopted and to be adopted

30.1. IFRS standards published by IASB

The IFRS standards published by IASB, with accounting application foreseen after 2017, as well as the approval status by the European Union (EU) are summarised in the following tables:

Standard, Amendments to Standards and Interpretations published by the IASB but not yet approved by the EU:

IAS Standards	Publication date on IASB	Expected date of EU approval	Financial year in which it applies	Observations
Annual improvements in the IFRS cycle 2015-2017	12/DEC/2017	2018	2019	No predictable impact.
IFRS 17: Insurance Contracts	18/MAY/2017	No date set	2021	Impact. still to be determined. with the application of the standard.
IFRIC 23: uncertainty over income tax treatments	07/JUN/2017	2018	2019	No significant accounting impacts.
Amendments to IAS 28: Investments in associates and joint ventures	12/OUT/2017	2018	2019	No predictable impact.
Amendments to IFRS 9: Prepayment with negative compensation	12/OUT/2017	2018	2019	Predictable impact when such payments exist.
Amendments to IFRS 2 Amendments: Share-based Payment	20/JUN/2016	1Q 2018	2018	Not applicable
Annual improvements in the IFRS cycle 2014-2016	08/DEC/2016	1Q 2018	2018	No significant accounting impacts.
IFRIC 22: Foreign Currency Transactions and Advance consideration	08/DEC/2016	1Q 2018	2018	No predictable impact.
Amendments to IAS 40: Investment Properties	08/DEC/2016	1Q 2018	2018	No predictable impact.

Standard, Amendments to Standards and Interpretations published by the IASB and approved by the EU, which entered in force on 2017:

IAS Standards	Publication date on EU	Financial year in which it applies	Observations
Amendments to IAS 7: Disclosures review	09/NOV/2017	2017	Impact on the disclosures in the notes to consolidated accounts.
Amendments IAS 12: Recognition of deferred tax assets	09/NOV/2017	2017	Without impact

Standard, Amendments to Standards and Interpretations endorsed by the European Union to be applied in subsequent years, if applicable:

IAS Standards	Publication date on EU	Financial year in which it applies	Observations
IFRS 9 – Financial Instruments	29/NOV/2016	2018	Impacts detailed in Note 30.2.
Clarification to IFRS 15: Customer contract awards	09/NOV/2017	2018	Impacts detailed in Note 30.2.
IFRS 15: Revenue from contracts with customers	29/OCT/2016	2018	Impacts detailed in Note 30.2.
Amendments IFRS 4: Insurance contracts in IFRS 9 and IFRS 4 application	09/NOV/2017	2018	No predictable impact.
IFRS 16: Leases	09/NOV/2017	2019	Ongoing project to determine and evaluate accounting impacts.

Standards, amendments to standards and Interpretations published by IASB but still not endorsed by the European Union:

Annual improvements in the IFRS cycle 2015-2017

- IAS 23 – Borrowing costs

This improvement clarifies that specific loans obtained that are still in place, after the qualifying assets to which they relate are in their use or sale condition should be added to the generic loans to determine the average capitalisation interest rate on other qualifying assets.

- IAS 12 – Income taxes

This improvement clarifies that the tax impacts of dividends are recognised on the date the entity recognises the responsibility for the dividends payment, which are recognised in the income statement for the year, other comprehensive income or equity, depending on the underlying transaction or event.

- IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements

These improvements clarify that: (i) when gaining control over a business that is a joint venture, the interests held previously by the investor are remeasured at fair value; and (ii) where an investor in a joint venture, which does not exercise joint control, obtains joint control over a joint transaction that is a business, the interest held previously is not remeasured.

Galp considers that the amendments to IAS 23 intended to clarify the existing standard and have no material effects on the measurement or presentation of the financial statements. With regard to the amendments to IAS 12, Galp stipulates that they will not have an accounting impact on the financial statements. As for the amendments to IFRS 3 and IFRS 11, Galp foresees that the amendments may have potential future impacts.

IFRS 17: Insurance contracts

The standard applies to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics and is based on the current measurement of technical liabilities at each reporting date. Such measurement can be based on a complete model (building block approach) or a simplified model (premium allocation approach).

As already provided in IFRS 4 - ‘Insurance Contracts’, financial guarantee contracts may be included under IFRS 17 as long as they are classified as insurance contracts. For fixed rate service contracts, whose objective is the provision of services, the option in accounting according to IFRS 17 or IFRS 15 - ‘ Revenue from Contracts whith Costumers’ is established.

With the approval by the European Union, this standard will replace the current IFRS 4, which is being applied to the Group’s insurance activity.

Galp considers premature to determine possible impacts of this new standard, as it may still be subject to future changes.

IFRIC 23: uncertainty over income tax treatments

Interpretation aims to clarify how to apply the recognition and measurement requirements of IAS 12 - ‘Income Tax’ when there is uncertainty over the fiscal framework of a transaction.

In these situations, the entity shall make the best estimate and record the income tax assets or liabilities in accordance with IAS 12 - ‘Income Tax’, based on the expected value or the most probable amount and not in accordance with IAS 37 - ‘Provisions, Liabilities and Contingent Assets’.

Galp considers that the interpretation has no accounting impact on the financial statements, to the extent that Galp already accounts in accordance with such interpretation, as clarified in the accounting policy regarding tax provisions.

Amendments to IAS 28: Investments in Associates and Joint Ventures

This amendment clarifies that an entity should apply IFRS 9 – Financial instruments to long-term investments in associates or joint ventures for which no equity model is applied, either on initial recognition, or subsequently, being applied the estimated credit losses model.

Galp considers that the amendments referred above clarify the standards in force, not presenting relevant impacts on the measurement or presentation of financial statements.

Amendments to IFRS 9: Prepayment features with negative compensation

According to IFRS 9 published in November 2016, when an instrument does not pass the SPPI (Solely Payments of Principal and Interest) test, it should be measured at fair value through profit or loss. The amendment to IFRS 9 allows, subject to certain conditions, that in the case of prepayments with negative compensation, the condition of the SPPI is exceeded, and the instrument is measured at amortised cost.

Galp considers that these amendments will only have impacts when there are situations of early payments with negative compensations, however they are not recurring situations.

Amendments to IFRS 2 Share based payments

This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification from cash-settled to equity-settled.

It also introduces an exception to the basis of IFRS 2 that will require a shared based plan to be treated as if it was wholly equity-settled, where an employer is obliged to withhold in shares an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

This amendment has no accounting impact in Galp' financial statements, has there are no share-based payment plans.

Annual improvements in the IFRS cycle 2014-2016

- IFRS 1 – First time adoption of IFRS

This improvement on IFRS 1 deletes the short-term exemptions for IFRS 7, IFRS 10 and IAS 19 as they were no longer applicable, for first time adopters of IFRS.

- IFRS 12 – Disclosure of interest in other entities

The improvement clarifies the scope of application of the standard, specifying that disclosure requirements apply to share interests in entities covered by the standard (ie subsidiary, joint arrangement, associate and unconsolidated structured entities) held for sale or as discontinued operations, and that the only exemption relates to the disclosure of the summary of the financial information of these entities.

- IAS 28 – Investments in associates and joint ventures

This improvement clarifies that the option to measure, on initial recognition, at fair value through profit and loss, the investments in associates or joint ventures held by a venture capital organisation is assessed for each investment, on a standalone basis, without requirements of consistency for each class of investments.

Galp considers that the amendments referred above clarify the standards in force, not presenting relevant impacts on the measurement or presentation of financial statements.

IFRIC 22 Foreign currency transactions and advance consideration

This interpretation intends to determine the date of transaction which defines the exchange rate used to translate the foreign currency transactions. The Interpretation is applied when an entity either pays or receives consideration in advance for foreign currency denominated contracts and defines that:

i) The transaction date, for determination of the exchange rate, is the date of initial recognition of the non-financial asset or the non-financial liability resulting from the consideration in advance.

ii) If several payments or receipts in advance are noted, a date of transaction is established for each payment or receipt.

Galp considers that this Interpretation has no accounting impact in its financial statements, as Galp is already performing accounting in accordance with this Interpretation.

Amendments to IAS 40 Investment Property

This amendment clarifies that when assets are transferred to, or from investment properties, the evidence of the change in use is required to conclude on the change of use of an investment property there should be an evaluation to confirme that the property meets the definition established in the standard. A change of management intention itself is not sufficient to support a transfer.

Galp estimates that the amendment will not have an accounting impact on its financial statements.

Standards, amendments to standards and interpretations endorsed by the European Union, to be applied in subsequent years, if applicable:

IFRS 9 – Financial instruments

IFRS 9 replaces the guidance in IAS 39 - Financial Instruments: recognition and measurement, regarding:

i) the classification and measurement of financial assets, introducing a simplification in the classification based on the business model defined by the management;

ii) the recognition of "own credit risk" in the fair value measurement of liabilities classified as voluntarily measured at fair value;

iii) the recognition of credit impairment (based on the expected credit losses model), replacing the incurred losses model; and

iv) the hedge accounting requirements, which is intended to be more aligned with the economical rationale for risk hedging defined by the management

The estimated accounting impacts arising from the adoption of this new standard and the accounting policy currently followed by Galp are detailed in Note 30.2.

Clarification to IFRS 15 Revenue from contracts with customers

The amendments refers to: (i) additional instructions for determining the performance obligations of a contract, the timing for revenue recognition of an intellectual property licence; (ii) the review of the indicators for the classification of the principal versus agent relationship and (iii) the new arrangements established to simplify the transition.

The estimated accounting impacts arising from the adoption of this new standard and the accounting policy currently followed by Galp are detailed in Note 30.2.

IFRS 15 – Revenue from contracts with customers

This new standard applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach.

The estimated accounting impacts arising from the adoption of this new standard and the accounting policy currently adopted by Galp are detailed in Note 30.2.

Amendments to IFRS 4 Insurance Contracts, in the application of IFRS 9 and IFRS 4

In response to the volatility resulting from the application of IFRS 9 to insurance contracts under IFRS 4, these amendments allow two different solutions for insurance companies: a temporary exemption from IFRS 9 - 'Financial Instruments' for entities meeting specific requirements (applied at reporting entity level); and the "overlay approach".

Both the temporary exemption and the overlay approach will no longer apply when the new IFRS 17 - 'Insurance Contracts' policy comes into force, with insurance companies having the option to cease this exemption before that date.

Galp believes that these amendments will have no impact on the financial statements.

IFRS 16 – Leases

This standard specifies how leases should be recognised, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an imaterial value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

In order to evaluate the impacts arising from the changes provided for in this standard, a project is currently underway based on the exhaustive analysis of all the contracts that underlie the "use" of an asset. Galp is still determining and quantifying the impacts of this new standard on its activities.

Standards, amendments to standards and interpretations published by the IASB and approved by the EU, which entered into force in 2017:

IAS 7 – Statement of Cash Flows: Disclosures

Requires an entity to disclose a reconciliation between the changes in financial liabilities with the cash flows (financing activities), namely:

i) Changes in financing cash flows;

ii) Changes arising from obtaining or losing control on subsidiaries or other businesses;

iii) The effect of changes in exchange rates;

iv) Changes in fair value; and

v) Other non-monetary changes.

The impact of this amendment on disclosures is presented in the notes to the financial statements.

Amendments to IAS 12 – Income taxes

The amendments in IAS 12 refers to the recognition of deferred tax assets for unrealised losses, and clarifies the following aspects:

i) Unrealised losses on debt instruments measured at fair value or measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

ii) The carrying amount of an asset does not limit the estimation of its future realisable value, which can be higher.

iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

iv) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

This clarification had no impact on the deferred tax calculations and recognition performed.

30.2. Changes in accounting policies by the introduction of new IFRS standards

As a result of the IASB approval of IFRS 9 - 'Financial Instruments' and IFRS 15 - ' Revenue from Contracts with Customer ', Galp, from January 1, 2018, will recognise in accounting the requirements of the new regulations .

IFRS 9 replaces IAS 39 - 'Financial Instruments: Recognition and Measurement' and introduces divisible changes into three major blocks:

- Classification and measurement - simplifies the classification in only three categories depending on the nature of the respective contractual cash flows and the business model associated with their holding (amortised cost, fair value through profit or loss and fair value through other comprehensive income);
- Hedge accounting - presents an approach based on principles, not so much on rules, whose main objective is to align hedge accounting with the entities' risk management practices;
- Impairment of financial assets - introduces a set of significant changes in the methodology for calculating and reporting impairment losses, changing the method of estimating losses from operations to the expected loss model where credit risk assessment is required since the initial recognition.

With respect to the transition from IAS 39 to IFRS 9 and in accordance with the possibility expressed in paragraph 7.2.15 of IFRS 9, Galp will apply the effects of this standard retrospectively with the cumulative effect on the initial recognition an adjustment to the opening balance of retained earnings for the annual reporting period beginning on January 1, 2018.

IFRS 15 defines a unique and robust model to be used by entities in revenue recognition, improving comparability among companies, jurisdictions, industries and capital markets, by simplifying and improving information for readers of the financial statements.

In conceptual terms, IFRS 15 is distinguished, essentially, from the previous revenue standard, IAS 18, in the following aspects:

- IFRS 15 is based on a single revenue recognition model applicable to all customer contracts, known as the 5-step model, rather than the 5 different revenue recognition models referred by IAS 18 (goods, services, interest , royalties and dividends); and

- The IFRS 15 revenue recognition model is based on the concept of control, that is, recognition of revenue as control over goods and services is transferred to the customer, rather than the concept of significant transfer of risks and benefits referred by IAS 18.

With its approval by the IASB and the European Union, this standard replaces the following standards / interpretations: IAS 11 - 'Construction Contracts', IAS 18 - 'Revenue', SIC 31 - 'Barter Transactions Involving Advertising Services' , IFRIC 13 - 'Customer Loyalty Programmes', IFRIC 15 - 'Agreements for the Construction of Real Estate' and IFRIC 18 - 'Transfers of Assets from Costumers'.

With respect to the transition from IAS 18 to IFRS 15 and in accordance with the possibility expressed in paragraph C3 of IFRS 15, Galp will apply the effects of this standard retrospectively with the cumulative effect of the initial recognition presented as an adjustment to the opening balance sheet of retained earnings for the annual reporting period beginning on January 1, 2018.

The accounting impacts expected in the opening balance retained earnings on January 1, 2018 are detailed as follows:

(Amounts stated in millions Euros- €m)

Assets	January 2018*	IFRS 9 adjustments	IFRS 15 adjustments	IFRS 15 Reclassification	January 2018 (adjusted)
Non-current assets:					
Tangible assets	5,554			(1)	5,553
Goodwill	84				84
Intangible assets	410				410
Investments in associates and joint ventures	1,483				1,483
Financial assets available for sale	3				3
Other receivables	254	(1)		1	254
Deferred tax assets	293	1	-		294
Other financial investments	32				32
Total non-current assets:	**8,113**	-	-	-	**8,112**
Current assets:					
Inventories	970				970
Trade receivables	1,018	(3)			1,015
Loans to Sinopec	459				459
Other receivables	531				531
Other financial investments	66				66
Income tax receivables	4				4
Cash and cash equivalents	1,197				1,197
	4,245	**(3)**	-	-	**4,242**
Non current assets held for sale	-				-
Total current assets:	**4,245**	**(3)**	-	-	**4,242**
Total assets:	**12,358**	**(3)**	-	-	**12,355**

Equity and Liabilities	January 2018*	IFRS 9 adjustments	IFRS 15 adjustments	IFRS 15 Reclassification	January 2018 (adjusted)
Equity:					
Share capital	829				829
Own Shares	82				82
Share premium	2,506				2,506
Reserves	588				588
Retained earnings	614	(3)	-		611
Consolidated net income for the period	-				-
Total equity attributable to shareholders:	**4,619**	**(3)**	-	-	**4,616**
Non-controlling interests	1,461				1,461
Total equity:	**6,080**	**(3)**	-	-	**6,077**
Liabilities:					
Non-current liabilities:					
Bank loans	937				937
Bonds	1,595				1,595
Other payables	286				286
Post-employment and other employee benefits liabilities	326				326
Deferred tax liabilities	82				82
Other financial instruments	3				3
Provisions	619				619
Total non-current liabilities:	**3,848**	-	-	-	**3,848**
Current liabilities:					
Bank loans and overdrafts	159				159
Bonds	392				392
Trade payables	889				889
Other payables	854		-		854
Other financial instruments	21				21
Current income tax payables	115				115
	2,430	-	-	-	**2,430**
Liabilities associated with non current assets held for sale	-				-
Total current liabilities:	**2,430**	-	-	-	**2,430**
Total liabilities:	**6,278**	-	-	-	**6,278**
Total equity and liabilities:	**12,358**	**(3)**	-	-	**12,355**

* Similar amounts to the balance sheet of the Galp Group as of December 31, 2017.

The adjustments presented above refer essentially to:

- Recalculation of impairment on trade receivables according to the "estimated credit losses" model, in accordance with the application of IFRS 9; and

- Readjustment of the amount recognised in revenue related to contracts of combined sales of goods with associated services, in accordance with the application of IFRS 15.

Without effects on the statement of financial position, but only at the level of presentation in the income statement, as from January 1, 2018 the underlifting and overlifting positions arising from the E&P activity will be recognised in results as other operating income and other operating costs instead of being recognised in the operating gross margin, in accordance with the application of IFRS 15.

31. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 13 April 2018.

However, they are still subject to approval by the General Meeting of Shareholders, in accordance with the commercial law in place in Portugal. The Board of Directors believes that these financial statements reflect in a true and fair manner the Group's operations, financial performance and cash flows.

Chairman:
Paula Amorim

Vice-Chairman:
Miguel Athayde Marques
Carlos Gomes da Silva

Members:
Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Marta Amorim
Raquel Vunge
Carlos Costa Pina
Francisco Rêgo
Jorge Seabra de Freitas
José Carlos Silva
Pedro Ricardo
Tiago Câmara Pestana
Rui Paulo Gonçalves
Luís Todo Bom
Diogo Tavares
Joaquim Borges Gouveia

The Accountant:
Carlos Alberto Nunes Barata

32. 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.

8.2.

Supplementary oil and gas information (unaudited)

The following information is presented in accordance with Extractive Activities – Oil & Gas (Topic 932) of the Financial Accounting Standards Board (FASB).

Operating income from E&P activities

Operating income from E&P activities by geography, for the years 2017, 2016 and 2015 are as follows:

Unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2017				
Consolidated total contribution				
Sales	107,040	1,283,800	-	1,390,840
Production costs	(25,155)	(149,196)	-	(174,351)
Royalties	-	(129,784)	-	(129,784)
Other operating costs	(5,005)	(93,845)	(63)	(98,913)
Exploration costs	-	(5,085)	(23,983)	(29,069)
Depreciation, amortisation and provisions for the period	(126,988)	(296,108)	-	(423,096)
Operating income before tax for the E&P activities	**(50,108)**	**609,781**	**(24,046)**	**535,627**
Income tax	8,063	(350,478)	5,707	(336,708)
Operating income for the E&P activities	**(42,045)**	**259,304**	**(18,340)**	**198,919**
31 December 2016				
Consolidated total contribution				
Sales	105,512	705,409	-	810,921
Custos operacionais	-	-	-	
Production costs	(27,870)	(95,754)	-	(123,625)
Royalties	-	(70,749)	-	(70,749)
Other operating costs	(25,076)	(66,528)	60	(91,543)
Exploration costs	-	(29,318)	(48)	(29,366)
Depreciation, amortisation and provisions for the period	(245,341)	(275,043)	-	(520,384)
Operating income before tax for the E&P activities	**(192,775)**	**168,017**	**12**	**(24,747)**
Income tax	(7,543)	(147,958)	(4)	(155,505)
Operating income for the E&P activities	**(200,318)**	**20,058**	**8**	**(180,251)**
31 December 2015				
Consolidated total contribution				
Sales	110,991	507,094	-	618,085
Production costs	(35,586)	(71,969)	-	(107,555)
Royalties	-	(49,777)	-	(49,777)
Other operating costs	(4,885)	(62,015)	(1)	(66,901)
Exploration costs	(17,232)	(55,310)	41	(72,500)
Depreciation, amortisation and provisions for the period	(151,053)	(164,522)	-	(315,575)
Operating income before tax for the E&P activities	**(97,765)**	**103,501**	**40**	**5,777**
Income tax	(2,349)	(92,475)	10	(94,814)
Operating income for the E&P activities	**(100,114)**	**11,027**	**50**	**(89,037)**

Sales from production includes revenues from the production and sale of oil and natural gas.

Production costs include direct production costs associated with blocks which are currently in production, namely costs relating to the operation and maintenance of wells, equipment related to the support facilities for the extraction of oil and gas operations, collecting system and other general and administrative costs related to production. This caption is presented net of income regarding leasing of production equipment, registered in companies that are not fully consolidated in the Group. The following deductions were made: €67,250 k in 2017, €42,328 k in 2016, and €32,283 k in 2015.

Other operating costs include the responsibility for R&D associated with production activities in Brazil, as well as overhead costs pertaining to areas directly related to exploration and production activities. This caption excludes general corporate overhead costs related to Group companies, in accordance with FASB Topic 932, and includes costs recorded in companies that are not fully consolidated in the amount of €4,368 k in 2017, €8,717 k in 2016 and €7,159 k in 2015.

Exploration costs correspond to exploration impairments, namely costs of dry wells or asset impairments following the decision to relinquish exploration licenses, in accordance with the accounting policy described in Note 2.3 Tangible Assets from the notes to the consolidated financial statements.

Amortisation, depreciation and provisions for the period include costs recorded in companies that are not fully consolidated and which amounted to €22,625 k in 2017, €96,565 k in 2016 and €8,597 k in 2015. In 2016, the amount included impairments related to the transfer of contracts for the construction of hulls related to replicant FPSOs in Brazil.

Operating income does not include overhead costs and financial costs, in accordance with FASB Topic 932.

The caption “Taxes” includes: oil tax payable in Africa, the Special Participation Tax (SPT) applicable to blocks in Brazil, and income tax in accordance the applicable tax laws applicable in each country. The amount of taxes has been adjusted to exclude overheads and financial costs that were excluded from operating income.

Capital expenditure in E&P activities

Capital expenditure in E&P activities by geography, for the years 2017, 2016 and 2015 is as follows:

Unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2017				
Consolidated total contributions				
Acquisitions without proved reserves	-	151,023	-	151,023
Exploration	24,005	14,694	5,926	44,625
Development	185,110	471,047	-	656,157
Total incurred in the period	**209,115**	**636,764**	**5,926**	**851,805**
31 December 2016				
Consolidated total contributions				
Acquisitions without proved reserves	-	-	-	-
Exploration	10,319	27,425	(700)	37,044
Development	255,257	746,717	-	1,001,974
Total incurred in the period	**265,576**	**774,142**	**(700)**	**1,039,017**
31 December 2015				
Consolidated total contributions				
Acquisitions without proved reserves	-	-	-	-
Exploration	14,145	72,846	6,879	93,870
Development	303,558	705,469	-	1,009,027
Total incurred in the period	**317,703**	**778,314**	**6,879**	**1,102,896**

Amounts reported include capitalised costs and costs charged to expense when incurred for the acquisition, exploration and development of oil and gas property. The exploration costs presented above include drilling and equipment costs for exploration wells and geological and geophysical expenses. Development costs include drilling costs and equipment for development wells, as well as the construction of related equipment.

Amounts in the caption “Development” include assets which are related to transport and production equipment for block BM-S-11 in Brazil and Area 4 in Mozambique, recorded in companies consolidated by the equity method, in the amount of €173,133 k in 2017, €167,062 k in 2016 and €213,928 k in 2015.

Investments are stated in the Group’s functional currency. For companies where the functional currency is not the Euro, assets were accounted for at the corresponding exchange rate at the end of the year, in accordance with the accounting policy defined in paragraph 2.12 of the Notes to the consolidated financial statements. In 2017, an exchange rate of 3.9729 EUR:BRL was considered for assets in Brazil and an exchange rate of 1.1993 EUR:USD was considered for assets in Africa.

Capitalised interests were not included in capital expenditure.

Cumulative investments in E&P activities

Cumulative investments include total expenditure in the acquisition of proved or unproved reserves and in exploration and development activities of blocks in which Galp holds a stake.

Exploration costs are fully capitalised in accordance with Note 2.3 Tangible Assets from the notes to the consolidated financial statements. Dry wells are recognized as costs and included in the table below, as are impairments. Relinquished blocks are written-off from assets, and consequently, are not included in this information.

Cumulative investments in E&P activities which are reflected in the Group's financial position are as follows:

Unit: €k	Africa	Latin America	Rest of the world	Total
31 December 2017				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,159,279	2,244,068	-	3,403,347
Incomplete wells (assets in progress)	923,388	1,158,494	-	2,081,882
Assets without proved reserves	301,727	490,772	51,119	843,618
Support equipment	312	16,472	39	16,824
Gross cumulative investment	**2,384,706**	**3,909,806**	**51,159**	**6,345,671**
Cumulative amortizations, depreciations and impairments	(1,163,616)	(690,526)	(14,222)	(1,868,364)
Net cumulative investments	**1,221,091**	**3,219,281**	**36,936**	**4,477,308**
31 December 2016				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,260,992	1,654,878	-	2,915,870
Incomplete wells (assets in progress)	61,638	1,512,181	-	1,573,819
Assets without proved reserves	1,175,317	468,240	62,396	1,705,954
Support equipment	9,711	5,350	39	15,100
Gross cumulative investment	**2,507,658**	**3,640,649**	**62,436**	**6,210,742**
Cumulative amortizations, depreciations and impairments	(1,364,328)	(513,867)	(12,470)	(1,890,665)
Net cumulative investments	**1,143,330**	**3,126,782**	**49,966**	**4,320,077**
31 December 2015				
Consolidated total contributions				
Assets with proved reserves				
Fixed assets	1,181,999	812,503	-	1,994,502
Incomplete wells (assets in progress)	83,314	1,178,631	-	1,261,945
Assets without proved reserves	993,675	392,039	63,096	1,448,810
Support equipment	7,829	4,595	-	12,424
Gross cumulative investment	**2,266,817**	**2,387,768**	**63,096**	**4,717,681**
Cumulative amortizations, depreciations and impairments	(1,164,176)	(224,935)	(12,421)	(1,401,532)
Net cumulative investments	**1,102,641**	**2,162,834**	**50,675**	**3,316,150**

Investments were classified in accordance to the following assumptions:

1. Assets with Proved Reserves (PR or 1P): assets related to fields which hold proved reserves at the end of each year.
   1.1 Fixed assets with PR: assets related with fields which hold proved reserves at the end of each year, already producing and subject to depreciation;
   1.2 Work in progress with PR (incomplete wells): assets related with fields with proved reserves at the end of each year, which are not yet in production.
2. Assets without PR: assets related with fields without proved reserves, at the end of each year.
3. Support equipment: basic and administrative equipment allocated to E&P activities.

Amounts in the following captions include assets related to transport and production equipment for block BM-S-11 in Brazil and Area 4 in Mozambique, accounted for in companies which were consolidated through the equity method. Under fixed assets with PR, it is accounted €586,724 k in 2017, €419,056 k in 2016 and €255,736 k in 2015. Under assets in progress, it is accounted €554,331 k in 2017, €647,651 k in 2016 and €542,601 k in 2015. Under cumulative amortisations, depreciations and impairments it is recorded €52,587 k in 2017, €60,554 k in 2016 and €17,063 k in 2015.

In the table above, cumulative investments are stated in the Group's functional currency. Regarding companies whose functional currency is not the Euro, assets were updated taking into account the corresponding exchange rate at the end of the year, in accordance with the accounting policy defined in paragraph 2.12 of the notes to the consolidated financial statements. In 2017, an exchange rate of 3.9729 EUR:BRL was considered for assets in Brazil and an exchange rate of 1.1993 EUR:USD was considered for assets in Africa.

Oil and gas reserves

Total proved reserves (1P) on 31 December 2017, 2016 and 2015 which are presented in the tables below, include developed and undeveloped proved reserves. These reserves were determined by the independent entity DeMac, whose methodology is in accordance with the PMRS, approved in March 2007 by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

Proven reserves are the quantities of oil and gas that, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable in accordance with defined economic considerations, operational methods, and government regulations.

Proven reserves include estimated quantities related to production sharing contracts (PSC) that are reported under the net entitlement method (which is subject to fluctuations in commodity prices and recoverable costs), as well as estimated quantities related to concessions (royalty regime) in which the net entitlement corresponds to the working interest. As of December 31, 2017 approximately 21% of the total proved reserves are related to PSC located in Africa.

As required by Topic 932, the economic limit of reserves is based on the average prices of the last 12 months and current costs. The economic cut-off date affects the reserve estimate. Therefore, as prices and cost levels change from year to year, the estimate of proved reserves may also change.

The reference price used to determine the Company's net entitlement reserves, which are those to be developed as per the agreements signed for the exploration and production activity, was $54.27/bbl, $43.69/bbl and $52.46/bbl and corresponds to the average market price of Brent for 2017, 2016 and 2015, respectively.

Reserves associated with blocks in Brazil correspond to 100% of the stake held by Petrogal Brasil in those blocks, since this company is fully consolidated in the Galp Group.

The impacts of PSC (price effect and/or change in recoverable costs) in reserves associated with this type of agreements are reflected in the caption "Revisions of previous estimates".

Oil reserves (1P proved reserves)

Unit: kbbl	Africa	Latin America	Total
			2017
Reserves on 31 December 2016	**7,247**	**227,598**	**234,845**
Developed	5,915	72,530	78,445
Undeveloped	1,332	155,068	156,400
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	16,971	61,456	-
Production	(2,181)	(26,896)	-
Reserves on 31 December 2017	**22,037**	**262,159**	**284,196**
Developed	4,740	109,143	113,883
Undeveloped	17,297	153,016	170,313
			2016
Reserves on 31 December 2015	**8,409**	**228,164**	**236,573**
Developed	7,075	47,455	54,530
Undeveloped	1,334	180,709	182,043
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	1,509	18,647	20,156
Production	(2,671)	(19,213)	(21,884)
Reserves on 31 December 2016	**7,247**	**227,598**	**234,845**
Developed	5,915	72,530	78,445
Undeveloped	1,332	155,068	156,400
			2015
Reserves on 31 December 2014	**7,817**	**195,549**	**203,366**
Developed	6,426	37,210	43,636
Undeveloped	1,391	158,339	159,730
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	3,164	44,569	47,733
Production	(2,572)	(11,954)	(14,526)
Reserves on 31 December 2015	**8,409**	**228,164**	**236,573**
Developed	7,075	47,455	54,530
Undeveloped	1,334	180,709	182,043

Gas reserves (proved reserves 1P)

Natural gas reserves are presented in millions of cubic feet (mmscf), with one barrel of oil equivalent (boe) corresponding to 6,000 cubic feet of gas.

Unit: mmscf	Africa	Latin America	Total
			2017
Reserves on 31 December 2016	**-**	**235,474**	**235,474**
Developed	-	68,579	68,579
Undeveloped	-	166,895	166,895
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	339,054	42,782	381,836
Production	-	(25,906)	-
Reserves on 31 December 2017	**339,054**	**252,350**	**591,404**
Developed	-	119,267	119,267
Undeveloped	339,054	133,083	472,137
			2016
Reserves on 31 December 2015	**-**	**236,250**	**236,250**
Developed	-	52,501	52,501
Undeveloped	-	183,749	183,749
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	10,855	10,855
Production	-	(11,631)	(11,631)
Reserves on 31 December 2016	**-**	**235,474**	**235,474**
Developed	-	68,579	68,579
Undeveloped	-	166,895	166,895
			2015
Reserves on 31 December 2014	**-**	**174,008**	**174,008**
Developed	-	27,941	27,941
Undeveloped	-	146,067	146,067
Extensions and discoveries	-	-	-
Acquisitions and sales	-	-	-
Revisions of previous estimates	-	68,966	68,966
Production	-	(6,724)	(6,724)
Reserves on 31 December 2015	**-**	**236,250**	**236,250**
Developed	-	52,501	52,501
Undeveloped	-	183,749	183,749

Standard measure of discounted future net cash flows

The standard measure of discounted future cash flows has been prepared in accordance with the requirements of Topic 932 of FASB and corresponds to an economic translation of the proved reserves presented in the previous section.

Future cash inflows represent future revenues associated with the production of proved reserves, calculated by applying the average market price of Brent during 2017: $54.27/bbl.

Future production costs correspond to the estimated production costs associated with proved reserves.

Future royalties are estimated considering production revenue.

Future development and abandonment costs correspond to the estimated costs for the development of proved reserves (drilling and installation of production platforms), as well as the estimated costs of field abandonment.

Future income taxes include estimates of oil tax payable in Africa calculated according to the existing PSC; SPT (applicable to blocks in Brazil) and income taxes, according to tax laws in each country.

The cash flows were calculated in U.S. Dollars and translated into Euros at the average exchange rate of 2017 (1.1297 EUR:USD).

Unit: €k	Africa	Latin America	Total
31 December 2017			
Future cash inflows	2,790,204	12,626,456	15,416,659
Future production costs	(791,446)	(2,376,991)	(3,168,438)
Future royalties	-	(1,399,933)	(1,399,933)
Future development and abandonment costs	(847,906)	(797,079)	(1,644,985)
Future net cash flow before tax	**1,150,852**	**8,052,453**	**9,203,304**
Future income tax	(253,911)	(4,690,760)	(4,944,671)
Future net cash flows	**896,941**	**3,361,692**	**4,258,633**
Discount factor (10%)	(859,208)	(1,305,170)	(2,164,377)
Standard measure of discounted future cash flows on 31 December 2017	**37,733**	**2,056,523**	**2,094,256**

The principles applied are those required by Topic 932 and do not reflect the expectations of the actual revenues of the reserves nor their present value, and thus do not constitute criteria for investment decision. An estimate of the fair value of reserves should also take into account, among other variables, the recovery of reserves not currently classified as proved, the risks inherent in the estimation of reserves, the expectation of future hydrocarbons price variation and the cost structure, as well as the consideration of an adequate discount factor.

8.3.

Galp report payments to governments in 2017

1. Introduction

Galp believes that values such as accountability and good governance are reinforced by supporting the concept of transparency in revenue flows from oil and gas activities. It enables citizens to access the information required to hold Public Administrations (defined in 5. Public Administrations) accountable for the way they use funds received through taxes and other agreements.

As a member of the Extractive Industries Transparency Initiative (EITI), since 2010, Galp has been working with Public Administrations, non-governmental organizations and international agencies to increase transparency, disclosure and accountability of payments (defined in 7. Payments) made to Public Administrations.

In addition to the Payments stated in this Report, Galp contributes to the economies of the countries in which it operates as a result of other Extractive Activities (concept defined below) by making payments to Public Administrations - for example in relation to the transporting, trading, manufacturing and marketing of products derived from oil and gas. In addition, Galp contributes to the economies of the countries in which it operates, by creating employment opportunities, purchasing products and services from local suppliers and undertaking social investment activities.

2. Subject

This Report provides an overview of the Payments to Public Administrations by Galp Energia SGPS, S.A., and its subsidaries (hereinafter together referred to as "Galp"), covering the full year of 2017 whenever such companies make such payments as a result exploration, prospecting, discovery, development and extraction of oil, natural gas deposits or other materials (referred to as "Extractive activities").

3. Legislation

This report is prepared in compliance with the provisions of article 245-B of the Portuguese Securities Code and its contents comply with the provisions of chapter 10 of the Directive 2013/34/EU transposed to Portuguese law under the Decree-Law n. 98/2015 (herein together referred to as the applicable "Legislation").

4. Reporting entities

This Report includes payments to Public Administrations made by Galp. Payments made by entities over which Galp has joint control and Payments made by entities over which Galp has no control, are excluded from this report.

5. Public Administrations

For the purpose of this report, Public administrations include any national, regional or local authority of a European Union member State or of a third country, and includes any unit, agency or entity that is a subsidiary thereof, which includes a national oil company.

6. Project

Payments are reported at project level except any not attributable to a specific project which are reported at the entity level.

A project is defined as all operational activities governed by a single contract, license, lease, concession or similar legal agreement, and forms the basis for payment liabilities to a Public Administration. If such agreements are substantially interconnected, those agreements are treat as a single project.

For a fully integrated Project (concept defined below), which does not have an interim contractual cut off point where a value can be ascribed separately to the Extractive activities and to other processing activities, payments to Public Administrations will be disclosed in full.

7. Payments

For the purpose of this Report, a Payment is an amount paid in cash or in kind under the following forms:

Production Entitlements

These include the host government's share of production in the reporting period, from projects operated by Galp. This includes the government's share as a sovereign entity or through its participation as an equity or interest holder in projects within its sovereign jurisdiction (home country). Production Entitlements arising from activities or interests outside the home country are excluded.

For the year ended 31 December, 2017, there were no Production Entitlement for projects Operated by Galp.

Taxes

These are taxes paid by Galp on its income, profits or production (which include petroleum income tax in Angola or Corporate income Tax and Special Participation in Brazil), including those settled by a Public Administration on behalf of Galp under a tax-paid concession. Payments are reported net of refunds. Taxes on transactions and on consumption (including but not limited to Value Added Taxes), personal income taxes, sales taxes, and property taxes are excluded from this Report..

Royalties

These are payments for the rights to extract oil and gas resources, typically set at a percentage of revenue less any deductions.

Bonuses

These are usually paid upon signing an agreement or a contract, when a commercial discovery of oil and gas is declared, or when production has commenced or a milestone as been reached.

License fees, rental fees, entry fees and other considerations for licenses and/or concessions

These are taxes and other fees paid as consideration for acquiring a license for gaining access to an area where Extractive Activities are performed. Any Administrative government fees that are not specifically related to Extractive Activities, or in order to access extractive resources, are excluded from this Report.

Infrastructure improvements

These are payments which relate to the construction of infrastructure not substantially dedicated to the use of Extractive Activities.

8. Other provisions

Operatorship

When Galp makes a Payment directly to a Public Administration arising from a Project, the full amount paid is disclosed, even where Galp, as operator, is proportionally reimbursed by its non-operating venture partners through a an invoicing process (cash-call).

Cash and in-kind payments

Payments are reported on a cash basis meaning that they are reported in the period in which they are paid, as opposed to being reported on an accruals basis (which would mean that they would be reported in the period for which the liabilities arise).

Materiality level

This Report includes all types of payment to Public Administrations, either on a single payment basis or as part of a series of related payments, provided they are above €100,000.

Exchange rate

For the purposes of this Report, payments in currencies other than Euro are converted based on the foreign exchange rate at the annual average rate.

Summary Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Angola	-	5,754	-	-	-	-	**5,754**
Brazil	-	281,308	136,415	174,902	231	-	**592,856**
East Timor	-	1	-	-	-	-	**1**
Mozambique	-	1	-	-	-	-	**1**
Namibia	-	15	-	-	-	-	**15**
Sao Tome and Principe	-	146	-	250	-	-	**396**
TOTAL	-	287,225	136,415	175,152	231	-	599,023

Report by country: Angola

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Public Administrations							
Financial Ministry	-	5,754	-	-	-	-	**5,754**
TOTAL	-	5,754	-	-	-	-	5,754

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Projects							
Block 14	-	4,336	-	-	-	-	**4,336**
Block 14k	-	1,418	-	-	-	-	**1,418**
TOTAL	-	5,754	-	-	-	-	5,754

Report by country: Brazil

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Public Administrations							
Revenue	-	17,891	136,415	-	-	-	**154,306**
Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (Brazilian energy sector regulator)	-	263,417	-	174,902	231	-	**438,550**
TOTAL	**-**	**281,308**	**136,415**	**174,902**	**231**	**-**	**592,856**

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Entity level payment							
Petrogal Brasil, S.A.	-	17,891	-	-	-	-	**17,891**
Galp Energia, S.A.	-	-	-	-	-	-	**-**
Projects							
Block BM-S-8	-	-	-	-	69	-	**69**
Block BM-S-11	-	263,417	135,896	-	-	-	**399,313**
Block POT-T-394	-	-	-	-	-	-	**-**
Block POT-T-440	-	-	-	-	-	-	**-**
Block POT-T478	-	-	-	-	-	-	**-**
Block POT-T479	-	-	331	-	-	-	**331**
Block SEAL-T-412	-	-	-	-	48	-	**48**
Block SEAL-T-429	-	-	188	-	-	-	**188**
Block PN-T-136	-	-	-	-	57	-	**57**
Block PN-T-182	-	-	-	-	57	-	**57**
Carcará North	-	-	-	174,902	-	-	**174,902**
TOTAL	**-**	**281,308**	**136,415**	**174,902**	**231**	**-**	**592,856**

Report by country: Namibia

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Public Administrations							
Ministry of Mines and Energy	-	15	-	-	-	-	**15**
TOTAL	-	15	-	-	-	-	15

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Entity Level payment							
Windhoek PEL 23 BV - Branch	-	5	-	-	-	-	**5**
Windhoek PEL 24 BV - Branch	-	10	-	-	-	-	**10**
TOTAL	-	15	-	-	-	-	15

Report by country: Sao Tome and Principe

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Public Administrations							
Financial Ministry	-	146	-	-	-	-	**146**
Projects	-	-	-	250	-	-	**250**
TOTAL	-	146	-	250	-	-	396

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Entity level payment							
Galp Energia São Tomé and Príncipe, Lda.	-	146	-	-	-	-	**146**
Projects							
Block 6	-	-	-	-	-	-	**-**
Block 5	-	-	-	83	-	-	**83**
Block 11	-	-	-	83	-	-	**83**
Block 12	-	-	-	84	-	-	**84**
TOTAL	-	146	-	250	-	-	396

Report by country: Mozambique

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Public Administrations							
Financial Ministry	-	1	-	-	-	-	**1**
Revenue	-	-	-	-	-	-	**-**
TOTAL	-	1	-	-	-	-	1

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Entity level payment							
Area 4	-	1	-	-	-	-	**1**
TOTAL	-	1	-	-	-	-	1

Report by country: East Timor

Government Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Public Administrations							
Financial Ministry	-	1	-	-	-	-	**1**
Revenue	-	-	-	-	-	-	**-**
TOTAL	-	1	-	-	-	-	1

Project Report (€k)

	Production Entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure Improvements	Total
Entity level payment							
Block E	-	1	-	-	-	-	**1**
TOTAL	-	1	-	-	-	-	1

8.4.

Reports and opinions of the Audit Board and the Statutory Auditor

Audit Board's report and opinion

Dear shareholders,

According to the Legislation in force and the Company's By-laws, and under our mandate, we hereby present our opinion on the management Integrated Annual Report (including the Corporate Governance reporting), the individual and consolidated financial statements and the proposed allocation of net profit presented by the Board of Directors of Galp Energia SGPS, S.A., with regards to the year ended 31 December 2017.

We have met several times with the statutory auditor/external auditor, monitoring the performance of their role.

We have monitored the process of preparation and disclosure of financial statements, as well as the legal certification of the accounts.

We have verified and supervised the independence of the statutory auditor/external auditor, in compliance with the applicable law, mainly verifying the adequacy and approving the providing of other services than auditing.

We have reviewed the legal certification of the accounts and the audit report of the individual and consolidated accounts regarding the year of 2017, which deserve our agreement.

Under the terms and for the purposes of article 245, first paragraph c) of the Portuguese Securities Code, each of the below indicated members of the Audit Board declares that, to the extent of his/her knowledge, the management report, the financial statements, the legal certification of the accounts and further accounting documents were prepared in compliance with the applicable accounting rules and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp and the companies included in the consolidation perimeter, and the management report includes a fair view of the development of the business and the performance and position of Galp and the companies included in the consolidation perimeter, and includes on description of the main risks and uncertainties faced by Galp and the companies included in the consolidation perimeter in their operations.

Under the scope of our mandate, we have verified and we hereby declare also to the extent of our knowledge that:

a) the accounting principles and the metrical criteria used follow the IFRS, as adopted by the EU, and are adequate as to guarantee an appropriate representation of both the Company's and the other companies' included in the consolidation perimeter assets and results;

b) the corporate governance chapter of the management report regarding the year of 2017 includes all the information required by article 245-A of the Portuguese Securities Code.

Accordingly, taking into consideration the information received from the Board of Directors and other Company departments, as well as the conclusions set out in the legal certification of the accounts and the audit report about the individual and consolidated financial statements, we express our agreement to the management report, to the individual and consolidated financial statements and to the proposal of application of net profit for the financial year 2017, so we are of the opinion that those documents should be approved by the General Shareholders Meeting.

Lastly, the Audit Board wishes to express its gratitude to the Board of Directors and to the Executive Committee of Galp Energia, SGPS, S.A., whose cooperation greatly simplified, at all times, the exercise of the Audit Board duties.

Lisbon, 16 April, 2018

Chairman:
Daniel Bessa

Member:
Gracinda Raposo

Member:
Pedro Antunes de Almeida

Annual activity report of the Audit Board for the financial year 2017

In accordance with paragraph 1 g) of article 420 of the Portuguese Commercial Companies Code ((CSC) and of paragraph 1 g) of article 8 of the regulations of the Audit Board of Galp Energia, SGPS, S.A. (hereinafter referred to as Galp or Company), the Board hereby presents its report on the supervisory activities performed during 2017.

I. Introduction

According to the corporate governance model implemented by Galp, which consists in the Latin model set out in paragraph 1 a) of article 278 and paragraph 1 b) of article 413, both from the Companies Code, the Audit Board is responsible for supervising the Company's activities.

The Audit Board in office was elected at the General Shareholders' meeting held on April 16, 2015, for the 2015-2018 term of office, and comprises three members, two of whom are independent in accordance with the criteria set out in paragraph 5 of article 414 of the CSC.

All members of the Audit Board meet the compatibility criteria for the performance of their duties as laid down in paragraph 1 of article 414-A of the CSC.

The main duties of the Audit Board stemming from applicable legislation and the respective regulation, refer to the following key areas:

c) permanently monitoring the Company's activities, monitoring compliance with the law and Articles of association, and overseeing the Company's management;

d) monitoring compliance with accounting policies and practices, as well as the preparation and disclosure of financial information, and supervising the audit of the accounts included in the Company's accounting documents;

e) monitoring the effectiveness of the risk-management and internal-control systems, annually assessing with the Executive Committee the internal-control and audit procedures and any issues raised about the accounting practices adopted by the Company, addressing to that Committee such recommendations as it may deem fit;

f) overseeing the adoption by the Company of the principles and policies for the identification and management of the key risks of a financial and operational nature related to the Company's business, and monitoring and performing adequate and timely control and disclosure of such risks;

g) receiving reports of irregularities made by shareholders, Company employees or others;

h) proposing to the general shareholders' meeting the appointment of the Statutory Auditor or the statutory auditing company;

i) monitoring the independence of the External Auditor, notably as regards the provision of additional services;

j) appointing or dismissing the Company's External Auditor and assessing its activity each year through a critical appraisal of the reports and documentation that it draws up in the performance of its duties.

II. Activity performed by the Audit Board concerning the financial year 2017

During 2017 the Audit Board held 15 (fifteen) meetings and implemented several measures within the scope of its duties, of which the following are highlighted:

1. Permanently monitoring the Company's activity, monitoring compliance with the law and Articles of association, and overseeing the Company's management

Ongoing monitoring of the Company during 2017 was undertaken, in particular, through meetings with the heads of Galp's corporate centre, most regularly the Internal Audit Department, the Risk Management Department and the Legal & Governance Department.

The Audit Board met regularly with the Statutory Auditor/ External Auditor and the head of Accounts department, and met with the Chairman of the Board of Directors and the Executive Director responsible for finance.

Moreover, members of the Audit Board attended the meetings of the Board of Directors at which the quarterly, half-yearly and annual accounts were approved, along with the annual plan and budget.

During 2017, the Audit Board also monitored the functioning of Galp's corporate governance system and its compliance with legal requirements, regulations and by-laws, and monitored legislative and regulatory developments in the field of corporate governance, having also monitored the process of the Company´s corporate governance improvement.

Also within the context of monitoring corporate governance matters, the Audit Board reviewed the Corporate Governance Report for 2017, and confirmed that the report includes the information required by article 245-A of the Portuguese Securities Code (CVM) and by Portuguese Securities Market Commission (CMVM) regulation no. 4/2013.

2. Monitoring compliance with the accounting policies and practices and with the process of preparation and disclosure of financial information and of the legal audit of the accounts

The Audit Board monitored the accounting policies, criteria and practices and the reliability of the financial information through the information received from the Accounts Department and the reports of the Statutory Auditor/External Auditor, and through an appraisal of the findings of the audits and of the procedure evaluations performed during the year by the Statutory Auditor/ External Auditor.

The Audit Board reviewed the documents relating to the 2017 audit and legal certification of the accounts, having issued a favourable opinion thereupon.

Access to the financial information by the Audit Board was conducted on a regular and adequate basis, and there were no constraints on its duties.

3. Monitoring and overseeing the effectiveness of the internal-control and risk-management systems, and annual review of the working of the systems and internal procedures

During 2017, the Audit Board performed several actions directed at monitoring, supervising and evaluating the working and adequacy of Galp's internal-control, risk-management and internal-audit systems, either through the reporting of information by the Internal Audit and Risk Management department or through the report on internal control issued by the External Auditor.

Within the scope of its supervisory duties, the Audit Board was also charged with supervising the implementation by the Company of principles and policies for the identification and management of key financial and operational risks associated with Galp's business, having supervised the measures to monitor, control and disclose the risks.

The Audit Board's understanding is that the Executive Committee and the Board of Directors have attributed increasing importance to the development and improvement of the risk-management, internal-control and internal-audit systems, in line with CMVM recommendations in relation to the Corporate Governance Code.

4. Supervision of the activity of the Internal Audit Department

During 2017, the Audit Board supervised the activity of the Internal Audit Department, which reports officially to this Board, through monthly monitoring of the implementation of the respective annual plan of audit activities approved by the Audit Board and of the information on resource allocation, having received from that department periodic reports on the audits.

Evaluation of the proper working of the risk-management and internal-control systems, and assessment of the effectiveness and efficiency of the implementation of controls and mitigation systems were performed by the Internal Audit department, independently and systematically, having regularly informed and drawn the attention of the Audit Board to the most significant comments and recommendations, detailing opportunities for improvement and corrective measures.

The Audit Board also considers that, in implementing the Internal Audit department plan of activities, the assessment of the internal control systems and of compliance with established procedures, as well as the use of the resources allocated, were performed efficiently.

5. Annual assessment of the activity of the Company's External Auditor

The Audit Board performed its duties as the Company's interlocutor with the External Auditor and as the first recipient of the information it draws up, having provided the External Auditor with the information and other appropriate conditions required for the effective performance of its activity.

During 2017, the Audit Board assessed the activity of the External Auditor, having monitored its activity on a regular basis, in particular through critical appraisal of the reports and documentation that it produced in the performance of its duties.

In its annual assessment, the Audit Board considers that the External Auditor provided its services in a satisfactory manner in accordance with the defined work plan, having complied with the applicable rules and regulations, displayed technical rigour in its activities, quality in its conclusions – particularly with regard to the legal certification of the accounts – timeliness and efficiency in the recommendations presented and competence in its procedures.

Within the scope of its verification of compliance by the External Auditor with the rules of independence, the Audit Board monitored, during 2017, the provision of services other than audit services, which depends on a prior appraisal by the Audit Board, having confirmed the safeguarding of the independence of the External Auditor. The Audit Board notes that the value of services other than auditing corresponds to 16.3% of the total services provided by the External Auditor, thus complying with recommendation IV.2 of the CMVM Corporate Governance Code approved in 2013. On the other hand, non-audit services provided by the External Auditor did not exceed 70% of the total value of the fees paid in the last three financial years for the legal certification of Galp Group's accounts, complying with the limits imposed by Regulation (EU) No 537/2014 and Statute of the Order of Statutory Auditors.

With a view to selecting the Statutory Auditor and External Auditor to propose to the General Shareholders' Meeting for the new term to begin in 2019, the Audit Board monitored the market consultation process organized by Galp Energia, SA, namely by the Accounting and Procurement departments, having approved the rules of the respective process, defined the criteria and the selection process.

6. Company business with related parties

During 2017 there were no related-party transactions subject to the prior opinion of the Audit Board under "Regulation applicable to related-party transactions by the Galp Group".

7. Reporting irregularities

In accordance with best corporate governance practices and applicable market rules, as well as in line with the principles of fairness, correctness, honesty, transparency and integrity on the basis of which Galp conducts its business, the Galp Irregularity Reporting - Ethics Line Procedure, available on its website and intranet, governs the mechanism for reporting to the body responsible, the Audit Board, through Galp's Committee of Ethics and Conduct, alleged irregularities or breaches of the Code of Ethics or the rules that develop it or that deal with the matters listed in it, in the fields of accounting, internal accounting controls, auditing, fight against corruption and banking and financial crime occurring at Galp Group companies.

In the course of 2017, Galp's Committee of Ethics and Conduct held periodic meetings with the Audit Board to report communications received and assessment on the respective forwarding.

In fulfillment of the reporting obligation provided for in point eight of Galp's Committee of Ethics and Conduct Regulations, this Committee presented to the Audit Board the annual report on the communications received in 2017, the procedures adopted and the actions/measures proposed.

Lastly, the Audit Board would like to express its thanks to the Board of Directors and to the Executive Committee of Galp for the co-operation provided in the performance of their duties.

Lisbon, 16 April, 2018

Chairman:
Daniel Bessa

Member:
Gracinda Raposo

Member:
Pedro Antunes de Almeida

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Galp Energia S.G.P.S., S.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2017 (which shows total assets of Euro 12,358 million and total shareholders' equity, including non-controlling interests, of Euro 6,080 million including a net profit of Euro 614 million), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Galp Energia S.G.P.S., S.A.as at December 31, 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
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Key Audit Matters	*Summary of the Audit Approach*
Impairment of non-current assets for the Upstream business *Disclosures related to non-current assets for the Upstream business are presented in notes* 2 and 12 of the Consolidated financial statements. The upstream asset portfolio is mainly concentrated in oil blocks in Angola, Brazil, Mozambique and Portugal. The referred investments, net of impairment losses, in the consolidated statement of financial position as at December 31, 2017 amount to Euro 5,336 million (2016: Euro 5,162 million). The analysis of the recoverable amount of the upstream assets is performed based on a discounted cash flows model, which is highly subjective due to, amongst other factors, the evaluation of oil reserves (estimated based on evaluations performed by external experts, who have extensive experience in this market in which the Group operates), estimated future prices for oil and gas, estimates of operational expenses and investments necessary for the exploration of the estimated reserves by the operator consortium of each block and definition of the discount rate to be applied. The relevance of this matter in our audit is related with the unpredictability associated with the outcome of the significant estimates, and to the fact that any change on the assumptions can result on a significant change in the financial statements. The decrease in current and future oil and gas prices, under the present market conditions, is putting additional pressure in the valuation of the upstream assets, having a significant effect on the financial statements of the Group, as evidenced by the impairments recognized in upstream assets for the past three years, as disclosed in Note 12 of the notes to the consolidated financial statements, either by the decrease in sales price itself, or by its impact on operating decisions (delays in *First oil*, abandonment/on hold decisions due to the low profitability). As a result of the impairment testing performed by the management, impairment losses were recognized in the amount of Euro 74 million in upstream non-current assets (2016: Euro 192 million).	The audit approach to this key audit matter consisted of: - assessing management's assumptions considered in the impairment testing, having defined the following as the most significant: recoverable reserves/volumes and investments necessary for the recovery of those volumes, estimated future oil and gas prices and discount rates considered to reflect the time impact of the future cash flows.; - understanding and assessing the controls, designed and operated by management, for monitoring the recoverable amount of the upstream assets; - assessing the methodology considered by the management to calculate the recoverable amount of the assets allocated to each cash generating unit, to determine its compliance with the accounting policies in place and its consistent application; - in terms of reserves, we assessed the consistency of the recoverable volumes considered by the management with the independent expert report prepared as of December 31, 2017, and discussed with management the evolution of the referred reserves compared with previous reports, taking into account the production model of the blocks and the discoveries noted. In this respect, we assessed the competence and objectivity of the expert; -corroborated estimates of future cash flows and challenged the management as to whether these were appropriate in light of future price assumptions (market forward prices) and the investment/cost budgets approved by each block consortium. We performed sensitivity analyses over main inputs to the cash flow models. - assessment over the specific inputs related to the determination of the discount rate, including the assessment of the risk-free rate and geographic risks, as well as the cost of capital/financing of the Group. These inputs were also compared with the rates considered in the international markets in which the Group operates. We also assessed the adequacy of the disclosures associated with the impairment losses recognized in the consolidated financial statements, considering the requirements of the applicable accounting standard.

Key Audit Matters	*Summary of the Audit Approach*
Recoverable amount of non-current assets in Spain	
Disclosures related to non-current assets in Spain are presented in notes 2, 10, 11 and 12 of the Consolidated financial statements. As at December 31, 2017, the amount of the non-current assets recognized in the consolidated financial statements of the Galp Group, related to the distribution network of refined products in Spain, amounts to Euro 377 million (Tangible fixed assets: Euro 255 million; Intangible assets: Euro 72 million; Deferred tax assets: Euro 50 million). In accordance with IAS 36 – Impairment of assets, the management should perform an impairment annual assessment and evaluate if impairment indicators exist related to the carrying amount of the non-current assets. The carrying amount of the cash-generating unit is compared with the recoverable amount, which is the higher between the value in use and the fair value less costs to sell. The retail network of refined products in Spain has been considered by the management as a single cash-generating unit. As at December 31, 2017, the Group has determined the recoverable amount of its cash generating units (CGU) through the value in use. Additionally, the management assesses the recoverability of the deferred tax assets related to the cash-generating unit, considering the estimates of future taxable income, in accordance with IAS 12 – Income taxes. The relevance of this matter in our audit is related with the complexity and high level of judgment over the impairment model. The calculation of the recoverable amount requires the use of estimates and assumptions by the management, which depend on economic and market estimates, namely related to future cash-flows, growth rates in the perpetuity and discount rates to be used. As a result of the impairment testing performed by the management, impairment losses were recognized in the amount of Euro 6 million for the non-current assets related to the retail network of refined products in Spain. In addition, as a result of the good performance presented in the period and the annual revaluation performed on the temporary differences underlying the deferred tax assets, deferred tax assets in the year ended December 31, 2017 were reduced by Euro 28 million.	We have assessed the impairment testing, based on discounted future cash-flows model, considering the following audit procedures: - assessing the mathematical accuracy of the model; - comparison of the future cash-flows considered in the impairment testing with the budget plan approved by the Executive Committee; - benchmarking the reasonableness of the future cash-flow estimates, by comparison with the historical performance; - assessing the adequacy of the discount rate considered; - performing sensitivity analysis, by changing the relevant assumptions; and - assessing the estimates and judgments approved by the management, underlying the relevant assumptions supporting the model. For assessing the recoverability of deferred tax assets, we have compared the future taxable income estimates with the cash-flow estimates referred above, assessed the mathematical accuracy of the calculation and assessed the adequacy of the tax rate considered. We also assessed the adequacy of the disclosures associated with the impairment testing and deferred taxes presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.

Key Audit Matters	*Summary of the Audit Approach*
Litigation and tax contingencies	
Disclosures related to litigation and tax contingencies are presented in notes 2, 10, 21 and 26 of the Consolidated financial statements. The dimension and structure of the Galp Group and the dispersion of its operational activity, originates an increase in the complexity of the tax recognition in the financial statement of the Group. As a consequence, the Group has several pending tax matters, namely those resulting from tax inspections in Portugal, and Petroleum Income tax in Angola, recognizing provisions whenever the Group considers that a negative outcome is probable, in accordance with the IAS 37. The assessment of the outcome probability is supported by the legal consultants and tax advisors of the Group, as well as by the management judgment in relation to these matters. As at December 31, 2017 the tax provisions recognized in the consolidated financial statements amounted to Euro 280 million (2016: Euro 245 million). The relevance of this matter in our audit is related with the complexity and high level of judgment over the corresponding tax matters, as well as the unpredictability associated with the respective outcome.	The audit procedures performed included: - obtaining the detailed listing of the pending tax contingencies and legal actions, categorized by outcome probability; - understanding tax and legal contingency processes; - obtaining and analyzing the replies to the confirmation letters sent to external lawyers; - inquiry of the Management and of the tax and legal Directors of the Group over the estimates and judgments considered. We also assessed the adequacy of the disclosures presented in the notes to the consolidated financial statements, considering the requirements of the applicable accounting standard.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law, and verifying that the non-financial information was presented.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report, including the information related to management, sustainability and governance (hereinafter referred as Integrated Report) has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Integrated report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified. As set forth in paragraph 7 of article No. 451 of the Portuguese Company Law, this opinion is not applicable to the non-financial statement included in the Integrated report.

Non-financial information set forth in article No. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity included in its Integrated report the non-financial information set forth in article No. 66-B of the Portuguese Company Law.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Integrated report, in the information related to corporate governance, includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were appointed auditors of Galp Energia S.G.P.S., S.A. in the Shareholders' General Meeting of April 16, 2015 for the period from 2015 to 2018.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of April 16, 2018.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

e) In addition to the services disclosed in the Integrated report of the Group we inform that, besides the audit services, the following additional services, permitted by law and regulation in force, were provided by us to the Group:

Other assurance services

- Limited review on the interim financial statements;
- Agreed upon procedures report on financial ratios;
- Certification of the annual declaration of assets under the scope of the Oil Insurance Policy;
- Reports on regulated accounts ("ERSE"; "ASECE"; "TOS"; Purchases of natural gas);
- Reports on Successive Revaluations ("ERSE");
- Verification of sustainability information (Sustainability Report and Databooks);
- Issuance of comfort letter regarding debt issuance;
- Verification of the Man Power rate; and
- Verification of the *Replacement Cost* performance measure

Other non-assurance services

- Consulting over the information to be provided for the Dow Jones Sustainability Index

April 16, 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Joaquim Brochado Correia, R.O.C.

8.5.

Independent Limited Assurance Report

pwc

Independent Assurance Report

*** (Free translation from the original in Portuguese)**

To the Board of Directors

Introduction

1 We were engaged by the Board of Directors of Galp Energia, SGPS, S.A. (“Galp” or “Company”) to perform a reasonable assurance engagement on the indicator identified in the paragraph 4 below and a limited assurance engagement on the sustainability information also mentioned in that paragraph, which integrate the sustainability information included in the Annual Report and Accounts 2017, for the year ended in December 31, 2017, prepared by the Company for the purpose of communicating its annual sustainability performance.

Responsibilities

2 It is the responsibility of the Board of Directors to prepare the sustainability information identified in the paragraph 4 below, included in the Annual Report and Accounts 2017, in accordance with the sustainability reporting guidelines “Global Reporting Initiative” version GRI Standards and with the instructions and criteria disclosed in the Annual Report and Accounts 2017, as well as for the maintenance of an appropriate internal control system that enables the adequately preparation of the mentioned information.

3 Our responsibility is to issue an assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Scope

4 The work performed was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance engagements other than audits or reviews of historical financial information”, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform the assurance engagement to obtain an assurance level:

4.1 reasonable on whether Galp’s Carbon Footprint 2017, and

4.2 limited on whether 2017 remaining sustainability information,

is free from material misstatement.

5 For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;
(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Tel +351 213 599 000, Fax +351 213 599 999, www.pwc. pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

(iii) Testing, on a sampling basis, the efficiency of processes and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned, through calculations and validation of reported data;
(iv) Confirmation that operational units follow the instructions on collection, consolidation, validation and reporting of performance information;
(v) Execution of substantive procedures, on a sampling basis, in order to collect evidence of the reported information;
(vi) Comparison of financial and economic data included in the sustainability information with the audited by PricewaterhouseCoopers & Associados, SROC, Lda, in the scope of the legal review of Galp's financial statements for the year ended in December 31, 2017;
(vii) Analysis of the process for defining the materiality of the sustainability issues, based on the materiality principle of GRI Standards and on the AA1000 Accountability Principles Standard (AA1000APS), according to methodology described by the Company in the Report;
(viii) Verification that the sustainability information included in the Report complies with the requirements of GRI Standards, for the option "In accordance – Comprehensive".

6 In addition, for the purpose of reasonable assurance work, we performed analytical and substantive tests, and based on defined materiality criteria we assured the adequate application of reporting criteria defined by Company in the Carbon Footprint 2017 calculation, disclosed in the Annual Report and Accounts 2017.

7 In the limited assurance work, the procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

8 We believe that the procedures performed provide an acceptable basis for our conclusion.

Quality control and independence

9 We apply the International Standard on Quality Control 1 (ISQC1) and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

10 We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and of the ethics code of the Institute of Statutory Auditors.

Conclusion on the reasonable assurance work

11 Based on the work performed, it is our opinion that the Galp's Carbon Footprint 2017, included in the Annual Report and Accounts 2017, for the year ended in December 31, 2017, was prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed on it.

Conclusion on the limited assurance work

12 Based on the work performed, nothing has come to our attention that causes us to believe that the remaining sustainability information, included in the Annual Report and Accounts 2017, for the year ended in December 31, 2017, was not prepared, in all material respects, in accordance with GRI Standards requirements and with the instructions and criteria disclosed on it, and that Galp has not

applied, in the sustainability information included in the Annual Report and Accounts 2017, the GRI Standards, for the option “In accordance – Comprehensive”.

Restriction on use

13 This report is issued solely for information and use of the Board of Directors of the Company for the purpose of communicating the annual sustainability performance in the Annual Report and Accounts 2017, and should not be used for any other purpose. We will not assume any responsibility to third parties other than Galp by our work and the conclusions expressed in this report, which will be attached to the Company's Annual Report and Accounts 2017.

April 16, 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Brochado Correia, R.O.C.

*** (This is a translation, not to be signed)**

8.6.

Statement of compliance by the members of the Board of Directors

Under the terms and for the purposes of article 245, first paragraph c) of the Portuguese Securities Code, each of the below indicated members of the Board of Directors declares that, to the extent of his/her knowledge, the management report, the financial statements, the legal certification of the accounts and further accounting documents were prepared in compliance with the applicable accounting rules and gives a true and fair view of the assets, liabilities, financial position and profit or loss of Galp and the companies included in the consolidation perimeter, and the management report includes a fair view of the development of the business and the performance and position of Galp and the companies included in the consolidation perimeter, and includes on description of the main risks and uncertainties faced by Galp and the companies included in the consolidation perimeter in their operations.

Lisbon, 13 April 2018

The Board of Directors

Chairman:
Paula Amorim

Vice-Chairman:
Miguel Athayde Marques
Carlos Gomes da Silva

Members:
Filipe Crisóstomo Silva
Thore E. Kristiansen
Sérgio Gabrielli de Azevedo
Abdul Magid Osman
Marta Amorim
Raquel Vunge
Carlos Costa Pina
Francisco Rêgo
Jorge Seabra de Freitas
José Carlos Silva
Pedro Ricardo
Tiago Câmara Pestana
Rui Paulo Gonçalves
Luís Todo Bom
Diogo Tavares
Joaquim Borges Gouveia

8.7.

Compulsory statements

1. Corporate bodies

The composition of the Galp's governing bodies for the mandate under way for 2015-2018, is as follows:

Board of the General Meeting

Chairman:
Daniel Proença de Carvalho

Vice-Chairman:
Victor Manuel Pereira Dias

Secretary:
Maria Helena Claro Goldschmidt

Board of Directors

Chairman:
Paula Fernanda Ramos Amorim

Vice-Chairman:
Miguel José Pereira Athayde Marques
Carlos Nuno Gomes da Silva

Members:
Filipe Quintin Crisóstomo Silva
Thore Ernst 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
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

Executive Committee

Chairman:
Carlos Gomes da Silva (CEO)

Members:
Filipe Crisóstomo Silva (CFO)
Thore E. Kristiansen
Carlos Costa Pina
José Carlos Silva
Tiago Câmara Pestana
Pedro Ricardo

Company Secretary

Standing:
Rui de Oliveira Neves

Alternate:
Maria Helena Claro Goldschmidt

Audit Board

Chairman:
Daniel Bessa Fernandes Coelho

Member:
Gracinda Augusta Figueiras Raposo

Member:
Pedro Antunes de Almeida

Alternate:
Amável Alberto Freixo Calhau

Statutory Auditor

Standing:
PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. represented by António Joaquim Brochado Correia, or by Ana Maria Ávila de Oliveira Lopes Bertão

Alternate:
José Manuel Henriques Bernardo

Remuneration Committee

Chairman:
Amorim Energia, B.V.

Member:
Jorge Armindo Carvalho Teixeira

Member:
Joaquim Alberto Hierro Lopes

2. Treasury shares

Galp holds no treasury shares. During the financial year of 2017, Galp did not acquire or sell any treasury shares.

3. Information on the shares holdings of the members of the management and supervisory bodies on 31 December 2017

		Period from 1 January to 31 December 2017						
		Purchase			Disposal			
	Total shares on 31.12.2016	Date	No. of shares	Value (€/share)	Date	No. of shares	Value (€/share)	Total shares on 31.12.2017
Members of the Board of Directors								
Paula Amorim*	-							-
Miguel Athayde Marques	1,800							1,800
Carlos Gomes da Silva 1	2,410							2,410
Filipe Crisóstomo Silva 2	10,000							10,000
Thore E. Kristiansen 2	-							-
Sérgio Gabrielli de Azevedo	-							-
Abdul Magid Osman	-							-
Marta Amorim*	19,263							19,263
Raquel Vunge	-							-
Carlos Costa Pina 2	-							-
Francisco Rêgo*	17,680							17,680
Jorge Seabra de Freitas*	-							-
José Carlos Silva 2	275							275
Pedro Ricardo 2	5,230							5,230
Tiago Câmara Pestana 2	-							-
Rui Paulo Gonçalves*	-							-
Luís Todo Bom	-							-
Diogo Mendonça Tavares	2,940							2,940
Joaquim Borges Gouveia	-							-
Members of the Supervisory Board								
Daniel Bessa	-							-
Gracinda Raposo	-							-
Pedro Antunes de Almeida	5							5
Amável Calhau	-							-
Statutory Auditor								
PricewaterhouseCoopers & Associados, Lda.	-							-
José Manuel Henriques Bernardo	-							-

* For the effects of art. 447, par. 2, sub-par. d) of the Commercial Companies' Code, it is hereby provided that Amorim Energia B.V., in which the mentioned director also exercises administrative functions, is the holder of 276,472,161 Galp shares.

1 Stock ownership held by the CEO expressed as multiple of CEO annual fixed saalary: 0.0353.

2 Average stock ownership held by Executive Officers (other than CEO) expressed as multiple of the average Executive Officers annual fixed salary: 0.1717.

4. Company Directors' business

During the fiscal year of 2017, no authorisations were requested from the members of the Board of Directors of Galp, for doing business with the Company or with companies that are in ownership or group relationship with the Company.

5. Exercising of other activities by the Directors

During the fiscal year of 2017, none of the directors of Galp exercised any temporary or permanent functions under a labour, subordinate or autonomous agreement, with the Company or companies that are in ownership or group relationship with the Company.

The employment agreement of director José Carlos da Silva Costa with Galp Energia, S.A., a company within the group, has remained suspended since he was first nominated as a member of the Board of Directors of Galp on 23 November 2012.

On the date upon which the director Pedro Carmona de Oliveira Ricardo was nominated (16 April 2015), the employment agreement that he entered into with Galp Gás Natural, S.A., a company that is in an ownership or group relationship with Galp, was suspended.

6. Creditors' positions in relation to related parties companies

See note 23 of the Appendix to the financial statements of the individual accounts of Galp.

8.8.

Biographies of the members of the management and supervisory bodies and the members of the Remunerations Committee

Board of Directors

Chairman | Paula Amorim

Paula Ramos Amorim was born in Porto, Portugal, on 20 January 1971. Paula Amorim is a non-executive member of Galp's Board of Directors since April 2012 and Chairman since October 2016.
She was Vice-Chairman between 2015 and 2016.

She joined the Américo Amorim Group in 1992, and since then she has occupied a range of Directorial roles. She is the fourth generation of Amorim family, with 150 years of business success history, and is the Chairman of Amorim Investimentos e Participações, SGPS, S.A., which holds a majority share capital at Corticeira Amorim, the world leader in cork business, being also Chairman of Amorim Holding II, SGPS, S.A.

In 2005, she created Amorim Fashion Company and is the sole shareholder of, with luxury multibrand retail as focus. In December 2010, she created Amorim Luxury – SGPS, S.A., to expand and diversify her business, particularly to become the representative of Gucci brand, and currently Ladurée in Portugal. Her experience in fashion industry was decisive for Américo Amorim Group to become a relevant investor in Tom Ford International in 2007, and recently in Platforme, an innovative and disruptive project of luxury items customization. Recently, revealing once again her entrepreneurship, has implemented an innovative project of gastronomy and lifestyle, the JNcQUOI..

Paula Ramos Amorim attended the Real Estate Management course at the Escola Superior de Atividades Imobiliárias.

Vice-Chairman | Miguel Athayde Marques

Miguel Athayde Marques was born in Lisbon, Portugal, on 29 April 1955. He is an independent member of Galp's Board of Directors since November 2012 and Vice-Chairman since October 2016.

He is also Vice-rector at Universidade Católica Portuguesa and Professor at Faculty of Economics and Management Católica Lisbon School of Business & Economics, responsible for the areas of Corporate Governance and International Business. He has been an independent non-executive director of Brisa, Concessão Rodoviária, S.A., since December 2010, and Chairman of the Audit Board of Caixa Banco de Investimento, S.A., since January 2012.

Before joining Galp he was Chairman of the Board of Directors of Euronext Lisbon S.A. and Interbolsa, S.A. and executive Director of Euronext N.V. (Amsterdam), between January 2005 and June 2010. During this period, he was non-executive director of Euronext Amsterdam, Euronext Brussels and Euronext Paris. Between April 2007 and June 2010, he was a member of the Management Committee of the New York Stock Exchange. He was also executive director of Caixa Geral de Depósitos (between 2000 and 2004) and of Jerónimo Martins (between 1996 and 2000). Before that he was Chairman of the Board of Directors of AICEP.

Miguel Athayde Marques holds a degree, with distinction, in Business Administration and Management from Universidade Católica Portuguesa and a Doctorate in Business Management, from the University of Glasgow, School of Financial Studies.

Vice-Chairman | Carlos Gomes da Silva

Carlos Gomes da Silva was born in Porto, Portugal, on 25 February 1967. He is a member of Galp's Board of Directors since 2007 and vice-president and president of the Executive Committee since April 2015.

He is a professional with 29 years of experience in different industries, in particular oil & gas. He joined Galp Energia/Petrogal early in the 1990's, where he played several managerial roles leading the areas of refining operations, supply & trading, planning & control and strategy.

From 2001, and for six years, he served in the beverages industry (at Unicer, a Carlsberg group company) as Head of M&A and Strategy and subsequently as Executive Director (for the supply chain, retail and human resources). He returned to the oil & gas industry in 2007 to serve as Board Member in Galp Energia, having served in several executive roles since 2008 as Executive Director namely for marketing oil, gas & power, trading oil & gas and corporate divisions (procurement, marketing, human resources, legal, corporate governance and compliance).

Carlos Gomes da Silva holds a Degree in Electrical Engineering and Computer Science by the School of Engineering of the Porto University and an MBA by ESADE/IEP (Barcelona).

Member | Filipe Crisóstomo Silva

Filipe Crisóstomo Silva was born in Lisbon, Portugal, on 4 July 1964. He is a member of the Board of Directors and Chief Financial Officer (CFO) of Galp since July 2012.

Since 1999 and before joining Galp, he was responsible for the investment banking areas of Deutsche Bank in Portugal and since 2008 was also CEO of Deutsche Bank in Portugal.

Filipe Crisóstomo Silva is graduate in economics and financial management and holds a Masters in financial management, both from the Catholic University of America, Washington D.C.

Member | Thore E. Kristiansen

Thore E. Kristiansen was born in Stavanger, Norway, on 4 July 1961. He is an executive member of Galp's Board of Directors and member of the Executive Committee since October 2014 and is responsible for Galp's Exploration and Production business unit.

He was senior Vice-Chairman of Statoil for South America and Chairman of Statoil Brazil from January 2013 until he joined Galp. He was at Statoil for over 25 years, with responsibilities in the areas of distribution of oil products, trading and business negotiation in Norway, UK, Denmark and Germany, in the area of exploration and production, with a special focus on Norway, sub-Saharan Africa and South America, and also corporate functions, particularly in finance and M&A, such as Investor Relations Officer. He was also Chairman of Statoil Germany and Statoil Venezuela.

Thore E. Kristiansen holds a degree in Management from the Norwegian School of Management and a Masters in Petroleum Engineering from the University of Stavanger, Norway.

Member | Sérgio Gabrielli de Azevedo

Sérgio Gabrielli de Azevedo was born in Salvador, Brazil, on 3 October 1949. He is an independent non-executive member of Galp's Board of Directors since July 2012.

He was secretary of planning of the State Government of Bahia between March 2012 and December 2014 and was a non-executive member of the Board of Directors of Itausa S.A. until March 2015. Before joining Galp he was a member of the Board of Directors and CEO of Petrobras between July 2005 and February 2012. He was also CFO and director of investor relations of Petrobras between 2003 and 2005.

He was also a member of the Boards of Directors of Desenbahia – State Development Agency of Bahia and of CAR – Companhia de Desenvolvimento e Ação Regional.

Sérgio Gabrielli de Azevedo holds a degree and Masters in Economics from the Universidade Federal da Bahia and a doctorate in Economics from Boston University. He was a visiting researcher at the London School of Economics and Political Science in 2000.

Member | Abdul Magid Osman

Abdul Magid Osman was born in Maputo, Mozambique, on 11 June 1944. He is an independent non-executive member of Galp's Board of Directors since July 2012.

He is also founder and Chairman of the BIOFUND Foundation (biodiversity protection) since 2011, Chairman of the Board of Directors of Épsilon Investimento since 2007 and is Chairman of the Board of Directors and of the Executive Committee of Tchuma Cooperativa de Crédito e de Poupança.

Before joining Galp he was Minister of Finance from 1986 to 1991 and Minister of Mineral Resources of Mozambique between 1979 and 1983. He was a non-executive director of Mercantile Bank, in South Africa, from 2002 to 2007 and Chairman of the Board of Directors and of the Executive Committee of BCI - Banco Comercial de Investimentos.

He was Director of the Management, Development and Governance Division in the United Nations Development Programme (UNDP), managing the programme with projects in over 60 countries.

Abdul Magid Osman has a degree in Economic and Financial Sciences from the Instituto Superior de Economia of Lisbon.

Member | Marta Amorim

Marta Amorim was born in Porto, Portugal, on 29 April 1972. She is a non-executive member of Galp's Board of Directors since October 2016.

Marta Amorim currently serves as Vice-Chairman of the Américo Amorim Group and is a member of the Board of Directors of Amorim Energia B.V.

Marta Amorim holds a degree in Business Administration and Management from the Universidade Católica Portuguesa and has several years of experience in the banking sector, namely in Banco Nacional de Crédito (currently named Banco Santander Totta, S.A).

Member | Raquel Vunge

Raquel Vunge was born in Luanda, Angola, on 30 June 1967. She is non-executive member of Galp's Board of Directors since October 2014.

She is also a Member of the Board of Directors of Banco Comercial Português and Caixa Angola.
In recent years, she has also been member of the Board of Directors and CFO of Sonangol EP and held other responsibilities in Sonangol EP from 1997, as Directo of Finance between 2010 and 2012, Head of the Central Treasury from 2001 to 2010 and Accounts Analyst in the Accounting and Finance Department until 2001.

Raquel Vunge holds a degree in Management from the Lisbon Instituto Superior de Gestão (School of Management).

Member | Carlos Costa Pina

Carlos Costa Pina was born in Lisbon, Portugal, on 14 December 1970. He is an executive member of Galp's Board of Directors and a member of the Executive Committee since April 2012, and he is responsible for corporate services and the New Energy business area.

Previously he worked in Technology, Media and Telecommunications, real estate and services companies in the Ongoing group (Portugal and Brazil). He was Secretary of State for Treasury and Finance in the XVII and XVIII Portuguese Constitutional Governments (2005-2011) and therefore occupied roles in several international financial institutions. He has also been a director at CMVM (Portuguese Securities Market Regulator) (2000-2005), a member of the Advisory Board of the Insurance Institute of Portugal (2001-2005) and a lawyer with his own legal practice, particularly in oil exploration and production (1994-1998). He was also a lecturer in the Lisbon Law School where he is preparing his doctorate.

Carlos Costa Pina is the author of numerous published works and holds a degree in Law and a Masters in Legal and Business Sciences from the School of Law, University of Lisbon.

Member | Francisco Rêgo

Francisco Rêgo was born in Porto, Portugal, on 9 July 1972. He is a non-executive member of the Board of Directors since April 2015.

He has been a Director of Amorim Holding II and other companies in the Américo Amorim Group since 2004. From 2002 to 2004 he was in the Commercial Department of SODESA, S.A., an electricity trading company. From 1997 to 2002 he was at ECOCICLO, an Energy Engineering, Audit and Consulting company.

Francisco Rêgo graduated in Mechanical Engineering at the School of Engineering of Porto University and completed an Advanced Postgraduate course in Quantitative Management Methods at the School of Management from Porto University.

Member | Jorge Seabra de Freitas

Jorge Seabra de Freitas was born in Porto, Portugal, on 27 February 1960. He is a non-executive member of Galp's Board of Directors since November 2012.

He has also been a director of Amorim Holding II since August 2011 and a director of Grupo Arcotêxteis, S.A., since March 2009. Before joining Galp, he was Chairman of the Board of Directors of Coelima Indústrias Têxteis, S.A., between January 1992 and May 2011.

Jorge Seabra Freitas holds a degree in Economics from the Porto School of Economics, as well as in the International Executive Programme and Competitive Strategy, both from INSEAD.

Member | José Carlos Silva

José Carlos Silva was born in Porto, Portugal, on 5 January 1963. He is a member of Galp's Board of Directors since November 2012 and a member of the Executive Committee since December 2012, and is responsible for various corporate services and for the Sourcing, Refining and Planning business.

With over two decades of experience in Procurement, Supply Chain and Project Management, he is Chief Operating Officer (COO) of Refining and Trading Oil, after several leadership roles in the Company, namely as Chief Corporate Officer in the 2012-2014 period, whilst member of the Executive Committee. Currently, in the capacity of CCO, he is responsible for the corporate services of Engineering, Project Management and Procurement. His professional experience also includes the automotive and tourism industries.

José Carlos da Silva Costa holds a degree in Chemical Engineering from the Porto Instituto Superior de Engenharia (School of Engineering) and specialised training in Quality Management, Information Systems and Innovation.

Member | Pedro Ricardo

Pedro Ricardo was born in Lisbon, Portugal, on 20 December 1964. He is a member of Galp's Board of Directors and Executive Committee since April 2015, and is responsible for the Gas & Power business unit.

He joined Transgás, the company that introduced natural gas to Portugal, in 1994, where he was the head of natural gas Procurement and Sales. In 1998 he was appointed Executive Director of Transgás, responsible for supplies, engineering and operation and maintenance.

Between 2002 and 2005 he was executive director of GDP Distribuição, Galp Group's sub-holding company in the gas distribution sector, and executive director of some of the natural gas distribution companies.

Between 2006 e 2015 he was a board member of Galp Gás Natural responsible for supply and Gas and electricity trading.

Pedro Ricardo holds a degree in Chemical Engineering from the Instituto Superior Técnico in Lisbon and holds an MBA from Universidade Nova de Lisboa.

Member | Tiago Câmara Pestana

Tiago Câmara Pestana was born in Porto, Portugal, on 4 September 1964. He is an executive member of Galp's Board of Directors and of the Executive Committee since April 2015, and he is responsible for the Iberian and International Oil Marketing.

Before joining Galp, he had mainly occupied roles in the food distribution industry. Between 1999 and 2014, he was the CEO of Dia Portugal Supermercados. Prior to that, he was executive director of Lojas de Conveniência Extra, executive director of the Jumbo Portugal and Spain hypermarkets network, executive director of the Pão de Açúcar group, Portugal, where he was responsible for the management of the Minipreço chain, between 1998 and 1999.

Tiago Câmara Pestana holds a degree in Aeronautical Engineering from the University of Salford (Manchester, UK) and a Masters in Administrative and Industrial Sciences from City University (London, UK).

Member | Rui Paulo Gonçalves

Rui Paulo Gonçalves was born in Porto, Portugal, on 30 May 1967. He is a non-executive member of Galp's Board of Directors since May 2008.

He has also been a director and General Manager of Amorim – Investimentos Energéticos, SGPS, S.A. since December 2007. Is still Chairman of the Board of the General Shareholders Meeting of Amorim Holding II, SGPS, S.A.

Before joining Galp, he practised Law in Porto and was visiting Lecturer at the Portuguese Institute of Administration and Marketing (IPAM) on the degree course and on various post-graduate courses between 2004 and 2007. He was legal adviser to the Unicer Group from 2002 and 2007 and, at the same time, Deputy Director of the legal office of the same group.

Rui Paulo Gonçalves has a post-graduate degree in Management for law graduates from the School of Economic and Business Sciences of the Universidade Católica and a Degree in Law from the Law School of the same university.

Member | Luís Todo Bom

Luís Todo Bom was born in Luanda, Angola, 1 May 1948. He is an independent non-executive member of Galp's Board of Directors since November 2012.

He is also non-executive Chairman of Multitel Angola, non-executive director of Onyria Internacional (Onyria group), Scutvias and AutoEstradas XXI (Globalvia group) and visiting associate lecture at ISCTE.

Before joining Galp, he was non-executive director of Taguspark between 2010 and 2012, non-executive director of Chamartín Imobiliária, SGPS, S.A. between 2007 and 2009, non-executive director of Companhia de Seguros Sagres, S.A., between 2003 and 2009, non-executive director of Portugal Telecom International, Portugal Telecom Brazil and Semapa, SGOS, betwenn 2003 and 2006 and non-executive director of Amorim Imobiliária, SGPS, S.A., between 2002 and 2007. He was Chairman of the Board of AITECOEIRAS between 2008 and 2012 and a member of the MRG Group's Strategy Board between 2009 and 2012. He was Inspector-general and Chairman of the Advisory Board of the Portugal Telecom group and also a non-executive director of Inotec Angola – Ambiente, Energia e Comunicações, S.A.

Luís Todo Bom has a degree in Chemical-Industrial Engineering from the Instituto Superior Técnico and a MBA from the Universidade Nova de Lisboa/Wharton School of Pennsylvania. He attended the Stanford Executive Program and the Executive Program on Strategy Organisation at Stanford University. He also attended the DBA – Doctor of Business Administration Programme at the University of Cranfield and ISCTE.

Member | Diogo Tavares

Diogo Tavares was born in Montijo, Portugal, on 31 October 1945. He is a member of Galp's Board of Directors since April 2012.

Before joining Galp he was advisor to the Chairman of Amorim Holding II, SGPS, S.A. between 2006 and 2011, director of that same company between 2011 and 2013, and also non-executive director at Galp, S.A. between 2006 and 2008. He was President of UNIRISCO, the first venture capital company in Portugal and, among other positions, he was Vice-Chairman of IAPMEI, Vice-Chairman of the Tourism Institute of Portugal, Director of IFADAP, Director of IPE-CAPITAL, Vice-Chairman of ICEP and Chairman of Urbimeta, S.A. Sociedade Imobiliária.

Diogo Tavares holds a degree in Mechanical Engineering from the Instituto Superior Técnico and is a graduate of the Advanced Business Management Programme (IAESE/Harvard Business School).

Member | Joaquim Borges Gouveia

Joaquim Borges Gouveia was born in Porto, Portugal, 24 October 1950. He is an independent non-executive member of Galp's Board of Directors since May 2008.

Joaquim Borges Gouveia has been retired Professor of the Department of Economics, Industrial Management and Engineering at the Universidade de Aveiro since 2001 and has been also director and coordinator of several departments at the Universidade de Aveiro. He was coordinator of GOVCOPP - Governance, Competitiveness and Public Policy – a research unit of the Research Institute of the Universidade de Aveiro, between 2009 and 2011, and director of the master's course in Sustainable Energy Systems, between 2007 and 2011. He was Chairman of the Board of RNAE – National Network of Energy and Environment Agencies being now Chairman of the respective Board of the General Meeting. He is also Chairman of the Board of Directors of the Energaia - Agência da Área Metroplitana do Sul do Porto.

Joaquim Borges Gouveia holds a degree in Electrical Engineering from the School of Engineering of Porto, in 1973 and a doctorate in electrical and computer engineering, also from the School of Engineering of Porto, in 1983. He is an associate lecturer in Electrical and Computer Engineering at the Engineering School of the Universidade do Porto.

Audit Board

Chairman | Daniel Bessa

Daniel Bessa was born in Porto, Portugal, 6 May 1948. He is Chairman of Galp's Audit Board since 5 October 2006.

He was Chairman of the Board of Porto Business School between 2000 and 2009. He has held posts in teaching (Faculty of Economics and Faculty of Engineering of the Universidade do Porto and at Porto Business School), in the management of education units (Faculty of Economics and Vice-Chancellor's office, Universidade do Porto, and School of Technology and Management of the Instituto Politécnico de Viana do Castelo). He was director of Finibanco and Finibanco Holding, non-executive director of CELBI – Celulose Beira Industrial, of Efacec Capital and INPARSA – Indústrias e Participações, a member of the General and Supervisory Board of BCP – Banco Comercial Português, S.A., Chairman of the Audit Board of SPGM, and external employee of the Sonae group. He was general manager of COTEC Portugal – Business Association for Innovation from 2009 to 2015. He was also a director of AICEP and Chairman of the Advisory Board of IGFCSS – Institute for the Management of Social Security Capitalisation Funds.

Daniel Bessa holds a degree in Economics, from Universidade do Porto, and a doctorate in Economics, from Universidade Técnica de Lisboa.

Member | Gracinda Raposo

Gracinda Raposo was born in Arraiolos, Portugal, 19 March 1954. She is member of Galp's Audit Board since May 2008.

She is Director of ECS Capital – Private Equity and Distress Funds Management Firm. Between 2007 and 2009 she was advisor to the Board of Directors of the Santander Group. Between 2004 and 2006, she was also a Director of Caixa Geral de Depósitos and non- executive Director of Caixa BI, among other functions. Gracinda Raposo was also a member of the Audit Board of Banco BIC Portugal until 2013.

She has a degree in management from ISCTE and a Master's degree in operational management from the University of Georgetown, Minneapolis, USA.

Member | Pedro Antunes de Almeida

Pedro Antunes de Almeida was born in Lisbon, Portugal, 31 December 1949. He is member of Galp's Audit Board since November 2012.

From 2006 to 2015, Pedro Antunes de Almeida was Consultant for Economic and Business Affs to the President of the Portuguese Republic.

As an independent business consultant in the tourism industry, he was Chairman of the Board of Directors of ICEP, Chairman of the Executive Committee of ENATUR – Pousadas de Portugal, Secretary of State for Tourism (XV Government) and Ambassador of Portugal to the World Tourism Organisation. Between 2011 and 2012 he was Secretary of the Board of Galp's General Shareholders Meeting.

Pedro Antunes de Almeida has a degree in Economics and Sociology from the Universidade Nova de Lisboa, with a post-graduate qualification in European Economic Studies, from the Universidade Católica Portuguesa, a course on Public Relations, Marketing and Publicity, from the Graduate School of Media, Lisbon, and the Course for National Defence Auditors from the National Defence Institute.

Alternate member | Amável Calhau

Amável Alberto Freixo Calhau was born in Setúbal, Portugal, 20 November 1946. He is deputy member of Galp's Audit Board since 5 October 2006.

He is Statutory Auditor and has been a Managing Partner of Amável Calhau, Ribeiro da Cunha e Associados – Sociedade de Revisores Oficiais de Contas since 1981. He was an Accountant and Auditor for an auditing company between 1970 and 1979 and has been an individual Statutory Auditor since 1980.

Statutory Auditor in dozens of companies, from several industry sectors, since 1981, among which are: since 1991 to 2012, Statutory Auditor of Portuguese Securities Market Commission Audit Committee; since 2006 to 2014, Statutory Auditor of Banco de Portugal Audit Committee, and since 2008 to 2012, Statutory Auditor of Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, E.P.E Audit Committee.

Amável Alberto Freixo Calhau is an accounting expert from the Army Pupils' Military Institute and an individual Statutory Auditor.

Remuneration Committee

Member | Jorge Armindo de Carvalho Teixeira

Jorge Armindo de Carvalho Teixeira is Chairman of the Board of Directors of Amorim Turismo, SGSP, S.A. and associates and Chairman of APC – the Portuguese Casinos Association.

He began his professional career in 1976 as Assistant Lecturer in the Porto Faculty of Economics, teaching Business Management and International Financial Management until 1992. In 1982 he joined what is now the Amorim Group as Chief Financial Officer and in 1987 was appointed Vice-Chairman of the Group, a position he held until 2000. In 1997, at the invitation of the Government, he was appointed Chairman of Portucel – Empresa de Celulose e Papel de Portugal, SGPS, S.A. and he also took the chair of all companies in which Portucel, SGPS, S.A. had investments until its privatisation.

Jorge Armindo de Carvalho Teixeira has a degree in Economics from the Faculty of Economics of Universidade do Porto.

Member | Joaquim Alberto Hierro Lopes

Joaquim Alberto Hierro Lopes is a member and managing partner of GED Partners and, at the same time, a member of the Board of Directors of the Fund Management Companies GED V España GED Eastern Fund II, GED Iberian B, GED Sur (CEO) and of the Board of Directors of several GED Fund subsidiaries, including Estudio Pereda4 Ingenieria, Nuceri International, Iconsa Engineering,Megafood S.A, in Spain and FASE – Estudos e Projectos Engenharia, S.A. and Serlima Services S.A., in Portugal.

Before joining Galp, he was a Lecturer in Financial Mathematics and Management Accounting at the ISAG – Graduate School of Administration and Management; he was executive director of Norpedip/PME Capital – Sociedade Portuguesa de Capital de Risco, Chairman and Board Member of several companies, including FiberSensing, Altitude Software, Payshop, Cabelte, Bluepharma, TV Tel Grande Porto, Fibroplac., and participated in the launch and management of various investment funds. Between 2007 and 2014 he was a member of the Audit Board of Corticeira Amorim SGPS, S.A.

Joaquim Alberto Hierro Lopes completed a degree in Accounting and Administration at Porto Accounting and Business School, graduated in Mathematics at the Faculty of Sciences of the Universidade do Porto, and he completed a MBA at Porto Business School. He is Master in Business Management, also at the Universidade do Porto.

8.9.

Positions held in other companies by the members of the management and supervisory bodies and the members of Remunerations Committee

Inside Galp Group*

	Executive Members						
	Carlos Gomes da Silva	Filipe Silva	Thore Kristiansen	Carlos Costa Pina	José Carlos Silva	Pedro Ricardo	Tiago Câmara Pestana
CLC - Companhia Logística de Combustíveis, S.A.					CBD		
Enerfuel, S.A.				CBD			
Europe Maghreb Pipeline, Ltd.						D	
Galp Alentejo E&P, S.A.		D	CBD				
Galp Bioenergy B.V.	D	D		D			
Galp E&P Brasil B.V.	D	D	D				
Galp East Africa B.V.		D	D				
Galp Energia Brasil, S.A.	CBD	D	D	D	D		
Galp Energia E&P B.V.	D	D	D	D	D	D	D
Galp Energia España, SAU	CBD				D	D	D
Galp Energia Overseas B.V.	D	D	D				
Galp Energia Overseas Block 14 B.V.		D	D				
Galp Energia Overseas Block 32 B.V.		D	D				
Galp Energia Overseas Block 33 B.V.		D	D				
Galp Energia Overseas LNG, B.V.		D				D	
Galp Energia Portugal Holdings B.V.	D	D	D				
Galp Energia Rovuma B.V.	D	D	D				
Galp Energia São Tomé e Príncipe, Limitada		M	M				
Galp Energia, S.A.	CBD	D	D	D	D	D	D
Galp Exploração e Produção (Timor-Leste), S.A.	CBD	D	D	D	D	D	D
Galp Exploração e Produção Petrolífera, S.A.	CBD	D	D	D	D	D	D
Galp Gas & Power, SGPS, S.A.	CBD	D	D	D	D	D	D
Galp Gás Natural, S.A.						CBD	
Galp Gás Natural Distribuição, S.A.						CBD	
Galp Marketing International, S.A.							CBD
Galp Power, S.A.						CBD	
Galp Sinopec Brazil Services B.V.	D	D	D		D	D	
Galp Swaziland, Limited							D
GALPEK, Lda.					CMB		
Gasoducto Al-Andalus, S.A.						D	
Gasoducto de Extremadura, S.A.						D	
GDP - Gás de Portugal, S.A.						CBD	
MIBGAS, S.A.						D	
Metragaz - Societé pour la Construction de L'Exploitation Technique du Gazoduc Maghreb Europe						D	
Petrogal Angola, Lda.							CMB
Petrogal Brasil B.V.		D	D				
Petrogal Brasil, S.A.	CBD	D	D		D	D	
Petrogal Guiné-Bissau, Lda.							CMB
Petróleos de Portugal - Petrogal, S.A.	CBD	D	D	D	D	D	D
Tagus RE, S.A.				CBD			
Windhoek PEL 23 B.V.		D	D				
Windhoek PEL 28 B.V.		D	D	CBD			
Windhoek PEL 23 B.V.		D	D				
Windhoek PEL 24 B.V.		D	D				
Windhoek PEL 28 B.V.		D	D				

CBD - Chairman of the Board of Directors D - Director CMB - Chairman of the Management Board M - Manager
* For this purpose, all companies directly or indirectly affiliated by Galp are deemed included in the Galp Group.

Non-executive members of the Board of Directors do not held positions in other companies from the Galp Group.

Outside the Galp Group*

Paula Amorim

In the Américo Amorim Group

Chairman of the Board of Directors of Amorim Holding II, SGPS, S.A.

Chairman of the Board of Directors of Amorim Projetos, SGPS, S.A.

Chairman of the Board of Directors of Amorim Negócios, SGPS, S.A.

Chairman of the Board of Directors of Amorim Investimentos Energéticos, SGPS, S.A.

Chairman of the Board of Directors of I.I. – Investimentos Ibéricos, SGPS, S.A.

Chairman of the Board of Directors of Imoeuro, SGPS, S.A.

Vice-Chairman of the Board of Directors of Gaivina – Empreendimentos Turísticos e Imobiliários, S.A.

Vice-Chairman of the Board of Directors of Portal do Sol – Sociedade Imobiliária Amorim, S.A.

Director of Amorim Energia, B.V.

Director of Investmark Holdings, B.V.

Chairman of the Board of Directors of AH FB'I, Inc.

Chairman of Amorim/TFI, Inc.

Director of Tom Ford International, LLC

Director of Platforme International Limited, Inc.

Member of the Board of Directors of Stockprice, SGPS, S.A.

Chairman of the Board of Directors of Alqueva Verde, S.A.

Member of the Board of Directors of Amorim e Alegre – Sociedade Imobiliária, S.A.

Manager of Sociedade Agro-florestal do Panasquinho, Lda.

Member of the Board of Directors of Warranties, SGPS, S.A.

Member of the Board of Directors of Great Prime, S.A.

In the Amorim group

Chairman of the Board of Directors of Amorim - Investimento e Participações, SGPS, S.A.

In the Amorim Luxury

Sole Director of Amorim Luxury – SGPS, S.A.

Sole Director of Amorim Fashion, S.A.

Chairman of the Board of Directors of Amorim Guedes de Sousa, S.A.

Manager of Amorim Five, Lda.

Others

Chairman of the Board of Directors of Fundação Galp

Miguel Athayde Marques

Vice-rector of Universidade Católica Portuguesa

Professor at the Universidade Católica Portuguesa, School of Economics and Business

Independent non-executive director of Brisa, Concessão Rodoviária, S.A.

Chairman of the Audit Board of Caixa Banco de Investimento, S.A.

Founder and Coordinator of Portugal Economy Probe

Chairman of the Association of Former Management and Economics Students of Universidade Católica Portuguesa

Member of the Scientific and Pedagogical Council of the Higher Institute of Bank Management (Portuguese Banking Association)

Member of the Advisory Board of Junior Achievement Young Enterprise Portugal

Member of the Advisory Board of GRACE - Group for Reflection and Support for Corporate Citisenship

Carlos Gomes da Silva

Chairman of the Board of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

Chairman of the Board of AEM – Association of Companies Issuing Listed Securities

Member of the Board of Directors of Fundação Galp

Vice-Chairman of EPIS – Association of Entrepreneurs for Social Inclusion

* For this purpose, all companies directly or indirectly affiliated with Galp are deemed included in the Galp Group.

Filipe Crisóstomo Silva

Member of the Board of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

Member of the Board of Directors of Fundação Galp

Abdul Magid Osman

Chairman of the BIOFUND foundation (biodiversity protection)

Chairman of the Board of Directors of Épsilon Investimentos, S.A.

Chairman of the Board of Directors of Banco Único

Chairman of the Board of the General Shareholders Meeting of FDC - Fundação de Desenvolvimento Comunitário

Marta Amorim

In the Américo Amorim Group

Member of the Board of Directors of Amorim Energia, B.V.

Vice-Chairman of the Board of Directors of Amorim Holding II, SGPS, S.A.

Chairman of the Board of Directors of Amorim Holding Financeira, SGPS, S.A.

Chairman of the Board of Directors of Solfim, SGPS, S.A.

Chairman of the Board of Directors of Amorim Financial, SGPS, S.A.

Director of Amorim Projectos, SGPS, S.A.

Vice-Chairman of the Board of Directors of I.I. – Investimentos Ibéricos, SGPS, S.A.

Vice-Chairman of Amorim Investimentos Energéticos, SGPS, S.A.

Chairman of the Board of Directors of Gevisar, SGPS, S.A.

Chairman of the Board of Directors of Financimgest – Sociedade de Consultoria de Gestão de Créditos, S.A.

Chairman of Sotomar – Empreendimentos Industriais e Imobiliários, S.A.

Vice-Chair of Amorim Negócios, SGPS, S.A.

Director of Lusares – Sociedade Imobiliária, S.A.

Chair of Portal do Sol – Sociedade Imobiliária Amorim, S.A.

Director of Warranties, SGPS, S.A.

Director of Great Prime, S.A.

Director of AGS – Mozambique, S.A.

Director of Agromoz – Agribusiness de Mozambique, S.A.

Director of Angola Real Estate Investments B.V.

Director of Topbreach Holding B.V.

Director of Amorim Financial Sector B.V.

Director of Amorim Aliança B.V.

Director of Amorim Energia B.V.

Director of Power Oil & Gas Investments B.V.

Director of Ligardis Holding B.V.

Director of Itacaré, B.V.

Director of Praia do Forte, B.V.

Director of Oil Investments B.V.

Director of Investmark Holdings, B.V.

Director of Amorim Investments II, S.A.

Director of Amorim Investments V, S.A.

Director of AHFB I, Inc.

Director of Amorim/TFI, Inc.

Chair of Banco Luso-Brasileiro, S.A.

Director of A.P.I. – Amorim Participações Internacionais, SGPS, S.A.

Chair of Paisagem do Alqueva, S.A.

Chair of S.S.A. – Sociedade de Serviços Agrícolas, S.A.

Vice-Chair of IMOBIS – Empreendimentos Imobiliários Amorim, S.A.

Chair of Mosteiro de Grijó – Empreendimentos Turísticos, S.A.

Raquel Vunge

Board member of Banco Comercial Português and Caixa Angola

Carlos Costa Pina

Chairman of the Scientific and Technological Council of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

Vice-Chairman of the Board of BCSD Portugal – Business Council for Sustainable Development

Member of the Board of AIPQR - Associação das Indústrias da Petroquímica, Química e Refinação (Association of Petrochemical, Chemical and Refining Industries)

Member of the Board of Directors of Fundação Portugal – África

Member of the General Board of IPCG – Portuguese Institute of Corporate Governance

Member of the General Board of EGP Porto Business School

Director of EPRA – European Petroleum Industry Association (FuelsEurope and Concawe)

Member of the Board of Founders of Fundação da Casa da Música

Chairman of the Board of the General Shareholders Meeting of APEEN – Portuguese Association for Energy Economics

Member of the Audit Board of IDEFF – Instituto de Direito Económico, Financeiro e Fiscal

Chairman of the Board of Auditors of Fundação Res Publica

Member of the Advisory Board of APDC – Associação Portuguesa para o Desenvolvimento das Comunicações

Francisco Rêgo

In the Américo Amorim Group

Vice-Chairman of the Board of Directors of Amorim Holding II, SGPS, S.A.

Vice-Chairman of the Board of Directors of Amorim Holding Financeira, SGPS, S.A.

Director of Amorim Energia B.V.

Vice-Chairman of Solfim SGPS, S.A.

Director of Amorim Financial, SGPS, S.A.

Director of Amorim Negócios, SGPS, S.A.

Director of Amorim Projectos, SGPS, S.A.

Director of Amorim Investimentos Energéticos, SGPS, S.A.

Director of Gevisar - SGPS, S.A.

Director of Financimgest – Sociedade de Consultoria e Gestão de Créditos, S.A.

Director of ImoEuro, SGPS, S.A.

Director of Gaivina – Empreendimentos Turísticos e Imobiliários, S.A.

Director of Portal do Sol – Sociedade Imobiliária Amorim, S.A.

Director of Vintage Prime, SGPS, S.A.

Director of Angola Real Estate Investments B.V. Director of Topbreach Holding B.V.

Director of Amorim Financial Sector B.V. Director of Amorim Aliança B.V.

Director of Amorim Energia B.V.

Director of Ligardis Holding B.V.

Director of Itacaré, B.V.

Director of Praia do Forte B.V.

Director of Oil Investments B.V.

Director of Amorim Investments II, S.A.

Director of Amorim Investments V, S.A. Director of AHFB I, Inc.

Director of Amorim/TFI, Inc.

Substitute Director of the Banco Luso-Brasileiro, S.A.

Others

Chairman of the Board of Directors of Moreira, Gomes & Costas, S.A.

Director of Época Global, SGPS, S.A.

Director of Actual, SGPS, S.A.

Director of Cardan Grande Porto, S.A.

Manager of AVS – Agência de Viagens Sandinense, Lda.

Jorge Seabra de Freitas

In the Américo Amorim Group

Director of Amorim Energia, B.V.

Member of the Board of Directors of Amorim Holding II, SGPS, S.A.

Member of the Board of Directors of Solfim, SGPS, S.A.

Member of the Board of Directors of Amorim Financial, SGPS, S.A.

Member of the Board of Directors of Amorim Holding Financeira, SGPS, S.A.

Member of the Board of Directors of Amorim Negócios, SGPS, S.A.

Member of the Board of Directors of Amorim Projetos, SGPS, S.A.

Member of the Board of Directors of II – Investimentos Ibéricos, SGPS, S.A.

Member of the Board of Directors of Financimgest – Sociedade de Consultoria de Gestão de Créditos, S.A.

Member of the Board of Directors of AGS – Mozambique, S.A.

Chairman of the Board of Directors of Agromoz – Agribusiness de Mozambique, S.A.

Director of Angola Real Estate Investments B.V.

Director of Topbreach Holding B.V.

Director of Amorim Financial Sector B.V.

Director of Amorim Aliança B.V.

Director of Power Oil & Gas Investments B.V.

Director of Ligardis Holding B.V.

Director of Itacaré, B.V.

Director of Praia do Forte B.V.

Director of Oil Investments B.V.

Director of Amorim Investments II, S.A.

Director of Amorim Investments V, S.A.

Director of AHFB I, Inc.

Director of Amorim/TFI, Inc.

Member of the Board of Directors of Sotomar Empreendimentos Turísticos e Imobiliários, S.A.

Member of the Board of Directors of Porta do Sol Sociedade Imobiliária Amorim, S.A.

Member of the Board of Directors of Lusares Sociedade Imobiliária, S.A.

Others

Adviser to the Banco Luso-Brasileiro, S.A.

Member of the Board of Directors of Banco Único, SGPS, S.A.

José Carlos Silva

Member of the Scientific and Technological Council of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

Pedro Ricardo

Member of the Scientific and Technological Council of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

President of the Board of AGN – Portuguese Association of Natural Gas Companies

Tiago Câmara Pestana

Member of the Scientific and Technological Council of ISPG – Instituto do Petróleo e Gás, Association for Research and Advanced Training

President of the Board of APETRO – Portuguese Association of Oil Companies

Rui Paulo Gonçalves

In the Américo Amorim Group

Director and general manager of Amorim Investimentos Energéticos, SGPS, S.A.

Director of Amorim Energia, B.V.

Chairman of the Board of the General Shareholders Meeting of Amorim Holding II, SGPS, S.A.

Others

Vice-Chairman of the Board of the General Shareholders Meeting of Banco Único, S.A.

Luís Todo Bom

Managing partner of Terfran – Investimentos e Serviços, Lda.

Managing partner of Angopartners Investments Consulting, Lda.

Non-executive Chairman of the Board of Directors of Multitel Angola – Serviços de Telecomunicações, Lda.

Non-executive director of Onyria Internacional, S.A. (Onyria group)

Non-executive director of Scutvias – Autoestradas da Beira Interior, S.A. and Auto-Estradas XXI, S.A. (Globalvia group)

Visiting Associate Lecturer of ISCTE

Joaquim Borges Gouveia

Retired Professor of the Department of Economics, Industrial Management and Engineering of the Universidade de Aveiro

Chairman of the Board of APM – Portuguese Association of Management

Chairman of the General Shareholders Meeting of RNAE – National Network of Energy and Environment Agencies.

Chairman of the Board of Directors of ENERGAIA, Vila Nova de Gaia District Energy Agency

Member of the Board of Directors of ABAP/BIOCANT

Audit Board

Daniel Bessa

Chairman of the Audit Board of Fundação Galp

Chairman of the Audit Board of Galp Gás Natural Distribuição, S.A.

Chairman of the Audit Board of Sonae, SGPS, S.A.

Chairman of the Audit Board of Bial – Portela e Companhia, S.A.

Non-executive Chairman of Amorim Turismo, SGPS, S.A.

Non-executive Chairman of AEGI - Amorim Entertainment and Gaming International, SGPS, S.A.

Non-executive Chairman of Sociedade Figueira Praia, S.A.

Chairman of the Board of the General Shareholders Meeting of Amkor Technology Portugal, S.A.

Member of the Board of Directors and of the Executive Committee of Fundação Bial

Member of the Investment Board of PVCI – Portuguese Venture Capital Initiative (undertaking with investment by BEI Group, through the EIF – European Investment Fund)

Gracinda Raposo

Member of the Audit Board of Fundação Galp

Non-executive Director of Tagusgás – Empresa de Gás do Vale do Tejo, S.A.

Director of ECS-Capital – Private Equity and Distress Funds Management Firm.

Pedro Antunes de Almeida

Member of the Audit Board of Fundação Galp

Member of the Audit Board of Galp Gás Natural Distribuição, S.A.

Chairman of the Audit Board of Fidelidade Seguros

Non-executive Chairman of the Board of Directors of grupo NAU Hotels & Resorts

Amável Calhau

Substitute member of the Audit Board of Fundação Galp

Substitute member of the Audit Board of Galp Gás Natural Distribuição, S.A.

Member of the audit board of several companies

Remuneration Committee

Jorge Armindo de Carvalho Teixeira

Member of the Board of Directors of Amorim – Entertainment e Gaming Internacional, SGPS, S.A.

Member of the Board of Directors of Amorim Turismo, SGPS, S.A.

Member of the Board of Directors of BLUE & GREEN – Serviços e Gestão, S.A.

Member of the Board of Directors of Bl&Gr, S.A

Member of the Board of Directors of CHT – Casino Hotel de Tróia, S.A.

Member of the Board of Directors of ELEVEN – Restauração e Catering, S.A.

Member of the Board of Directors of Estoril Sol, SGPS, S.A.

Member of the Board of Directors of Fozpatrimónio, S.A.

Member of the Board of Directors of Fundição do Alto da Lixa, S.A.

Member of the Board of Directors of Goldtur – Hotéis e Turismo, S.A.

Member of the Board of Directors of Grano Salis Inv. Turísticos, Jogo e Lazer, S.A.

Member of the Board of Directors of Grano Salis II Investimentos Turísticos e de Lazer, S.A.

Member of the Board of Directors of Hotel Turismo, S.A.R.L.

Member of the Board of Directors of Iberpartners Gestão e Reestruturação de Empresas, S.A.

Member of the Board of Directors of Iberpartners Cafés, SGPS, S.A.

Member of the Board of Directors of Imofoz, S.A.

Member of the Board of Directors of Mobis – Hotéis de Mozambique, S.A.R.L.

Member of the Board of Directors of Notel Empreendimentos Turísticos, S.A.R.L.

Member of the Board of Directors of Prifalésia Construção e Gestão de Hotéis, S.A.

Member of the Board of Directors of SGGHM Sociedade Geral de Hotéis de Mozambique, S.A.

Member of the Board of Directors of Sociedade Figueira Praia, S.A.

Member of the Board of Directors of SPIGH – Sociedade Portuguesa de Investimentos e Gestão Hoteleira, S.A.

Member of the Board of Directors of Troia Península Investimentos, SGPS, S.A.

Member of the Board of Directors of Turyleader, SGPS, S.A.

Member of the Executive Board of AHP Hospitality Association of Portugal

Member of the Executive Board of ELO – Portuguese Association for Economic Development and Cooperation

Vice-Chairman of the Board of Directors of the CTP Portuguese Confederation of Tourism

Chairman of the Audit Board of the APR Portuguese Resorts Association

Joaquim Alberto Hierro Lopes

Member of the Board of Directors of the GED Partners, SL

Member of the Board of Directors of the Capital Promoción Empresarial del Sru, S.A.

Member of the Board of Directors of the GED Capital Development, S.A.

Member of the Board of Directors of the GED Iberian Private Equity, S.A.

Member of the Investment Committees of all GED Funds

Member of the Board of Directors of the Megafood, S.A.

Member of the Board of Directors of the FASE-Estudos e Projectos, S.A.

Member of the Board of Directors of the Serlima Services, S.A.

Chairman of the Board of Directors of ISAG – Graduate School of Administration and Management

8.10.

Glossary and abbreviations

Glossary

Absenteeism

Ratio between the number of working hours lost by absence and the maximum potential of working hours (number of employees x 21 days x 11 months x 8 hours).

API density

Density expressed in API degrees, defined by the American Petroleum Institute by means of the following formula: API°= (141.5/g) – 131.5, where g is the density of the oil to 60°F (15.6 °C). This is the formula that is internationally used to establish the density of crude oil. The greater the API density, the lighter the crude oil.

Atmospheric distillation

Distillation of crude oil effected under atmospheric pressure, from which oil product fractions are produced (light oil, heavy oil, diesel fuels, and heavy products, for example). After suitable treatment, these fractions are the components of the finished products.

Benchmark refining margin

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

Rotterdam hydrocracking margin

The Rotterdam hydrocracking margin has the following profile: -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

The Rotterdam cracking margin has the following profile: -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

The Rotterdam base oils margin has the following profile: -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

The Rotterdam aromatics margin has the following profile: -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.

CO_2

Carbon dioxide, colourless gas that is heavier than air, this being one of its natural components. Produced by certain natural processes, such as the carbon cycle, and by the complete burning contained in fossil fuels.

Cogeneration

Power generation technology that allows the combined production of heat and electricity. The advantage of cogeneration is the capacity it has to take double advantage of the heat produced by burning the fuel for the generation of thermal energy for the generation of electricity. This process allows the same installation to comply with the heat (hot water or steam) and electricity needs of both industrial clients and urban settlements. This system improves the energy efficiency of the generation process and reduces use of the fuel.

Complexity

The complexity of a refinery lies in its capacity to process crude oil and other raw materials and is measured by means of the complexity index, calculated separately by different organisations within the sector, such as energy sector consultants

Solomon Associates and Nelson. A refinery's complexity index is calculated by attributing a complexity factor to each one of the refinery's units, which is based above all on the level of technology used in the construction of the unit, taking as a reference a crude oil primary distillation installation to which is attributed a complexity factor of 1.0. The complexity index of each unit is calculated by the multiplication of the complexity factor with the unit's capacity. The complexity of a refinery is equivalent to the weighted average of the complexity index of each one of its units, including the distillation units. A refinery with a complexity index of 10.0 is considered to be 10 times more complex than a refinery equipped with just crude oil atmospheric distillation, for the same quality of processed product.

Condensates

Hydrocarbons that, when stored in the respective deposits, are found to be in a gaseous state, but which on the surface become liquids under normal pressure and temperature conditions. This essentially concerns pentane and other heavier products.

Contingent resources

These are quantities of oil that are estimated on a given date to be potentially recoverable from known accumulations but are not currently considered to be commercially recoverable. This may happen for a variety of reasons. For example, maturity issues (the discovery needs further appraisal in order to firm up the elements of the development plan); technological issues (new technology needs to be developed and tested for commercial production); or market-driven issues (sales contracts are not yet in place or the infrastructure needs to be developed in order to get the product to market). 2C contingent resources are those that are calculated based on the best estimate, while 3C resources correspond to the highest estimate, thus reflecting a larger level of uncertainty. Volumes that fall into this category cannot be referred to as reserves.

Conversion

Set of various treatments (catalytic or thermal) where the principal reaction is effected on the carbon connections, with this having the possibility of being more or less deep due to the conditions imposed. This process is typically associated with the conversion of fuel oils in lesser fractions (diesel fuels, gasoline and gases) and fuel oils that are more sophisticated from the perspective of their use. In a modern refinery, these processes have assumed a growing importance.

Cracking

Transformation through a breaking down of the hydrocarbon molecules in long chains, with the objective of obtaining hydrocarbon molecules in shorter chains, thus increasing the proportion of lighter and more volatile products. Distinguishing between thermal cracking and catalytic cracking. Thermal cracking is only caused by the actions of heat and pressure. Catalytic cracking uses catalysers that, at the same temperature, allow a deeper and more selective transformation of fractions that could be heavier.

Dated Brent

Price of shipments of Brent oil as announced by the price fixing agencies. This is the reference price for the vast majority of crude oils sold in Europe, Africa and the Middle East, and is one of the most important references for the prices on the spot market. Dated Brent oil is the light crude oil from the North Sea that, since July 2006, has included the Fortis and Oseberg branches. The crude mix has an average API density of approximately 38.9°.

Diesel

A mix of liquid hydrocarbons destined for feeding compression ignition engines (Diesel cycle). The behaviour of diesel fuel depends on the temperatures at which it is used.

Distillation

A method for separating (liquid or solid) substances by evaporation followed by condensation. Distillation may take place under atmospheric pressure or in a vacuum, depending on what products are desired. This process produces distillates.

Emissions

Release of gases into the atmosphere. Within the context of global climactic alterations, the gases released include gases capable of altering the climate – the so-called GGEs. A typical example is the release of CO_2 during the burning of fuels.

Direct emissions (A1)

These can be directly controlled by the Company and concern the emissions due to the consumption of fuel in its own installations: ovens, heat or steam generators, or the Organisation's cars.

Indirect emissions (A2)

These are a result of the Company's activities but which use another organisation's resources: use of grid, heat or steam electricity, produced at installations that are not the Company's.

Indirect emissions (A3)

Emissions due to the consumption of fuel in installations that are not the Company's: leased cars, planes, waste incineration, logistics activities or services.

FPSO

A floating, production, storage and offloading (FPSO) unit is a floating oil production system, built on a ship structure, with a capacity for oil and natural gas production processing, liquid storage and transfer of oil to tankers. Regarding the FPSO units in the Brazilian pre-salt, the natural gas produced is exported through a pipeline to the brazilian onhsore, in order to supply that market.

FLNG

A floating, liquefied natural gas unit is a floating natural gas liquefaction system, built on a ship structure, with a capacity for production, liquefaction and storage of liquefied natural gas. The stored product is exported through the transfer to LNG vessels

Fuel oil

A mix of hydrocarbons destined for the production of heat in thermal installations. There are various types of fuel oil, due to its viscosity, which conditions their use.

Gasoline

Fuel for automobiles equipped with motors that use the Otto cycle. This should comply with precise specifications concerning its physical and chemical qualities, of which the most important is resistance to self-inflammation.

Hydrocracking

Process of cracking with the use of hydrogen and under the action of catalysts that allows the conversion of less valuable, high-boiling-point oil fractions into lighter, more valuable fractions. The hydrogen allows working at lower temperatures and greater selectivity and, therefore, produces better results.

The products from the reaction are saturated compounds, which provide them with important stability qualities.

ICE

The Intercontinental Exchange, Inc., or ICE, is a North-American company that operates virtual markets, in which futures contracts are transacted as well as OTC contracts on energy and commodities, and other financial derivatives products.

Jet fuel

Fuel for jet motors used in aviation.

Liquefied natural gas (LNG)

Natural gas that is changed into its liquid state to enable transportation. Liquefaction is performed by a reduction in the temperature of the gas, to atmospheric pressure, to amounts of less than -160°C. The volume of the LNG is approximately 1/600 of the volume of natural gas.

Liquefied Petroleum Gas (LPG)

Gaseous hydrocarbons, under normal conditions of temperature and pressure, and liquids, by raising the pressure or reduction of temperature, which can legally be transported and stored. The most common are propane and butane.

Lubricants

Products obtained by mixing one or more base oils and additives. This process obeys specific formulas due to the use of the lubricant. The percentage of additives in the lubricating oils reaches 40%. The lubricating oils have three main uses: automobiles, industry and marine.

Naphtha

Oil product fraction that is located between gases and oil. This is also a raw material in the petrochemical industry, from which cracking provides a large variety of products. This can also form part of the composition of engine gasoline (light naphtha) or, in the case of heavy naphtha, serve as a raw material for the production of reformate.

Natural gas

Mix of light hydrocarbons found in the subsoil, in which methane is present at a percentage of more than 70% volume. The composition of natural gas may vary depending upon the field in which it is produced and the processes of production, conditioning, processing and transport.

Net entitlement production

The production percentage of the rights for the exploration and production of hydrocarbons in a concession following production-sharing agreements.

Prospective resources

Quantities of oil that have, on a certain date, been estimated as potentially recoverable from undiscovered accumulations through future development projects. The estimation of a prospect's resources is subject to both commercial and technological uncertainties. Risked mean estimate prospective resources have a higher implied recovery probability than unrisked mean estimate resources. The quantities classified as prospective resources cannot be classified as contingent resources or reserves.

Proven reserves (1P)

Under the definitions approved by the SPE and the WPC, proven reserves are those quantities of oil which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. If deterministic methods are used, the expression "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

The definition of current economic conditions should include relevant historical oil prices and associated costs. In general, reserves are considered proven if the commercial productivity of the reservoir is supported by actual production or formation tests. In this context, the term "proven" refers to the actual quantities of oil reserves and not just the productivity of the well or reservoir. The area of the reservoir considered as proven includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. Reserves may be classified as proven if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed.

Proven and probable reserves (2P)

2P reserves correspond to the sum of proven (1P) and probable reserves. Under the definitions approved by the SPE and the WPC, probable reserves are a category of unproven reserves. Unproven reserves are based on geological or engineering data similar to those used in estimates of proven reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Probable reserves are those quantities of oil that, by analysis of geological and engineering data, have a lower probability of being recovered than the proven reserves, but higher than the possible reserves. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the 2P estimate.

Proven, probable and possible reserves (3P)

3P reserves correspond to the sum of proven, probable and possible reserves. Under the definition approved by the SPE and the WPC, possible reserves are a category of unproven reserves. Unproven reserves are based on geological or engineering data similar to those used in estimates of proven reserves but in relation to which technical, contractual, economic or regulatory uncertainties preclude such reserves from being classified as proven. Possible reserves have a lower probability of being recovered than probable reserves. If probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the 3P estimate.

Refineries' utilisation rate

Ratio of the total quantity of crude processed oil in the crude oil distillation units in relation to these units' maximum processing capacities.

Refinery

The installation where the industrial processes designed to transfer the crude oil into products adapted to the needs of the consumers (fuels, lubricants, bitumen, etc.) or into raw materials for other so-called "second generation" industries (for example, the petrochemical industry).

Renewable energy

Energy that is available from permanent and natural energy conversion processes and is economically exploitable under present conditions or in the foreseeable future.

Replacement Cost (RC)

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

Replacement Cost Adjusted (RCA)

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

Seismic

Seismic acquisition involves the generation (source) and recording (receiver) of seismic data. A source, such as a vibrator unit, dynamite shot, or an air gun, generates acoustic or elastic waves that travel into the Earth, pass through strata with different seismic responses and filtering effects, and return to the surface to be recorded as seismic data. The receiver may include different configurations, including laying geophones or seismometers on the surface of the Earth or seafloor, pulling hydrophones behind a marine seismic vessel, suspending hydrophones vertically in the sea or placing geophones in a wellbore (as in a vertical seismic profile) to record the seismic signal.

Social Return on Investment (SROI)

Cost-benefit analysis of the social value generated by the intervention of an organisation. This social impact assessment tool compares the social value generated by the intervention with the necessary expense for this benefit through a ratio between the net present value of the benefits and the net present value of the investment.

Spot market

The name, relating to products such as oil, used to describe the international commerce of products shipped in single cargos, such as crude oil, the prices of which closely follow the respective demand and availability.

Storage facility

Installation used by principal and collector pipeline companies, producers of crude oil, and terminal operators (except refineries) for storage of crude oil and oil products.

Turnover

Ratio between the number of departures and the total number of employees, considering only departures on their own initiative.

Wind farm

Group of wind turbines for the production of electrical energy interlinked by a common network by means of a system of transformers, distribution lines and, usually, a substation. The functions of exploration, control and maintenance are normally centralised by means of a monitored IT system, which is complemented by visual inspections.

Wind power

Kinetic energy – that is, energy that is generated by movement that is obtained by displacement of the air, or in other words, wind. This can be converted into mechanical energy for the enactment of pumps, mills and electrical energy generators.

Working interest production

The production percentage of the rights for exploration and production of hydrocarbons in a concession before the effect of production-sharing agreements.

Abbreviations and acronyms

AFI: accident frequency index
AGU: autonomous gas units
Amorim Energia: Amorim Energia, B.V.
ANEFA: National Association of Forestry, Agriculture and Environment Companies
ANP: *Agência Nacional do Petróleo, Gás Natural e Biocombustíveis* (Brazilian energy sector regulator)
ASF: Supervisory Authority for Insurance and Pensions *(Autoridade de Supervisão de Seguros e Pensões)*
b.p.: basis points
bbl: oil barrel
BBLT: Benguela, Belize, Lobito and Tomboco
bcm: billion cubic metres
Black Creek: Black Creek Investment Management Inc.
BlackRock: BlackRock, Inc.
bn: billion
boe: barrel of oil equivalent
CDLI: Climate Disclosure Leadership Index
CEC: Ethics and Conduct Committee
CEO: Chief executive officer
CESE: Energy Sector Extraordinary Contribution
CFO: Chief financial officer
CGD: Caixa Geral de Depósitos, S.A.
CGU: cash generating unit
CITE: *Comissão para a Igualdade no Trabalho e no Emprego* (Commission for Equality in Labour and Employment)
CLCM: Companhia Logística de Combustíveis da Madeira, S.A.
CMVM: *Comissão do Mercado de Valores Mobiliários* (Portuguese Securities Market Regulator)
CNPC: China National Petroleum Corporation
CoEC: Code of Ethics and Conduct
CO_2: Carbon dioxide
COFINS: Contribution to social security financing
CompeC: Advanced Course in Commercial Skills
CONCAWE: Conservation of Clean Air and Water in Europe
COO: chief operating officer
CORES: Corporación de Reservas Estratégicas de Productos Petrolíferos
COSO: Committee of Sponsoring Organisations of the Treadway Commission
CPT: compliant piled tower
CRO: chief risk officer
CSC: Commercial Law *(Código das Sociedades Comerciais)*
CTA: Cumulative Translation Adjustment
CVM: Portuguese Securities Code
D&P: Development and production
DeMac: DeGolyer and MacNaughton
DP: Development plan
DJSI: Dow Jones Sustainability Index
DoC: Declaration of Commerciality
DST: drill stem test
E&P: Exploration & Production
Ebit: Earnings before interest and taxes
Ebitda: Earnings before interest, taxes, depreciation and amortisation
EETS: European Emissions Trading Scheme
EITI: Extractive Industries Transparency Initiative
EL: Emissions licenses
EMPL: Europe-Maghreb Pipeline
EMTN: Euro Medium Term Note
EngIQ: Refining, Petrochemical and Chemical Engineering Doctorate Programme
ENH: *Empresa Nacional de Hidrocarbonetos* (National hydrocarbons company of Mozambique)
Eni: Eni, S.p.A.
ENMC: national entity for the fuel market *(Entidade Nacional para o Mercado de Combustíveis, E.P.E.)*
EQS: Environment, Quality and Safety
EQSE: Environment, Quality, Safety and Energy
EQSS: Environment, Quality, Safety and Sustainability
EPCIC: Engineering, Procurement, Construction, Installation
and Commissioning
EPC: Engineering, Procurement and Construction
EPOL: Emergency Plan for Oil Leakage in the Geographical Area of the Santos Basin
ERM: Entreprise Risk Managment
ERSE: *Entidade Reguladora dos Serviços Energéticos* (Portuguese energy market regulator)
ERU: emission reduction units
EUA: emission unit allowances
EUR (or €): Euro
EV: electric vehicle
EWT: Extended well test
FASB: Financial Accounting Standards Board
FAME: fatty acid methyl ester
FCC: Fluid catalytic cracking
FEED: Front-End Engineering Design
FID: Final Investment Decision
FLNG: Floating, liquefied natural gas
FormAG: Advanced Management Training Course
FPSO: Floating, production, storage and offloading
FPSO #1: FPSO Cidade Angra dos Reis
FPSO #2: FPSO Cidade de Paraty
FPSO #3: FPSO Cidade de Mangaratiba
FPSO #4: FPSO Cidade de Itaguai
FPSO #5: FPSO Cidade de Marica
FPSO #6: FPSO Cidade de Saquarema
FPSO #7: FPSO P-66
FSB: Financial Stability Board
Funae: Fundo Nacional de Energia (Mozambique)
G&P: Gas & Power
Galp: Galp Energia, SGPS, S.A., Company, Group or Corporation
GHG: greenhouse gases
GIIP: gas initially in place
GRI: Global Reporting Initiative
GVA: Galp Added Value
GWh: gigawatt-hour
GWT: Global Water Tool for Oil & Gas
HC: hydrocracking
HSE: Health, Safety and the Environment
IIA: The Institute of Internal Auditors
IBAMA: *Instituto Brazileiro do Meio Ambiente e dos Recursos Naturais Renováveis* (Brazilian Institute for the Environment and Natural Resources)
IBAT: Integrated Biodiversity Assessment Tool
ICE: Intercontinental Exchange
IEP: Individual Emergency Plan
IFRS: International Financial Reporting Standards
IRP: Oil income tax (Angola)
ISIN: International securities identification number
ISO: International Organisation for Standardisation
ISP: Portuguese Tax on Oil Products *(Imposto sobre Produtos Petrolíferos)*
IsPG: *Instituto do Petróleo e Gás* (Brazilian Institute of Oil and Gas)
Janus Henderson: Janus Henderson Group Plc
JOA: Joint Operating Agreement
k: thousand/thousands
kboepd: thousand barrels of oil equivalent per day
kbpd: thousand barrels of oil per day
km/km2/km3: kilometres / square kilometres / cubic kilometres
KRI: key resources indicators
kton: thousand tonnes
LNG: liquefied natural gas
LPG: liquefied petroleum gas
LRO: Local risk officer
LTIFR: Lost time injury frequency rate
m: million
m_3: cubic metres
MIBEL: Iberian Electricity Market
mm_3: million cubic metres
mmbbl: million barrels
mmboe: million barrels of oil equivalent
mmbtu: million British thermal units
MRV: Mozambique Rovuma Venture S.p.A.
MScEP: Masters in Petroleum Engineering
mton: million tonnes
MW: megawatt
NAMCOR: National Petroleum Corporation of Namibia
NE: North-east
NG: natural gas

NGNDN: Natural Gas National Distribution Network
NGNS: Natural Gas National System
NGNTN: Gas National Transportation Network
NPV: Net Present Value
OECD: Organisation for Economic Cooperation and Development
OHSAS: Occupational Health and Safety Assessment Services
OPEC: Organisation of Petroleum Exporting Countries
OTC: over-the-counter
p.p.: percentage points
Parpública: Parpública – Participações Públicas, SGPS, S.A.
Petrobras: Petróleo Brasileiro, S.A.
Petrogal: Petróleos de Portugal – Petrogal, S.A.
PIA: Production Individualisation Agreement
PIS: Program of social integration and formation of the patrimony of the public servant
PMRS: Petroleum Resources Management System
POS: Probability of Geological Success or Probability of Success
PPSA: Pré-Sal Petróleo S.A.
PSA: production sharing agreement
PSI-20: portuguese stock market reference index
PSL: Post Service Liability
PwC: PricewaterhouseCoopers
R&D: Research & Development
R&M: Refining & Marketing
R&T: Research & Technology
RAB: Regulatory Asset Base
RC: replacement cost
RCA: replacement cost adjusted
RCM: Reliability centred maintenance
RDA: Reservoir data acquisition
RLR: Retailers of Last Resort
RLRW: Retailer of Last Resort Wholesaler
ROC: Statutory Auditor
RRR: Reserves replacement ratio
SGPS: *Sociedade Gestora de Participações Sociais* (Holding company)
SIC: Standing Interpretation Committee
SPE: Society of Petroleum Engineers
SPPI: Solely Payments of Principal and Interest
SROC: Firm of statutory auditors
Standard Life: Standard Life Investments (Holdings) Limited
SXEP: STOXX Europe 600 Oil & Gas Index
ton: tonne
tCo_2: tonnes of carbon dioxide
tCo_2e: tonnes of carbon dioxide equivalent
tcf: trillion cubic feet
TCFD: Task Force on Climate-related Financial Disclosure
Templeton: Templeton Global Advisors Limited
TL: Tômbua – Lândana
ToP: take-or-pay
TSR: Total Shareholder Return
UGS: global system use
UN: United Nations
UNGC: United Nations Global Compact
UOP: unit of production
URD: distribution network use
URT: transportation network use
USA: United States of America
USD (or $): United States Dollar
Ventinveste: Ventinveste, S.A.
VGO: vacuum gas oil
WAC: weighted-average cost
WAG: water alternating gas
WEST: Western European Summer Time
WPC: World Petroleum Council

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DESIGN AND CONCEPTION
J. Walter Thompson

Galp Energia, SGPS, S.A.
Public Company

Rua Tomás da Fonseca, Torre C
1600 - 209 Lisbon
Tel.: +351 217 240 866
Fax: +351 217 242 965
e-mail: investor.relations@galp.com
galp.com