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# RESULTS AND CONSOLIDATED INFORMATION

FIRST QUARTER  
2017

May 2017  
Investor relations

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# 1. Executive summary

## Main highlights during the first quarter of 2017

- **Working interest production increased 56% YoY** to 88 thousand barrels of oil equivalent per day (kboepd), of which 87% was oil. It is worth highlighting the **maintenance work that was carried out in FPSO Cidade de Angra dos Reis (#1) and Cidade de Paraty (#2) during the quarter.**
- The **Lula and Iracema** fields currently have five units producing at plateau levels, with FPSO Cidade de Saquarema (#6) in production ramp-up phase. **The first replicant FPSO (#7) is installed in the Lula South area** and is expected to start production during the second quarter of 2017.
- **RCA Ebitda for Exploration & Production (E&P) was €204 m, up €155 m YoY supported by increased production and higher oil and natural gas prices.**
- **Ebitda RCA in Refining & Marketing (R&M) increased €40 m YoY to €187 m**, with Galp's refining margin increasing from \$4.1/boe to \$5.1/boe in the period, benefiting from sourcing opportunities. Marketing of oil products was supported by demand in the retail segment, as well as by demand for jet fuel and marine bunkers in the wholesale segment.
- **RCA Ebitda for Gas & Power (G&P) was down €68 m YoY to €22 m, affected by sourcing restrictions** and by the **deconsolidation of the regulated infrastructure business.**
- **Consolidated Ebitda RCA increased €126 m YoY to €419 m**, with the performance of R&M and E&P offsetting the lower G&P contribution.
- **The Group's Ebit RCA was €220 m** and was **impacted by higher depreciation charges in the E&P business** - due to the increased asset base under production - **and in the R&M business.**
- **RCA net income decreased €15 m YoY to €99 m, impacted by a swing in the mark-to-market of hedging derivatives and by an increase in taxes.** Higher taxation was due to the higher E&P results, a reversal in deferred taxes and a provision for oil tax payable in Angola.
- Non-recurring items totalled €18 m, with the Portuguese extraordinary contribution on the energy sector (CESE) impacting IFRS results in €25 m. **IFRS net income reached €134 m.**
- **Net debt was stable during the first quarter of 2017**, despite the €203 m increase in working capital during the period, which was due to the temporary increase in inventories. **Net debt** on 31 March **amounted to €1.3 bn**, considering the loan to Sinopec as cash and equivalents, with net debt to Ebitda ratio standing at 1.0x.

## 2. Key figures

### Financial data

€m (RCA)

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
<b>Ebitda RCA</b>	<b>293</b>	<b>419</b>	<b>126</b>	<b>43%</b>
Exploration & Production	48	204	155	n.m.
Refining & Marketing	148	187	40	27%
Gas & Power	90	22	(68)	(76%)
<b>Ebit RCA</b>	<b>137</b>	<b>220</b>	<b>83</b>	<b>60%</b>
<b>Ebit IFRS</b>	<b>(3)</b>	<b>286</b>	<b>289</b>	<b>n.m.</b>
<b>Net income RCA</b>	<b>114</b>	<b>99</b>	<b>(15)</b>	<b>(13%)</b>
Non-recurring items	(80)	(18)	62	(77%)
Inventory effect	(92)	54	145	n.m.
<b>Net income IFRS</b>	<b>(58)</b>	<b>134</b>	<b>192</b>	<b>n.m.</b>
<b>Capex</b>	<b>343</b>	<b>227</b>	<b>(116)</b>	<b>(34%)</b>
<b>Net debt</b>	<b>2,467</b>	<b>1,895</b>	<b>(573)</b>	<b>(23%)</b>
<b>Net debt including loan to Sinopec<sup>1</sup></b>	<b>1,841</b>	<b>1,333</b>	<b>(507)</b>	<b>(28%)</b>
<b>Net debt to Ebitda RCA<sup>2</sup></b>	<b>1.4x</b>	<b>1.0x</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Considering loan to Sinopec as cash. <sup>2</sup> As at 31 March 2017, ratio considers net debt including €561 m loan to Sinopec as cash, plus €176 m of Sinopec MLT shareholder loan to Petrogal Brasil and LTM Ebitda RCA of €1,537 m.

### Operational data

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
Average working interest production (kboepd)	56.3	88.0	31.6	56%
Average net entitlement production (kboepd)	53.7	86.2	32.5	60%
Oil and gas average sale price (USD/boe)	26.2	45.4	19.2	73%
Raw materials processed (mmboe)	25.2	26.1	0.9	4%
Galp refining margin (USD/boe)	4.1	5.1	1.0	26%
Oil sales to direct clients (mton)	2.1	2.1	(0.1)	(3%)
NG sales to direct clients (mm <sup>3</sup> )	901	1,149	249	28%
NG/LNG trading sales (mm <sup>3</sup> )	960	857	(102)	(11%)

### Market indicators

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
Average exchange rate (EUR:USD)	1.10	1.06	(0.04)	(3%)
Dated Brent price <sup>1</sup> (USD/bbl)	33.9	53.7	19.8	58%
Heavy-light crude price spread <sup>1</sup> (USD/bbl)	(2.3)	(1.8)	0.5	(21%)
U.K. NBP natural gas price <sup>1</sup> (USD/mmbtu)	4.3	6.0	1.7	40%
U.S. Henry Hub natural gas price <sup>2</sup> (USD/mmbtu)	2.0	3.1	1.1	55%
LNG Japan and Korea price <sup>1</sup> (USD/mmbtu)	5.0	7.0	2.0	40%
Benchmark refining margin <sup>3</sup> (USD/bbl)	3.3	3.5	0.2	6%
Iberian oil market <sup>4</sup> (mton)	14.9	15.1	0.2	1.3%
Iberian natural gas market <sup>5</sup> (mm <sup>3</sup> )	8,653	9,734	1,080	12.5%

<sup>1</sup> Source: Platts. Urals NWE dated for heavy crude; dated Brent for light crude. <sup>2</sup> Source: Nymex.

<sup>3</sup> For a complete description of the method of calculating the benchmark refining margin see "Definitions".

<sup>4</sup> Source: APETRO for Portugal; CORES for Spain.

<sup>5</sup> Source: Galp and Enagás.

## 3. Market environment

### Dated Brent

During the first quarter of 2017, the average price of dated Brent increased \$19.8/bbl YoY to \$53.7/bbl. This increase reflected confidence in the market re-balance following compliance from OPEC and non-OPEC countries on the agreed cuts.

The average price spread between Urals and dated Brent narrowed from \$2.3/bbl the previous year, to \$1.8/bbl, with the Russian crude price benefiting from Asian market demand, as a result of the OPEC production cuts.

### Natural gas

The natural gas price in Europe (NBP) increased from \$4.3/mmbtu in the first quarter of 2016 to \$6.0/mmbtu in the same period of 2017. This was driven by rising demand for electricity production, which resulted from an overall increase in the price of coal, following constraints on domestic production in China.

During the first quarter of 2017, the Asian LNG reference price (JKM) increased from \$5.0/mmbtu to \$7.0/mmbtu compared to the previous year, supported by a strong increase in demand from China.

### Refining margins

During the first quarter, the benchmark refining margin increased by \$0.2/bbl YoY to \$3.5/bbl, with higher diesel and fuel oil prices offsetting the increased cost of crude oil.

The diesel crack stood at \$11.8/bbl, up by \$2.7/bbl YoY, supported by higher demand and lower global inventories.

During the first quarter of 2017, the fuel oil crack was at -\$5.3/bbl, up by \$6.6/bbl YoY, due to lower product supply from Russia.

### Iberian market

During the first quarter of 2017, the Iberian market for oil products grew 1.3% and totalled 15.1 million tonnes (mton), up from 14.9 mton YoY, impacted by higher demand for diesel and LPG, resulting from a higher economic activity and the implementation of an incentive plan for LPG in Spain.

The natural gas market in Iberia rose 12.5% during the first quarter of 2017 compared to the previous year, to 9,734 mm<sup>3</sup>. This increase was due to a greater demand for gas in the conventional segment, due to a higher economic activity, and for electricity production, due to the low levels of wind and hydroelectric power generation during the period.



## 4. Exploration & Production

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

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
<b>Average working interest production<sup>1</sup> (kboepd)</b>	<b>56.3</b>	<b>88.0</b>	<b>31.6</b>	<b>56%</b>
Oil production (kbpd)	52.9	76.9	24.0	45%
<b>Average net entitlement production<sup>1</sup> (kboepd)</b>	<b>53.7</b>	<b>86.2</b>	<b>32.5</b>	<b>60%</b>
Angola	7.9	6.9	(1.0)	(13%)
Brazil	45.8	79.3	33.5	73%
<b>Oil and gas average sale price (USD/boe)</b>	<b>26.2</b>	<b>45.4</b>	<b>19.2</b>	<b>73%</b>
<b>Royalties<sup>2</sup> (USD/boe)</b>	<b>2.8</b>	<b>4.6</b>	<b>1.7</b>	<b>61%</b>
<b>Production costs (USD/boe)</b>	<b>8.9</b>	<b>8.0</b>	<b>(0.9)</b>	<b>(10%)</b>
<b>Amortisation<sup>3</sup> (USD/boe)</b>	<b>15.8</b>	<b>13.4</b>	<b>(2.5)</b>	<b>(16%)</b>
<b>Ebitda RCA</b>	<b>48</b>	<b>204</b>	<b>155</b>	<b>n.m.</b>
Depreciation & Amortisation <sup>3</sup>	70	97	27	39%
Provisions	-	-	-	n.m.
<b>Ebit RCA</b>	<b>(22)</b>	<b>106</b>	<b>128</b>	<b>n.m.</b>
<b>Ebit IFRS</b>	<b>(31)</b>	<b>108</b>	<b>139</b>	<b>n.m.</b>
<b>Net Income from E&amp;P Associates</b>	<b>3</b>	<b>9</b>	<b>6</b>	<b>n.m.</b>

<sup>1</sup> Includes natural gas exported; excludes natural gas used or reinjected.

<sup>2</sup> Based on production in Brazil.

<sup>3</sup> Includes abandonment provisions.

### Operations

During the first quarter of 2017, the average working interest production of oil and natural gas increased 56% YoY to 88.0 kboepd, due to higher production from Brazil. Of total volumes, 87% corresponded to oil.

It should be noted that, in Brazil, maintenance work was carried out in FPSO #1 and FPSO #2, which impacted production mainly during March.

Galp and its partners continued with the development works on the Lula and Iracema fields, currently featuring five units producing at plateau and with the FPSO Cidade de Ssquarema (#6) in production ramp-up, with the connection of the fifth producer well during the quarter.

Currently, all units are connected to the gas export network, including FPSO #6, which was connected during April but which is under commissioning.

The first replicant FPSO is installed in the Lula South area and is expected to start production during the second quarter of 2017.

In Angola, although working interest production declined 18% YoY, due to the natural decline in block 14, net entitlement production fell by only 13% YoY, benefiting from the cost-recovery mechanism under the production sharing agreement.

## Results and consolidated information - First Quarter 2017

May 2017

### Results

During the first quarter of 2017, Ebitda RCA amounted to €204 m, up €155 m YoY, on the back of increased production and higher oil and natural gas prices. The Group's average sale price was \$45.4/boe, compared to \$26.2/boe the previous year.

Production costs increased €19 m YoY to around €58 m in the quarter, mainly due to the start of production of FPSO Cidade de Maricá (FPSO #5) and FPSO #6 during 2016. In unit terms and on a net entitlement basis, production costs decreased

by \$0.9/boe to \$8.0/boe, benefiting from higher production dilution.

During the first quarter of 2017, depreciation charges (including abandonment provisions) amounted to €97 m, up 38% YoY, on the back of an increased asset base in Brazil. On a net entitlement basis, depreciation charges decreased from \$15.8/boe to \$13.4/boe YoY.

RCA Ebit was €106 m, up €128 m YoY.

Results from associated companies related to the E&P activities were €9 m.

## Results and consolidated information - First Quarter 2017

May 2017



## 5. Refining & Marketing

€m (RCA, except otherwise stated)

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
<b>Galp refining margin (USD/boe)</b>	<b>4.1</b>	<b>5.1</b>	<b>1.0</b>	<b>26%</b>
<b>Refining cash cost<sup>1</sup> (USD/boe)</b>	<b>2.0</b>	<b>1.7</b>	<b>(0.3)</b>	<b>(14%)</b>
<b>Impact of hedging on refining margin<sup>2</sup> (USD/boe)</b>	<b>0.1</b>	<b>(0.0)</b>	<b>(0.2)</b>	<b>n.m.</b>
<b>Raw materials processed (mmboe)</b>	<b>25.2</b>	<b>26.1</b>	<b>0.9</b>	<b>4%</b>
Crude processed (mmbbl)	23.9	22.9	(1.0)	(4%)
<b>Total refined product sales (mton)</b>	<b>4.1</b>	<b>4.4</b>	<b>0.3</b>	<b>7%</b>
Sales to direct clients (mton)	2.1	2.1	(0.1)	(3%)
<b>Ebitda RCA</b>	<b>148</b>	<b>187</b>	<b>40</b>	<b>27%</b>
Depreciation & Amortisation	65	91	26	40%
Provisions	5	3	(2)	(46%)
<b>Ebit RCA</b>	<b>78</b>	<b>94</b>	<b>16</b>	<b>21%</b>
<b>Ebit IFRS</b>	<b>(47)</b>	<b>150</b>	<b>197</b>	<b>n.m.</b>
<b>Net Income from R&amp;M Associates</b>	<b>1</b>	<b>(2)</b>	<b>(2)</b>	<b>n.m.</b>

<sup>1</sup> Excluding impact of refining margin hedging operations.<sup>2</sup> Impact on Ebitda.

### Operations

Raw materials processed during the first quarter of 2017 increased 4% to 26.1 mmboe, compared to the previous year, which had been affected by the planned outage of the hydrocracker (HC) at the Sines refinery. Crude oil accounted for 88% of raw materials processed, of which 84% corresponded to medium and heavy crudes.

The production of middle distillates (diesel and jet) accounted for 47% of total production in the

quarter, up 3 p.p. YoY, due to higher availability of the HC. Gasoline production accounted for 24% of production, while consumption and losses accounted for 8% of raw materials processed.

Volumes sold to direct clients stood at 2.1 mton, down 3% YoY, as a result of the Group's strategy of reducing exposure to low margin wholesale activities in Iberia. Volumes sold in Africa accounted for 9% of sales to direct clients.

### Results

RCA Ebitda in the R&M business increased €40 m YoY to €187 m, mainly due to improved benchmark refining margins.

Galp's refining margin stood at \$5.1/boe, compared to \$4.1/boe the previous year. The spread to benchmark margin was \$1.6/boe, as the Company benefited from sourcing opportunities.

Refining cash costs stood at €42 m, lower than in the first quarter of 2016. In unit terms, cash costs were \$1.7/boe.

Marketing of oil products was supported by robust demand in the retail segment, as well as for jet fuel and marine bunkers in the wholesale segment.

Depreciation and provisions increased €23 m YoY to €93 m.

Ebit RCA stood at €94 m and Ebit IFRS increased to €150 m. The inventory effect amounted to €60 m.

## Results and consolidated information - First Quarter 2017

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## 6. Gas & Power

€m (RCA except otherwise stated)

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
<b>NG/LNG total sales volumes (mm<sup>3</sup>)</b>	<b>1,860</b>	<b>2,006</b>	<b>146</b>	<b>8%</b>
Sales to direct clients (mm <sup>3</sup> )	901	1,149	249	28%
Trading (mm <sup>3</sup> )	960	857	(102)	(11%)
<b>Sales of electricity (GWh)</b>	<b>1,192</b>	<b>1,350</b>	<b>158</b>	<b>13%</b>
Sales of electricity to the grid (GWh)	356	496	140	39%
<b>Ebitda RCA</b>	<b>90</b>	<b>22</b>	<b>(68)</b>	<b>(76%)</b>
Natural Gas	60	13	(48)	(79%)
Infrastructure	32	-	(32)	n.m.
Power	(3)	9	12	n.m.
Depreciation & Amortisation	15	5	(10)	(69%)
Provisions	0	3	3	n.m.
<b>Ebit RCA</b>	<b>75</b>	<b>15</b>	<b>(60)</b>	<b>(80%)</b>
<b>Ebit IFRS</b>	<b>69</b>	<b>22</b>	<b>(46)</b>	<b>(68%)</b>
<b>Net Income from G&amp;P Associates</b>	<b>18</b>	<b>25</b>	<b>8</b>	<b>43%</b>

### Operations

During the first quarter of 2017, Galp was affected by sourcing restrictions from its natural gas supplier in Algeria.

Total NG/LNG volumes sold amounted to 2,006 mm<sup>3</sup>, up 8% YoY, due to the increase in volumes sold to direct clients, namely to the electrical segment, which was due to lower wind and hydroelectric production in Iberia.

Network trading volumes reached 500 mm<sup>3</sup>, up 223 mm<sup>3</sup> YoY, which did not fully offset the decrease in LNG trading.

Volumes sold in the conventional market, i.e. in the industrial and retail segments, also increased by 15%, driven by higher volumes sold in the industrial segment. This was supported by a higher consumption from the Sines refinery, which had been impacted by an outage the previous year.

Sales of electricity increased 140 GWh YoY to 496 GWh, benefiting from a better performance by the refineries' cogeneration units.

### Results

Ebitda RCA for the G&P business was down €68 m YoY to €22 m, following a lower contribution from the natural gas business and the deconsolidation of the regulated infrastructure business.

Ebitda of the natural gas segment stood at €13 m, down €48 m compared to the first quarter of 2016, due to a lower contribution from the LNG trading activity and impacted by sourcing restrictions.

Ebitda for the power business increased €12 m compared to the previous year to €9 m, which had been affected by the cogeneration performance and by the lag in the natural gas purchase price indexes and the produced energy sold.

It should be noted that in the first quarter of 2017, the regulated infrastructure business was no longer fully consolidated, following the completion of the sale of the 22.5% stake in Galp Gás Natural

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Distribuição S.A. (GGND) during the fourth quarter of 2016.

Ebit RCA decreased €60 m to €15 m. Ebit IFRS reached €22 m, compared to €69 m the previous year. The inventory effect amounted to €7 m.

Results from associated companies amounted to €25 m, of which €8 m from GGND.

## 7. Financial data

### 7.1. Income statement

€m (RCA, except otherwise stated)

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
Turnover	2,822	3,844	1,022	36%
Cost of goods sold	(2,155)	(2,975)	820	38%
Supply & Services	(306)	(376)	69	23%
Personnel costs	(75)	(79)	4	6%
Other operating revenues (expenses)	8	6	(3)	(31%)
<b>Ebitda RCA</b>	<b>293</b>	<b>419</b>	<b>126</b>	<b>43%</b>
<b>Ebitda IFRS</b>	<b>164</b>	<b>485</b>	<b>322</b>	<b>n.m.</b>
Depreciation & Amortisation	(151)	(194)	43	28%
Provisions	(5)	(5)	0	4%
<b>Ebit RCA</b>	<b>137</b>	<b>220</b>	<b>83</b>	<b>60%</b>
<b>Ebit IFRS</b>	<b>(3)</b>	<b>286</b>	<b>289</b>	<b>n.m.</b>
Net income from associated companies	21	32	11	51%
Financial results	3	(12)	(15)	n.m.
Net interests	(28)	(21)	(6)	(23%)
Interest capitalised	21	24	3	13%
Exchange gain (loss)	(7)	(3)	4	53%
Mark-to-market of hedging derivatives	22	(4)	(26)	n.m.
Other financial costs/income	(5)	(7)	(2)	(39%)
<b>Net income RCA before taxes and non-controlling interests</b>	<b>162</b>	<b>241</b>	<b>79</b>	<b>49%</b>
Taxes <sup>1</sup>	(39)	(123)	84	n.m.
Non-controlling interests	(9)	(18)	10	n.m.
<b>Net income RCA</b>	<b>114</b>	<b>99</b>	<b>(15)</b>	<b>(13%)</b>
Non recurring items	(80)	(18)	(62)	(77%)
<b>Net income RC</b>	<b>34</b>	<b>81</b>	<b>47</b>	<b>n.m.</b>
Inventory effect	(92)	54	145	n.m.
<b>Net income IFRS</b>	<b>(58)</b>	<b>134</b>	<b>192</b>	<b>n.m.</b>

<sup>1</sup> Includes the Special Participation tax payable in Brazil and IRP payable in Angola.

RCA Ebitda increased 43% YoY to €419 m, following a higher contribution from the E&P and R&M businesses. IFRS Ebitda rose €322 m to €485 m.

Considering the higher depreciation charges, namely in the E&P and R&M businesses, Ebit RCA stood at €220 m, while Ebit IFRS increased €289 m to €286 m.

Results from associated companies were up to €32 m.

Financial results were negative by €12 m, down €15 m YoY, driven by a €26 m mark-to-market swing, namely related to refining margin hedging.

RCA taxes increased to €123 m, mainly due to higher results in the E&P business, with taxes on oil and gas production reaching €68 m. It is also worth noting the reversal of c.€8 m in deferred taxes, as well as the €6 m provision in oil tax payable in Angola.

Non-controlling interests, mainly attributable to Sinopec's stake in Petrogal Brasil, increased to €18 m.

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RCA net income reached €99 m, while IFRS net income was €134 m. The inventory effect was €54 m and non-recurring items were €18 m.

The CESE tax in Portugal had a negative impact on IFRS results of around €25 m, including €16 m related to CESE I, whose annual impact was fully

accounted for in the first quarter. 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.

## 7.2. Capital expenditure

€m

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
Exploration & Production	316	209	(108)	(34%)
Exploration and appraisal activities	10	17	7	71%
Development and production activities	306	192	(115)	(37%)
Refining & Marketing	23	16	(7)	(31%)
Gas & Power	3	2	(1)	(42%)
Others	1	0	(0)	(33%)
<b>Capex</b>	<b>343</b>	<b>227</b>	<b>(116)</b>	<b>(34%)</b>

Capital expenditure during the quarter was €227 m, 84% of which was allocated to upstream development and production activities, namely in block BM-S-11 in Brazil and in block 32 in Angola. Within the exploration and appraisal activities, it is worth highlighting the ongoing 3D seismic campaign in São Tomé and Príncipe.

Capital expenditure in downstream and gas activities reached €18 m, including maintenance activities in the Sines refinery.

### 7.3. Cash flow

#### Indirect method

€m (IFRS figures)

	Quarter	
	1Q16	1Q17
Ebit	(3)	286
Dividends from associates	-	-
Depreciation, Depletion and Amortisation (DD&A)	162	194
Change in Working Capital	141	(203)
<b>Cash flow from operations</b>	<b>300</b>	<b>277</b>
Net capex <sup>1</sup>	(343)	(204)
Net financial expenses	(28)	(21)
SPT and Corporate taxes	(25)	(81)
Dividends paid	-	-
<b>Free cash flow</b>	<b>(96)</b>	<b>(30)</b>
Others <sup>2</sup>	50	5
<b>Change in net debt</b>	<b>45</b>	<b>24</b>

<sup>1</sup> The first quarter of 2017 includes the proceeds of €22 m from the sale of the 25% indirect stake in Âncora project.<sup>2</sup> Includes CTAs (Cumulative Translation Adjustment) and partial reimbursement of the loan granted to Sinopec.

Net debt increased by only €24 m during the first quarter of 2017, considering the €277 m cash flow from operating activities.

The €203 m increase in working capital was mainly due to a temporary increase in inventories.

## Results and consolidated information - First Quarter 2017

May 2017

**Direct method**

€m

	Quarter	
	1Q16	1Q17
<b>Cash and equivalents at the beginning of the period<sup>1</sup></b>	<b>1,045</b>	<b>923</b>
Received from customers	3,265	4,363
Paid to suppliers	(1,836)	(3,013)
Staff related costs	(76)	(71)
Dividends from associated companies	-	-
Taxes on oil products (ISP)	(604)	(612)
VAT, Royalties, PIS, Cofins, Others	(380)	(376)
<b>Total operating flows</b>	<b>369</b>	<b>290</b>
Net capex <sup>2</sup>	(379)	(238)
Net Financial Expenses	(52)	(50)
Dividends paid	-	-
SPT and Corporate taxes	(25)	(81)
Net new loans	(44)	(19)
Sinopec loan reimbursement	68	42
FX changes on cash and equivalents	(28)	(11)
<b>Cash and equivalents at the end of the period<sup>1</sup></b>	<b>954</b>	<b>858</b>

<sup>1</sup> 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.

<sup>2</sup> The first quarter of 2017 includes the proceeds of €22 m from the sale of the 25% indirect stake in Âncora project.

## Results and consolidated information - First Quarter 2017

May 2017

**7.4. Consolidated financial position and debt**

€m (IFRS figures)

	31 December, 2016	31 March, 2017	Var. vs 31 Dec., 2016
Net fixed assets	7,723	7,901	177
Working capital	490	693	203
Loan to Sinopec	610	561	(49)
Other assets (liabilities)	(408)	(586)	(178)
Non-current assets/liabilities held for sale	(1)	-	1
<b>Capital employed</b>	<b>8,414</b>	<b>8,569</b>	<b>155</b>
Short term debt	325	672	347
Medium-Long term debt	2,578	2,181	(396)
<b>Total debt</b>	<b>2,903</b>	<b>2,853</b>	<b>(50)</b>
Cash and equivalents	1,032	959	(74)
<b>Net debt</b>	<b>1,870</b>	<b>1,895</b>	<b>24</b>
<b>Total equity</b>	<b>6,543</b>	<b>6,674</b>	<b>131</b>
<b>Total equity and net debt</b>	<b>8,414</b>	<b>8,569</b>	<b>155</b>

On 31 March 2017, net fixed assets stood at €7,901 m, a €177 m increase compared to the end of 2016, as a result of investment in the period.

Work-in-progress, mainly related to the E&P business, was €2,687 m at the end of the period.

**Financial debt**

€m (except otherwise stated)

	31 December, 2016	31 March, 2017	Var. vs 31 Dec.2016
Bonds	1,683	1,684	(2)
Bank loans and other debt	1,220	1,169	51
Cash and equivalents	(1,032)	(959)	(74)
<b>Net debt</b>	<b>1,870</b>	<b>1,895</b>	<b>(24)</b>
<b>Net debt including loan to Sinopec<sup>1</sup></b>	<b>1,260</b>	<b>1,333</b>	<b>(73)</b>
Average life (years)	2.6	2.4	0.2
Average debt interest rate	3.5%	3.5%	0.0 p.p.
Net debt to Ebitda RCA <sup>2</sup>	1.0x	1.0x	-

<sup>1</sup> Net debt of €1,333 m adjusted for the €561 m loan to Sinopec. <sup>2</sup> As at 31 March 2017, ratio considers net debt including loan to Sinopec as cash, plus €176 m corresponding Sinopec MLT Shareholder Loan to Petrogal Brasil, and LTM RCA Ebitda of €1,537 m.

On 31 March 2017, net debt stood at €1,895 m, up €24 m compared to the end of 2016.

Considering the €561 m balance of the Sinopec loan as cash, net debt at the end of the period totalled €1,333 m, resulting in a net debt to Ebitda ratio of 1.0x. This ratio also considers Sinopec's €176 m shareholder loan to Petrogal Brasil as of the end of the period.

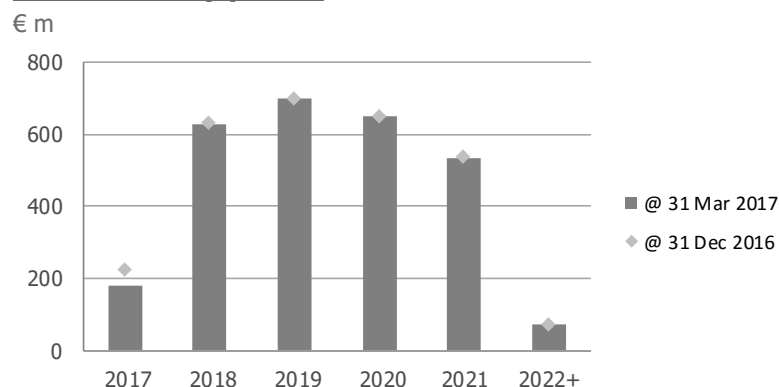
The average interest rate was 3.52% during the period.

At the end of March, c.49% of total debt was on a fixed-rate basis. Debt had an average maturity of 2.4 years, and medium and long-term debt accounted for 76% of Galp's total debt.

## Results and consolidated information - First Quarter 2017

May 2017

At the end of the first quarter, Galp had unused credit lines of approximately €1.4 bn. Of this amount, around 70% was contractually guaranteed.

**Debt maturity profile****7.5. Turnover RCA by segment**

€ m

	Quarter			
	1Q16	1Q17	Var. YoY	% Var. YoY
<b>RCA Turnover</b>	<b>2,822</b>	<b>3,844</b>	<b>1,022</b>	<b>36%</b>
Exploration & Production <sup>1</sup>	111	308	197	n.m.
Refining & Marketing	2,160	2,869	709	33%
Gas & Power	676	713	37	5%
Other	28	30	2	5%
Consolidation adjustments	(154)	(75)	(78)	(51%)

<sup>1</sup> Does not include change in production. RCA turnover in the E&P segment, including change in production, amounted to €330 m during the first quarter of 2017.

## Results and consolidated information - First Quarter 2017

May 2017

**7.6. Reconciliation of IFRS and replacement cost adjusted figures****Ebitda by segment**

€m

2017	First quarter				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
<b>Galp</b>	<b>485</b>	<b>(68)</b>	<b>418</b>	<b>1</b>	<b>419</b>
<b>E&amp;P</b>	204	-	204	0	204
<b>R&amp;M</b>	246	(60)	186	1	187
<b>G&amp;P</b>	29	(7)	22	-	22
<b>Others</b>	6	-	6	-	6

€m

2016	First quarter				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
<b>Galp</b>	<b>164</b>	<b>115</b>	<b>278</b>	<b>15</b>	<b>293</b>
<b>E&amp;P</b>	42	-	42	6	48
<b>R&amp;M</b>	31	108	139	9	148
<b>G&amp;P</b>	83	7	90	0	90
<b>Others</b>	7	-	7	0	8

**Ebit by segment**

€m

2017	First quarter				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
<b>Galp</b>	<b>286</b>	<b>(68)</b>	<b>218</b>	<b>2</b>	<b>220</b>
<b>E&amp;P</b>	108	-	108	(2)	106
<b>R&amp;M</b>	150	(60)	90	4	94
<b>G&amp;P</b>	22	(7)	15	(0)	15
<b>Others</b>	5	-	5	-	5

€m

2016	First quarter				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
<b>Galp</b>	<b>(3)</b>	<b>115</b>	<b>112</b>	<b>26</b>	<b>137</b>
<b>E&amp;P</b>	(31)	-	(31)	9	(22)
<b>R&amp;M</b>	(47)	108	61	17	78
<b>G&amp;P</b>	69	7	75	(0)	75
<b>Others</b>	6	-	6	0	7

## Results and consolidated information - First Quarter 2017

May 2017

**Non-recurring items**

€m

	Quarter	
	1Q16	1Q17
<b>Non-recurring items impacting Ebitda</b>	<b>15.0</b>	<b>1.3</b>
Accidents caused by natural events and insurance compensation	0.1	0.0
Gains/losses on disposal of assets	(0.5)	(0.1)
Asset write-offs	0.0	0.1
Employee restructuring charges	5.0	-
Compensation early termination agreement for service and equipment	5.9	-
Litigation costs	4.5	1.4
<b>Non-recurring items impacting non-cash costs</b>	<b>10.8</b>	<b>0.4</b>
Provisions for environmental charges and others	0.1	0.0
Asset impairments	10.7	0.4
<b>Non-recurring items impacting financial results</b>	<b>14.1</b>	<b>(17.9)</b>
Gains/losses on financial investments	14.1	(17.9)
<b>Non-recurring items impacting taxes</b>	<b>39.8</b>	<b>34.2</b>
Income taxes on non-recurring items	(5.4)	(0.9)
Energy sector contribution tax	45.2	35.2
<b>Non-controlling interests</b>	<b>(0.0)</b>	<b>0.1</b>
<b>Total non-recurring items</b>	<b>79.8</b>	<b>18.1</b>

## 8. Basis of presentation

Galp's consolidated financial statements for the periods ended on 31 March 2017 and 2016, and 31 December 2016 have been prepared in accordance with the IFRS. The financial information in the consolidated income statement is reported for the quarters ended on 31 March 2017 and 2016. The financial information in the consolidated financial position is reported on 31 March 2017 and on 31 December 2016.

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

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

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

### Recent changes

As of 1 October 2016, the contribution of the trading activity related to the oil produced, which was previously accounted for in the R&M business, started to be accounted for under E&P. The full year impacts on E&P and R&M were accounted for in the fourth quarter of 2016.

During the fourth quarter of 2016, the useful life of certain refining assets was reviewed, contributing to the increase in DD&A in the second half of 2016. The fourth quarter of 2016 includes the impact of the third quarter.

## 9. Consolidated IFRS Financial Statements

### Galp Energia, SGPS, S.A. and subsidiaries Consolidated Statement of Financial Position as of 31 March 2017 and 31 December 2016

(Amounts stated in thousand Euros - €K)

ASSETS	Notes	March 2017	December 2016
<b>Non-current assets:</b>			
Tangible assets	12	6,020,753	5,910,111
Goodwill	11	86,398	86,758
Intangible assets	12	265,783	267,551
Investments in associates and joint ventures	4	1,501,253	1,431,598
Financial assets available for sale	4	2,766	2,735
Trade receivables	15	505	1,081
Other receivables	14	260,349	245,535
Deferred tax assets	9	317,191	334,984
Other financial investments	17	26,319	26,402
<b>Total non-current assets:</b>		<b>8,481,317</b>	<b>8,306,755</b>
<b>Current assets:</b>			
Inventories	16	1,048,837	868,924
Trade receivables	15	1,077,130	1,041,070
Loans to Sinopec	14	561,058	610,003
Other receivables	14	530,353	555,814
Other financial investments	17	13,133	18,953
Cash and cash equivalents	18	958,685	1,033,498
		<b>4,189,196</b>	<b>4,128,262</b>
Non current assets held for sale	3.2	-	4,128
<b>Total current assets:</b>		<b>4,189,196</b>	<b>4,132,390</b>
<b>Total assets:</b>		<b>12,670,513</b>	<b>12,439,145</b>
<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>March 2017</b>	<b>December 2016</b>
<b>Equity:</b>			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	3,078,233	3,095,103
Retained earnings		973,230	795,014
Consolidated net income for the year	10	134,200	179,097
<b>Total equity attributable to shareholders:</b>		<b>5,096,920</b>	<b>4,980,471</b>
Non-controlling interests	21	1,577,413	1,562,936
<b>Total equity:</b>		<b>6,674,333</b>	<b>6,543,407</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bank loans	22	884,729	911,873
Bonds	22	1,296,506	1,665,656
Other payables	24	301,187	305,076
Post-employment and other employee benefits liabilities	23	358,805	359,122
Deferred tax liabilities	9	69,065	65,813
Other financial instruments	27	3,383	1,222
Provisions	25	565,180	429,487
<b>Total non-current liabilities:</b>		<b>3,478,855</b>	<b>3,738,249</b>
<b>Current liabilities:</b>			
Bank loans and overdrafts	22	284,173	308,308
Bonds	22	387,701	16,855
Trade payables	26	836,791	850,412
Other payables	24	883,311	884,008
Other financial instruments	27	10,292	17,056
Current income tax payable	9	115,057	75,440
		<b>2,517,325</b>	<b>2,152,079</b>
Liabilities associated with non current assets held for sale	3.2	-	5,410
<b>Total current liabilities:</b>		<b>2,517,325</b>	<b>2,157,489</b>
<b>Total liabilities:</b>		<b>5,996,180</b>	<b>5,895,738</b>
<b>Total equity and liabilities:</b>		<b>12,670,513</b>	<b>12,439,145</b>

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 March 2017.

**Galp Energia, SGPS, S.A. and subsidiaries**  
**Consolidated Income Statement for the three month period ended 31 March 2017 and 2016**

(Amounts stated in thousand Euros - €K)

	Notes	March 2017	March 2016 restated
Operating income:			
Sales	5	3,683,600	2,649,744 (a)
Services rendered	5	160,159	172,026
Other operating income	5	28,272	17,867
<b>Total operating income:</b>		<b>3,872,031</b>	<b>2,839,637 (a)</b>
Operating costs:			
Cost of sales	6	2,907,820	2,269,957
External supplies and services	6	377,008	316,792 (a)
Employee costs	6	79,324	79,997
Amortisation, depreciation and impairment losses on fixed assets	6	194,044	161,610
Provisions and impairment losses on receivables	6	5,272	5,152
Other operating costs	6	22,586	9,313
<b>Total operating costs:</b>		<b>3,586,054</b>	<b>2,842,821 (a)</b>
Operating income:		<b>285,977</b>	<b>(3,184)</b>
Financial income	8	7,938	5,906
Financial costs	8	(12,500)	(17,642)
Exchange (losses) gains		(3,154)	(6,694)
Income from financial investments and impairment losses on Goodwill	4 and 11	49,900	7,018
Income from financial instruments	27	(3,895)	21,696
Income before taxes:		<b>324,266</b>	<b>7,100</b>
Income tax	9	(136,339)	(10,972)
Energy sector extraordinary contribution	9	(35,153)	(45,180)
<b>Consolidated net income for the period</b>		<b>152,774</b>	<b>(49,052)</b>
<b>Income attributable to:</b>			
<b>Non-controlling interests</b>	21	<b>18,574</b>	<b>8,692</b>
<b>Galp Energia SGPS, S.A. Shareholders</b>	10	<b>134,200</b>	<b>(57,744)</b>
<b>Consolidated net income for the period</b>		<b>152,774</b>	<b>(49,052)</b>
<b>Earnings per share (in Euros)</b>	10	<b>0.16</b>	<b>(0.07)</b>

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.26

The accompanying notes form an integral part of the consolidated income statement for the three month period ended 31 March 2017.

**Galp Energia, SGPS, S.A. and subsidiaries**  
**Consolidated Statement of Comprehensive Income for the three month period ended 31 March 2017 and 31 March 2016 and for the year ended 31 December 2016**  
(Amounts stated in thousand Euros - €K)

	Notes	March 2017		March 2016		December 2016	
		Atributable to the Shareholders	Non-controlling interests (Note 21)	Atributable to the Shareholders	Non-controlling interests (Note 21)	Atributable to the Shareholders	Non-controlling interests (Note 21)
<b>Consolidated net income for the period</b>	10	<b>134,200</b>	<b>18,574</b>	<b>(57,744)</b>	<b>8,692</b>	<b>179,097</b>	<b>28,598</b>
<u>Other comprehensive income for the period which will not be recycled in the future through net income of the period:</u>							
<b>Actuarial Gains and losses - pension fund:</b>							
Actuarial Gains and losses - pension fund	23	-	-	-	-	(2,304)	(12)
Tax related to actuarial gains and losses - pension fund	9	-	-	-	-	293	-
		-	-	-	-	<b>(2,011)</b>	<b>(12)</b>
<u>Other comprehensive income for the period which will be recycled in the future through net income of the period:</u>							
<b>Currency exchange differences:</b>							
Currency exchange differences (Group companies)	20	1,890	(2,347)	(130,757)	(66,558)	240,686	98,471
Currency exchange differences (Associates/ joint ventures)	4 and 20	(14,994)	-	(47,226)	-	41,502	-
Currency exchange differences - Goodwill	11 and 20	(360)	-	(1,085)	-	815	-
Currency exchange differences - Financial allocation ("quasi capital")	20	(6,192)	(2,654)	152,188	65,223	183,447	78,621
Deferred tax related to components of Currency exchange differences - Financial allocations ("quasi capital")	9 and 20	2,105	902	(51,744)	(22,175)	(62,372)	(26,731)
		<b>(17,551)</b>	<b>(4,099)</b>	<b>(78,624)</b>	<b>(23,510)</b>	<b>404,078</b>	<b>150,361</b>
<b>Hedging reserves:</b>							
Increases / (decreases) in hedging reserves (Group companies)	27 and 20	115	-	(5,885)	-	7,353	-
Deferred tax related to hedging reserves components (Group companies)	9 and 20	(26)	-	1,324	-	(1,654)	-
Increases / (decreases) in hedging reserves (Associates/joint ventures)	27 and 20	(275)	-	(363)	-	(223)	-
Deferred tax related to hedging reserves components (Associates/joint ventures)	20	(14)	-	-	-	50	-
		<b>(200)</b>	-	<b>(4,924)</b>	-	<b>5,526</b>	-
<u>Other increases/decreases</u>							
Other increases/decreases		-	2	-	19	-	10
Other Comprehensive income for the period net of taxes		(17,751)	(4,097)	(83,548)	(23,491)	407,593	150,359
<b>Comprehensive income for the period attributable to shareholders</b>		<b>116,449</b>		<b>(141,292)</b>		<b>586,690</b>	
<b>Comprehensive income for the period attributable to non-controlling interests</b>	21		<b>14,477</b>		<b>(14,799)</b>		<b>178,957</b>
<b>Total Comprehensive income for the period</b>		<b>116,449</b>	<b>14,477</b>	<b>(141,292)</b>	<b>(14,799)</b>	<b>586,690</b>	<b>178,957</b>

The accompanying notes form an integral part of the consolidated statement of comprehensive Income for the three month period ended 31 March 2017.

## Results and consolidated information - First Quarter 2017

May 2017

**Galp Energia, SGPS, S.A. and subsidiaries**  
**Consolidated Statement of changes in equity for the three month period ended 31 March 2017 and 31 March 2016 and for the year ended 31 December 2016**  
 (Amounts stated in thousand Euros - €K)

Changes in the period	Notes	Share Capital	Share Premium	Translation reserves (Note 20)	Other reserves (Note 20)	Hedging reserves (Note 20)	Retained earnings - actuarial Gains and losses - pension fund (Note 23)	Retained earnings	Consolidated net income for the period	Sub-Total	Non-controlling interests (Note 21)	Total
<b>Balance as of 1 January 2016</b>		<b>829,251</b>	<b>82,006</b>	<b>(233)</b>	<b>2,684,293</b>	<b>(1,666)</b>	<b>(120,402)</b>	<b>1,176,263</b>	<b>122,566</b>	<b>4,772,078</b>	<b>1,416,046</b>	<b>6,188,124</b>
Consolidated net income for the period	10	-	-	-	-	-	-	-	(57,744)	(57,744)	8,692	(49,052)
Other gains and losses recognised in Equity		-	-	(78,624)	-	(4,924)	-	-	-	(83,548)	(23,491)	(107,039)
Comprehensive income for the period		-	-	(78,624)	-	(4,924)	-	-	(57,744)	(141,292)	(14,799)	(156,091)
Dividends distributed / Interim dividends		-	-	-	-	-	-	-	-	-	-	-
Increase in share capital of subsidiaries		-	-	-	-	-	-	-	-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-	-	-	122,566	(122,566)	-	-	-
<b>Balance as of 31 March 2016</b>		<b>829,251</b>	<b>82,006</b>	<b>(78,857)</b>	<b>2,684,293</b>	<b>(6,590)</b>	<b>(120,402)</b>	<b>1,298,829</b>	<b>(57,744)</b>	<b>4,630,786</b>	<b>1,401,247</b>	<b>6,032,033</b>
<b>Balance as of 1 January 2016</b>		<b>829,251</b>	<b>82,006</b>	<b>(233)</b>	<b>2,684,293</b>	<b>(1,666)</b>	<b>(120,402)</b>	<b>1,176,263</b>	<b>122,566</b>	<b>4,772,078</b>	<b>1,416,046</b>	<b>6,188,124</b>
Consolidated net income for the year	10	-	-	-	-	-	-	-	179,097	179,097	28,598	207,695
Other gains and losses recognised in Equity		-	-	404,078	-	5,526	(2,011)	-	-	407,593	150,359	557,952
Comprehensive income for the year		-	-	404,078	-	5,526	(2,011)	-	179,097	586,690	178,957	765,647
Dividends distributed / Interim dividends		-	-	-	-	-	-	(378,297)	-	(378,297)	(12,547)	(390,844)
Changes in the consolidation perimeter		-	-	-	3,061	44	4,536	(7,641)	-	-	(19,520)	(19,520)
Increase of reserves by appropriation of profit		-	-	-	-	-	-	122,566	(122,566)	-	-	-
<b>Balance as of 31 December 2016</b>		<b>829,251</b>	<b>82,006</b>	<b>403,845</b>	<b>2,687,354</b>	<b>3,904</b>	<b>(117,877)</b>	<b>912,891</b>	<b>179,097</b>	<b>4,980,471</b>	<b>1,562,936</b>	<b>6,543,407</b>
<b>Balance as of 1 January 2017</b>		<b>829,251</b>	<b>82,006</b>	<b>403,845</b>	<b>2,687,354</b>	<b>3,904</b>	<b>(117,877)</b>	<b>912,891</b>	<b>179,097</b>	<b>4,980,471</b>	<b>1,562,936</b>	<b>6,543,407</b>
Consolidated net income for the period	10	-	-	-	-	-	-	-	134,200	134,200	18,574	152,774
Other gains and losses recognised in Equity		-	-	(17,551)	-	(200)	-	-	-	(17,751)	(4,097)	(21,848)
Comprehensive income for the period		-	-	(17,551)	-	(200)	-	-	134,200	116,449	14,477	130,926
Dividends distributed / Interim dividends	30	-	-	-	-	-	-	-	-	-	-	-
Increase in share capital of Joint ventures	4	-	-	-	-	881	-	(881)	-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-	-	-	179,097	(179,097)	-	-	-
<b>Balance as of 31 March 2017</b>		<b>829,251</b>	<b>82,006</b>	<b>386,294</b>	<b>2,687,354</b>	<b>4,585</b>	<b>(117,877)</b>	<b>1,091,107</b>	<b>134,200</b>	<b>5,096,920</b>	<b>1,577,413</b>	<b>6,674,333</b>

The accompanying notes form an integral part of the consolidated statement of changes in equity for the three month period ended 31 March 2017.

Galp Energia, SGPS, S.A. and subsidiaries

Consolidated Statement of Cash Flow for the three month period ended 31 March 2017 and 31 March 2016

(Amounts stated in thousand Euros - €K)

	Notes	March 2017	March 2016
<b>Operating activities:</b>			
Cash received from customers		4,362,789	3,264,951
Cash (payments) to suppliers		(3,012,830)	(1,835,854)
(Payments) relating to Tax on oil products ("ISP")		(612,451)	(603,741)
(Payments) relating to VAT		(368,421)	(327,430)
(Payments) relating to Royalties, levies, "PIS" and "COFINS" and Others		(33,299)	(11,888)
<b>Operating gross margin</b>		<b>335,788</b>	<b>486,038</b>
Salaries, contributions to the pension fund and other benefits (payments)		(39,492)	(43,039)
Withholding income taxes (payments)		(15,800)	(16,323)
Social Security contributions		(15,378)	(17,121)
<b>Payments relating to employees</b>		<b>(70,670)</b>	<b>(76,483)</b>
Other receipts/(payments) relating to the operational activity		26,717	(40,411)
<b>Cash flows from operations</b>		<b>291,835</b>	<b>369,144</b>
(Payments)/receipts of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(81,021)	(24,896)
<b>Cash flows from operating activities (1)</b>		<b>210,814</b>	<b>344,248</b>
<b>Investing activities:</b>			
Cash receipts from disposal of tangible and intangible assets		282	70
Cash (payments) for the acquisition of tangible and intangible assets		(189,286)	(287,675)
Cash receipts relating to financial investments	3 and 4	805	-
Cash (payments) relating to financial investments	3 and 4	(50,482)	(91,088)
<b>Net investment</b>		<b>(238,681)</b>	<b>(378,693)</b>
Cash receipts from loans granted		63,883	67,612
Cash (payments) relating to loans granted		(352)	-
Cash receipts from interests and similar income		5,529	4,939
<b>Cash flows from investing activities (2)</b>		<b>(169,621)</b>	<b>(306,142)</b>
<b>Financing activities:</b>			
Cash receipts from loans obtained		3,544	152,226
Cash (payments) relating to loans obtained		(45,465)	(196,255)
Cash receipts/(payments) from interests and similar costs		(55,069)	(56,833)
Other financing activities		1,344	45
<b>Cash flows from financing activities (3)</b>		<b>(95,646)</b>	<b>(100,817)</b>
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(54,453)	(62,711)
Effect of foreign exchange rate changes in cash and cash equivalents		(11,232)	(27,967)
Cash and cash equivalents at the beginning of the period		923,243	1,044,851
Cash and cash equivalents at the end of the period	18	857,558	954,173

\*The accompanying notes form an integral part of the consolidated statement of cash flow for the three month period ended 31 March 2017

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## Notes to the consolidated financial statements as of 31 March 2017

### 1. Introduction

#### a) Parent Company:

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

The Company shareholder structure as of 31 March 2017 is stated in Note 19.

The Company is listed on the Euronext Lisbon stock exchange.

#### b) The Group:

As of 31 March 2017 the Galp group (the Group) consists of Galp and its subsidiaries, which includes, among others: (i) Galp Energia E&P, B.V. and its subsidiaries integrating the oil and gas Exploration & Production activities and biofuels, (ii) Petróleos de Portugal – Petrogal, S.A. (Petrogal) and its subsidiaries, which carry out their activities in the refining of crude oil and distribution of its derivatives; (iii) Galp Gas & Power, SGPS, S.A. and its subsidiaries, which operate in the natural gas sector, electricity sector and renewable energy sector; and (iv) Galp Energia, S.A. which integrates the corporate support services.

##### b1) Upstream activities

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

##### b2) Midstream and Downstream activities

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

##### b3) Natural gas activity and energy production and supply

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

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

The natural gas activity, including Sourcing and Supply of natural gas, supplies natural gas to large industrial customers, with annual consumption of more than 2 million m<sup>3</sup>, 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](http://www.erse.pt)), described in the respective regulations in more detail, there are:

Distribution Network Operators:

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

Last resort wholesale supply

- Natural Gas purchase and sale activity in connection to the management of the long-term 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 3.4 bcm of LNG per year. The supply under these contracts started in 2000, 2003 and 2006, respectively.

Natural Gas and LNG acquisition contracts:

Contracts	Country	Quantity (mm3/year)	Period (years)	Initial year
NLNG I	Nigeria	420	20	2000
NLNG II	Nigeria	1,000	20	2003
NLNG +	Nigeria	2,000	20	2006
Sonatrach	Algeria	3,000	23	1997

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

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

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

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

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

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

- Natural gas purchase and sale function, resulting from the acquisition of natural gas, directly or through auctions, under long-term sourcing contracts, of the supplier of natural gas national system;
- Natural gas purchase and sale function in organised markets or through bilateral contracts (not applicable to Galp for the period under review).

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

- Natural gas purchase and sale;
- Access to the Natural Gas National Transportation Network (NGNTN) and Natural Gas National Distribution Network (NGNDN);
- Natural gas marketing.

The Group Power business includes the generation of energy through the portfolio of cogeneration plants in Portugal and the sale of electricity to end customers. This business is

complementary to the natural gas business, by means of natural gas auto consumptions in cogeneration plants and combined electricity and gas supply.

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

Geographic markets for developed activities are as follows:

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

## 2. Significant accounting policies

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

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

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

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

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

## 2.1. Changes in accounting policies

In the year ended 31 December 2016, the Group has reclassified the costs related to cross campaigns, which were recorded under the caption "External Supplies and services" to the caption "Sales".

The Company believes that this change better reflects the nature of the operation and has retrospectively reflected the impact on their corresponding figures. As of 31 March 2016 the amount reclassified is of €6,897 k.

The financial statements were restated as at 31 March 2016, being the impacts in the income statement described in the table below:

### Income statement:

(€ k)				
	Notes	March 2016	Restatement Reclassification	March 2016 restated
<b>Operating income:</b>				
Sales	5	2,656,641	(6,897)	2,649,744
Services rendered	5	172,026	-	172,026
Other operating income	5	17,867	-	17,867
<b>Total operating income:</b>		<b>2,846,534</b>	<b>(6,897)</b>	<b>2,839,637</b>
<b>Operating costs:</b>				
Cost of sales	6	2,269,957	-	2,269,957
External supplies and services	6	323,689	(6,897)	316,792
Employee costs	6	79,997	-	79,997
Amortisation, depreciation and impairment losses on fixed assets	6	161,610	-	161,610
Provisions and impairment losses on receivables	6	5,152	-	5,152
Other operating costs	6	9,313	-	9,313
<b>Total operating costs:</b>		<b>2,849,718</b>	<b>(6,897)</b>	<b>2,842,821</b>
<b>Operating income:</b>		<b>(3,184)</b>	<b>-</b>	<b>(3,184)</b>
Financial income	8	5,906	-	5,906
Financial costs	8	(17,642)	-	(17,642)
Exchange (losses) gains		(6,694)	-	(6,694)
Income from financial investments and impairment losses on Goodwill	4 and 11	7,018	-	7,018
Income from financial instruments	27	21,696	-	21,696
<b>Income before taxes:</b>		<b>7,100</b>	<b>-</b>	<b>7,100</b>
Income tax	9	(10,972)	-	(10,972)
Energy sector extraordinary contribution	9	(45,180)	-	(45,180)
<b>Consolidated net income for the period</b>		<b>(49,052)</b>	<b>-</b>	<b>(49,052)</b>
<b>Income attributable to:</b>				
<b>Non-controlling interests</b>	21	8,692	-	<b>8,692</b>
<b>Galp Energia SGPS, S.A. Shareholders</b>	10	(57,744)	-	<b>(57,744)</b>
<b>Consolidated net income for the period</b>		<b>(49,052)</b>	<b>-</b>	<b>(49,052)</b>
<b>Earnings per share (in Euros)</b>	10	<b>(0.07)</b>	<b>-</b>	<b>(0.07)</b>

### 3. Consolidated companies

#### 3.1. Consolidation perimeter

During the period ended 31 March 2017, the following changes occurred in the consolidation perimeter:

##### a) Disposal

On 17 October, 2016, Galp group, through its subsidiaries Petróleos de Portugal - Petrogal, SA and Galp Energia SGPS, S.A., holding respectively 99.98% and 0.02% of the share capital of the subsidiary Galp Gambia, Limited, reached an agreement to sell to Premiere Investment Group, SAL, 100% of the share capital of Galp Gambia, Limited.

In the year ended 31 December, 2016, as a result of this agreement, the assets and liabilities of the subsidiary Galp Gambia, Limited were presented in the consolidated financial statements of Galp Energia, SGPS as non-current assets held for sale and liabilities associated with non-current assets held for sale.

The amount of €5,327 k received was recognised as of 31 December 2016, under Other accounts payable - Advances on account of the disposal of financial investments (Note 24).

On 17 January, 2017, the sale was completed. The final price was €3,425 k, based on the agreed initial price plus adjustments, as established in the SPA.

Resulting from this operation the Group has recognised in the income statement under the caption Income from financial investments a gain in the amount of €3,861 k (Note 4.4).

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### 3.2. Changes in the consolidation perimeter

Changes in the consolidation perimeter for the period ended 31 March 2017 had the following impact in the consolidated statement of financial position of the Galp group:

	(€ k)			
	Galp Gambia, Limited			
Statement of financial position	17 January 2017	Non current assets held for sale as of 31 December 2016	IntraGroup Eliminations Galp Energia, SGPS, S.A. as of 31 December 2016	Statement of financial position as of 31 December 2016
<b>Non-current assets:</b>				
Tangible assets	-	(2,141)	-	2,141
Intangible assets	-	(189)	-	189
<b>Total non-current assets:</b>	-	(2,330)	-	2,330
Inventories	-	(309)	-	309
Trade receivables	-	(331)	(254)	585
Other receivables	-	(567)	7	560
Cash and cash equivalents	-	(591)	-	591
<b>Subtotal current assets:</b>	-	(1,798)	(247)	2,045
Non current assets held for sale	4,375	4,128	247	-
<b>Total current assets:</b>	4,375	2,330	-	2,045
<b>Total assets:</b>	4,375	-	-	4,375
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Bank loans and overdrafts	-	(1,639)	-	1,639
Trade payables	-	(3,308)	(18)	3,326
Other payables	-	(396)	68	328
Current income tax payable	-	(67)	-	67
<b>Subtotal current liabilities:</b>	-	(5,410)	50	5,360
Liabilities associated with non current assets held for sale	5,360	5,410	(50)	-
<b>Total current liabilities:</b>	5,360	-	-	5,360
<b>Total liabilities:</b>	5,360	-	-	5,360
<b>% held at disposal date</b>	100.000%			
<b>% disposed</b>	100.00%			
Selling price	5,327			
Adjustment to the selling price on January 2017	(1,410)			
Adjustment to the selling price to be executed	(492)			
<b>Adjusted selling price [A]</b>	<b>3,425</b>			
Assets minus Liabilities	(985)			
Non controlling interests	-			
<b>Book value of financial investment [B]</b>	<b>(985)</b>			
<b>Translation reserve [C]</b>	<b>549</b>			
<b>Income from financial investments (Note 4.4)</b>				
<b>( [A] + [B] + [C] )</b>	<b>3,861</b>			

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

The amount of €805 k presented in the caption Receipts from financial investments and the amount of €50,482 k presented in the caption Payments of financial investments from the consolidated statement of cash flow – Investment activities presents the following detail:

		(k €)
<b>Investing activities:</b>	<b>Notes</b>	<b>March 2017</b>
<b>Cash receipts relating to financial investments related to:</b>		
<b>Interest held by the subsidiary GDP - Gás de Portugal, SGPS, S.A.</b>		
Decrease in supplementary capital contributions performed by the joint venture Ventinveste, S.A.	4.1 (c)	805
		<b>805</b>
<b>Cash payments relating to financial investments related to:</b>		
<b>Interest held by the subsidiary Petróleos de Portugal - Petrogal, S.A and Galp Energia, SGPS, S.A.</b>		
Adjustment to the advance payment from the SPA signed with Premiere Investment Group, SAL, for disposal of 100% of the share capital of Galp Gambia, Limited.	3.1 a) and 3.2	(1,410)
Capital increase in Galpek, Lda.	4.1 (d)	(938)
<b>Interest held by the subsidiary Galp Sinopec Brazil Services, B.V.</b>		
Capital increase in Tupi, B.V.	4.1 (a)	(42,899)
<b>Interest held by the subsidiary Galp Bioenergia B.V.</b>		
Capital increase in Belém Bioenergia Brasil, S.A.	4.1 (b)	(5,235)
		<b>(50,482)</b>

## 4. Financial investments

### 4.1. Investments in Joint ventures

During the period ended 31 March 2017, the following changes occurred in the investments in joint ventures:

#### a) Disposal

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

On 29 March 2017, the disposal was concluded. From this operation, the Group has recognised in the income statement under the caption Income from financial investments a gain in the amount of €21,062 k and transferred to the caption Retained earnings the amount of €881 k:

<b>Impact in the Joint venture Ventinveste, S.A.</b>	
% disposed through the joint venture Ventinveste, S.A.	50.00%
Share value	39,530
Supplementary capital contributions	30,625
<b>Selling price [A]</b>	<b>70,155</b>
Assets minus liabilities for the Ancora Wind – Energia Eólica, S.A. Group at disposal date	58,515
<b>Book value of the financial investment [B]</b>	<b>29,258</b>
<b>Income from financial investments registered in the joint venture Ventinveste, S.A. [A] - [B]</b>	<b>40,897</b>
<b>Hedging reserves</b>	<b>(1,712)</b>
<b>Retained earnings</b>	<b>1,712</b>
<b>Impact in Galp Group</b>	
<b>Galp Energia, SGPS, S.A. holds:</b>	
100% of the subsidiary GDP - Gás de Portugal, SGPS, S.A. holding:	
35% of the joint venture Ventinveste, S.A.	14,314
50% of the joint venture Parque Eólico da Penha da Gardunha, Lda. holding:	
33% of the joint venture Ventinveste, S.A.	6,748
<b>Income from financial investments registered in GalpEnergia Group</b>	<b>21,062</b>
<b>Hedging reserves</b>	<b>(881)</b>
<b>Retained earnings</b>	<b>881</b>

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The changes in the caption "Investments in joint ventures" for the period ended 31 March 2017 which are reflected by the equity method were as follows:

2017:

(€ k)

Companies		Initial balance	Increase in investment	Gains / Losses (Note 4.4) (**)	Translation adjustment	Hedging reserves adjustment	Dividends (Note 4.5)	Transfers / Adjustments (*)	Ending balance
<b>Investments</b>									
Tupi B.V.	(a)	1,026,728	42,899	8,637	(14,811)	-	-	-	1,063,453
Belem Bioenergia Brasil, S.A.	(b)	38,000	5,235	(5,748)	512	-	-	-	37,999
C.L.C. - Companhia Logística de Combustíveis, S.A.		7,045	-	649	-	-	(3,145)	-	4,549
Galp Disa Aviacion, S.A.		6,766	-	665	-	-	-	-	7,431
Parque Eólico da Penha da Gardunha, Lda.		1,572	-	6,080	-	(71)	-	(283)	7,298
Moçamgalp Agroenergias de Moçambique, S.A.		712	-	-	(8)	-	-	-	704
Asa - Abastecimento e Serviços de Aviação, Lda.		36	-	4	-	-	-	-	40
Galp Gás Natural Distribuição, S.A.		241,633	-	508	-	43	-	-	242,184
Ventinveste, S.A.	(c)	-	(805)	14,488	-	620	-	(2,098)	12,205
Galpek, Lda	(d)	491	938	(173)	-	-	-	-	1,256
		<b>1,322,983</b>	<b>48,267</b>	<b>25,110</b>	<b>(14,307)</b>	<b>592</b>	<b>(3,145)</b>	<b>(2,381)</b>	<b>1,377,119</b>
<b>Provisions for investments in joint ventures (Note 25)</b>									
Ventinveste, S.A.	(c)	(1,498)	-	-	-	-	-	1,498	-
Calageste - Gestão de Áreas de Serviço, Lda.		(34)	-	(11)	-	-	-	-	(45)
		<b>(1,532)</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,498</b>	<b>(45)</b>
		<b>1,321,451</b>	<b>48,267</b>	<b>25,099</b>	<b>(14,307)</b>	<b>592</b>	<b>(3,145)</b>	<b>(883)</b>	<b>1,377,074</b>

(a) €42,899 k corresponds to the capital increase made by Galp Sinopec Brazil Services, B.V.. The control of the entity Tupi, B.V. is shared between Galp Sinopec Brazil Services, B.V., Petrobras Netherlands, B.V. and BG Overseas Holding Ltd, holding, respectively, 10%, 65% and 25% of its share capital.

(b) €5,235 k corresponds to the capital increase in Belém Bioenergia Brasil, S.A.. The control of the entity Belém Bioenergia Brasil, S.A. is shared between Galp Bioenergy B.V. and Petrobras Biocombustíveis S.A., each holding 50% of its share capital.

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

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

(\*) €883 k registered in Transfers/adjustments includes €881 k related to Hedging reserves, which from the disposal of the Ancora Wind – Energia Eólica, S.A. Group, was transferred to the caption Retained Earnings (Note 4.1 a)).

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

	Income/Loss	Impact related to the disposal of Ancora Wind – Energia Eólica, S.A.	Impact of the equity method adjustment
Parque Eólico da Penha da Gardunha, Lda.	6,080	6,748	(668)
Ventinveste, S.A.	14,488	14,314	174
	<b>20,568</b>	<b>21,062</b>	<b>(494)</b>

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## 4.2. Investments in associates

The changes in the caption "Investments in associates" for the period ended 31 March 2017 was as follows:

2017: (€ k)					
Companies	Initial balance	Gains / Losses (Note 4.4)	Translation adjustment	Dividends (Note 4.5)	Ending balance
<b>Investments</b>					
EMPL - Europe Magreb Pipeline, Ltd	62,922	14,736	(942)	-	76,716
Gasoduto Al-Andaluz, S.A.	15,120	1,007	-	-	16,127
Gasoduto Extremadura, S.A.	11,483	2,371	-	-	13,854
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	12,991	1,869	96	(4,778)	10,178
Metragaz, S.A.	1,425	58	(7)	-	1,476
Terparque - Armazenagem de Combustíveis, Lda.	493	(4)	-	-	489
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	1,243	85	-	-	1,328
IPG Galp Beira Terminal Lda	459	771	58	-	1,288
Sodigás-Sociedade Industrial de Gases, S.A.R.L.	524	55	-	-	579
Galp IPG Matola Terminal Lda	1,955	36	108	-	2,099
	<b>108,615</b>	<b>20,984</b>	<b>(687)</b>	<b>(4,778)</b>	<b>124,134</b>
<b>Provision for investment in associates (Note 25)</b>					
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	(2,416)	-	-	-	(2,416)
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	(57)	11	-	-	(46)
	<b>(2,473)</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>(2,462)</b>
	<b>106,142</b>	<b>20,995</b>	<b>(687)</b>	<b>(4,778)</b>	<b>121,672</b>

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

	(€ k)	
	March 2017	March 2016
<b>Goodwill</b>		
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939
<b>Fair value</b>		
Galp Gás Natural Distribuição, S.A.	53,227	-
	<b>55,166</b>	<b>1,939</b>

## 4.3. Financial assets held for sale

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

#### 4.4. Income from financial investments

The caption "Income from financial investments and impairment losses on Goodwill", presented in the consolidated income statement for the period ended 31 March 2017 and 31 March 2016 is comprised as follows:

	(€ k)	
	March 2017	March 2016
<b>Effect of applying the equity method:</b>		
Associates (Note 4.2)	20,995	3,682
Joint ventures (Note 4.1)	25,099	3,336
<b>Effect of the price adjustment of the disposal of investments in group companies and associates:</b>		
Gain on disposal of 100% of the interest held in Galp Gâmbia, Limited (Note 3.1 a))	3,861	-
Acquisition cost adjustment related to the financial interest held in Madrileña Suministro de Gas SUR S.L. for the year ended 31 December 2015	(55)	-
	<b>49,900</b>	<b>7,018</b>

#### 4.5. Dividends from financial investments

The caption "Investments in associates and joint ventures" (Note 4.1 and 4.2) includes the amount of €7,923 k related to dividends corresponding to amounts approved in the General meetings of the respective companies.

The referred amount was not paid during the period ended 31 March 2017, being recognised in Other receivables – Dividends (Note 14).

#### 4.6. Joint operations

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

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## 5. Operating income

The Group's operating income for the periods ended 31 March 2017 and 2016 is as follows:

	(€ k)	
	March 2017	March 2016 restated
<b>Captions</b>		
Sales:		
goods	1,559,621	1,322,509
products	2,129,073	1,331,871 <sup>(a)</sup>
Exchange differences	(5,094)	(4,636)
	<b>3,683,600</b>	<b>2,649,744 <sup>(a)</sup></b>
Services rendered	160,167	172,181
Exchange differences	(8)	(155)
	<b>160,159</b>	<b>172,026</b>
Other operating income		
Supplementary income	24,479	10,720
Revenues arising from the construction of assets under IFRIC12	-	2,658
Operational government grants	150	-
Capitalized own costs	342	(35)
Investment government grants (Note 13)	250	2,483
Gains on fixed and intangible assets	186	471
Exchange differences	732	(507)
Others	2,133	2,077
	<b>28,272</b>	<b>17,867</b>
	<b>3,872,031</b>	<b>2,839,637 <sup>(a)</sup></b>

(a) These amounts were restated considering the changes in accounting policies referred in Note 2.26.

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

Regarding the construction contracts under IFRIC12, the construction of the concession assets is subcontracted to specialised entities which assume their own construction risk. Income and expenses associated with the construction of these assets are of equal amounts and are immaterial when compared to total revenues and operating costs.

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

Therefore, as of 31 March 2017 the caption "Costs/Revenue from construction contracts under IFRIC12" do not present values:

	(€ k)	
<b>Captions</b>	<b>2017</b>	<b>2016</b>
Costs arising from the construction of assets under IFRIC12 (Note 6)	-	(2,658)
Revenues arising from the construction of assets under IFRIC12	-	2,658
<b>Margin</b>	<b>-</b>	<b>-</b>

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**6. Operating costs**

The income for the periods ended 31 March 2017 and 2016 were affected by the following items of operating costs:

	(€ k)	
Captions	March 2017	March 2016 restated
<b>Cost of sales:</b>		
Raw and subsidiary materials	1,363,230	847,154
Goods	887,829	751,752
Tax on Oil Products	654,440	627,199
Variation in production	24,748	43,096
Impairment in inventories (Note 16)	(666)	(9,476)
Financial derivatives (Note 27)	(17,325)	13,706
Exchange differences	(4,436)	(3,474)
	<b>2,907,820</b>	<b>2,269,957</b>
<b>External supplies and services:</b>		
Subcontracts - network use	128,471	101,829
Subcontracts	1,959	1,273
Transport of goods	26,421	31,333
Storage and filling	10,192	13,126
Rental costs	28,476	23,366
Blocks production costs	58,603	45,081
Maintenance and repairs	11,288	12,175
Insurance	11,886	12,508
Royalties	30,628	10,753
IT services	7,488	5,616
Commissions	2,400	2,943
Advertising	1,607	2,113
Electricity, water, steam and communications	16,117	15,828
Technical assistance and inspection	947	1,664
Port services and fees	2,161	1,901
Other specialised services	17,231	19,141
Other external supplies and services	5,411	5,646
Exchange differences	2,834	(3,069)
Other costs	12,888	13,565 (a)
	<b>377,008</b>	<b>316,792 (a)</b>
<b>Employee costs:</b>		
Statutory board salaries (Note 29)	1,722	(482)
Employee salaries	55,393	56,587
Social charges	12,245	13,613
Retirement benefits - pensions and insurance	6,692	7,136
Other insurances	2,073	2,277
Capitalisation of employee costs	(1,355)	(1,202)
Exchange differences	(11)	2
Other costs	2,565	2,066
	<b>79,324</b>	<b>79,997</b>
<b>Amortisation, depreciation and impairment:</b>		
Amortisation and impairment of tangible assets (Note 12)	186,757	143,920
Amortisation and impairment of intangible assets (Note 12)	7,287	7,416
Amortisation and impairment of concession arrangements (Note 12)	-	10,274
	<b>194,044</b>	<b>161,610</b>

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(€ k)

Captions	March 2017	March 2016 restated
<b>Provision and impairment losses on receivables:</b>		
Provisions and reversals (Note 25)	(37)	1,120
Impairment losses on trade receivables (Note 15)	2,122	3,926
Impairment losses (gains) on other receivables (Note 14)	3,187	106
	<b>5,272</b>	<b>5,152</b>
<b>Other operating costs:</b>		
Other taxes	4,490	2,708
Costs arising from the construction of assets under IFRIC12 (Note 5)	-	2,658
Loss on tangible and intangible assets	4,510	26
Donations	39	117
CO2 Licenses (Note 35)	1,832	1,151
Exchange differences	(69)	(144)
Other operating costs	11,784	2,797
	<b>22,586</b>	<b>9,313</b>
<b>Total operating costs</b>	<b>3,586,054</b>	<b>2,842,821</b> (a)

(a) These amounts were restated considering the changes in accounting policies referred in Note 2.26.

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

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

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

The amount of €30,628 k of royalties presented in "External supplies and services" mainly relates to the Exploration & Production of oil and gas in Brazil.

Royalties are calculated taking into account an applicable rate of 10% for the production volumes in proportion to the Galp share valued at the reference price of the oil or gas (the highest of the ANP's minimum selling price and the contracted sales price).

## 7. Segment reporting

### Business segments

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

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

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

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

The financial information for the previously identified segments, as of 31 March 2017 and 2016 is presented as follows:

(€ k)

	Exploration & Production		Refining & Marketing		Gas & Power		Other		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Income</b>												
Sales and Services Rendered	307,867	111,362	2,868,625	2,159,611	713,068	676,283	29,682	28,172	(75,483)	(153,658)	3,843,759	2,821,770
Inter-segmental	-	103,322	343	259	52,133	28,698	23,007	21,379	(75,483)	(153,658)	-	-
External	307,867	8,040	2,868,282	2,159,352	660,935	647,585	6,675	6,793	-	-	3,843,759	2,821,770
Cost of Sales	22,414	10,262	(2,432,217)	(1,943,437)	(527,425)	(458,650)	5	22	29,403	121,846	(2,907,820)	(2,269,957)
Cost of goods sold and materials consumed	(13,262)	(298)	(2,363,357)	(1,886,470)	(535,861)	(461,961)	5	22	29,403	121,846	(2,883,072)	(2,226,861)
Variation in Production	35,676	10,560	(68,860)	(56,967)	8,436	3,311	-	-	-	-	(24,748)	(43,096)
<b>EBITDA (1)</b>	<b>203,627</b>	<b>42,407</b>	<b>246,099</b>	<b>30,626</b>	<b>29,117</b>	<b>83,182</b>	<b>6,452</b>	<b>7,365</b>	<b>(2)</b>	<b>(2)</b>	<b>485,293</b>	<b>163,578</b>
<b>Non payable expenses</b>												
Amortisation, depreciation and impairments	(95,192)	(73,303)	(93,460)	(72,716)	(4,281)	(14,457)	(1,111)	(1,134)	-	-	(194,044)	(161,610)
Depreciation and Amortisation	(97,460)	(70,247)	(90,501)	(64,751)	(4,560)	(14,736)	(1,111)	(1,134)	-	-	(193,632)	(150,868)
Impairments	2,268	(3,056)	(2,959)	(7,965)	279	279	-	-	-	-	(412)	(10,742)
Provisions and Impairments	(16)	3	(2,687)	(5,101)	(2,569)	(54)	-	-	-	-	(5,272)	(5,152)
Provisions	-	-	(523)	(2,052)	(119)	(46)	-	-	-	-	(642)	(2,098)
Impairments	(16)	3	(3,258)	(5,180)	(2,757)	(1,270)	-	-	-	-	(6,031)	(6,447)
Provisions - Reversals	-	-	676	275	-	701	-	-	-	-	676	976
Impairments - Reversals	2	-	418	1,859	307	562	-	-	-	-	727	2,421
<b>EBIT IAS/IFRS</b>	<b>108,419</b>	<b>(30,893)</b>	<b>149,952</b>	<b>(47,191)</b>	<b>22,267</b>	<b>68,671</b>	<b>5,341</b>	<b>6,231</b>	<b>(2)</b>	<b>(2)</b>	<b>285,977</b>	<b>(3,184)</b>
Income from financial investments	8,636	3,015	2,015	629	39,248	3,372	(1)	-	2	2	49,900	7,018
Other financial income	21,389	23,726	(31,959)	7,974	(1,429)	(15,999)	388	(12,435)	-	-	(11,611)	3,266
Interest expense	14,345	15,767	(25,568)	(12,564)	(406)	(8,509)	(22,700)	(27,873)	24,888	-	(9,441)	(33,179)
Interest income	7,886	6,206	667	1,349	356	489	23,814	16,966	(24,891)	-	7,832	25,010
O. Financial charges	(842)	1,753	(7,058)	19,189	(1,379)	(7,979)	(726)	(1,528)	4	-	(10,001)	11,435
Income tax	(92,460)	(2,237)	(41,354)	507	(2,345)	(11,768)	(180)	2,526	-	-	(136,339)	(10,972)
Energy sector extraordinary contribution	-	-	(25,904)	(27,446)	(9,249)	(17,734)	-	-	-	-	(35,153)	(45,180)
Non-controlling interests	(17,040)	(8,033)	(1,330)	(472)	(204)	(187)	-	-	-	-	(18,574)	(8,692)
<b>Consolidated net income for the period</b>	<b>28,944</b>	<b>(14,422)</b>	<b>51,420</b>	<b>(65,999)</b>	<b>48,288</b>	<b>26,355</b>	<b>5,548</b>	<b>(3,678)</b>	<b>-</b>	<b>-</b>	<b>134,200</b>	<b>(57,744)</b>

As of 31 March 2017 and 31 December 2016

<b>OTHER INFORMATION</b>												
<b>Segment Assets (2)</b>												
Financial investments (3)	1,064,157	1,027,440	69,575	72,307	369,916	334,215	371	371	-	-	1,504,019	1,434,333
Non current assets held for sale	-	-	-	4,128	( )	-	-	-	-	-	( )	4,128
Other Assets	6,115,280	5,754,950	4,405,625	4,768,888	1,306,553	1,330,823	2,593,066	2,607,160	(3,254,030)	(3,461,137)	11,166,494	11,000,684
<b>Total Consolidated Assets</b>	<b>7,179,437</b>	<b>6,782,390</b>	<b>4,475,200</b>	<b>4,845,323</b>	<b>1,676,469</b>	<b>1,665,038</b>	<b>2,593,437</b>	<b>2,607,531</b>	<b>(3,254,030)</b>	<b>(3,461,137)</b>	<b>12,670,513</b>	<b>12,439,145</b>
Liabilities associated with non current assets held for sale	-	-	-	5,410	-	-	-	-	-	-	-	5,410
Other Liabilities	968,497	938,974	4,235,030	4,347,969	862,607	862,748	3,184,075	3,201,773	(3,254,030)	(3,461,137)	5,996,180	5,890,328
<b>Total Consolidated Liabilities</b>	<b>968,497</b>	<b>938,974</b>	<b>4,235,030</b>	<b>4,353,379</b>	<b>862,607</b>	<b>862,748</b>	<b>3,184,075</b>	<b>3,201,773</b>	<b>(3,254,030)</b>	<b>(3,461,137)</b>	<b>5,996,180</b>	<b>5,895,738</b>
<b>Investment in Tangible and Intangible Assets</b>	<b>189,427</b>	<b>255,997</b>	<b>9,767</b>	<b>14,432</b>	<b>1,659</b>	<b>2,846</b>	<b>341</b>	<b>508</b>			<b>201,194</b>	<b>273,783</b>

(1) EBITDA = Segment Income/EBIT + Amortisations+Provisions

(2) Net Asset

(3) at the Equity Method

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Inter-segmental Sales and Services Rendered

(€ k)

Segment	Exploration & Production	Refining & Marketing	Gas & Power	Other	TOTAL
Gas & Power	-	240	-	602	842
Refining & Marketing	-	-	52,132	18,818	70,950
Exploration & Production	-	16	-	3,588	3,604
Other	-	87	1	-	88
	-	<b>343</b>	<b>52,133</b>	<b>23,008</b>	<b>75,484</b>

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

- Gas & Power: natural gas sales for the production process of Matosinhos and Sines refineries (Refining & Marketing of oil products);
- Other: back-office and management services.

The commercial and financial transactions between related parties are performed according to the usual market conditions similar to transactions performed between independent companies (Note 28).

The assumptions underlying the determination of prices in transactions between Group companies rely on the consideration of the economic realities and characteristics of the situations in question, in other words, from comparing the characteristics of operations or companies that might have an impact on the intrinsic conditions of the commercial transactions in analysis. In this context an analysis is made, amongst others, of the goods and services traded, the functions performed by the parties (including the assets used and risks assumed), the contractual terms, the economic situation of the parties as well as their negotiation strategies.

In a related party's context, the remuneration thus corresponds to what is considered appropriate, as a rule, to the functions performed by each participant Company, taking into account the assets used and risks assumed. Thus, in order to determine the level of remuneration, the activities and risks taken by companies within the value chain of goods/services transacted are identified according to their functional profile, particularly with regard to the functions that they perform - import, manufacturing, distribution and retail.

In conclusion, market prices are determined not only by analysing the functions performed, the assets used and the risks incurred by one entity, but by also considering the contribution of these elements to the Company's profitability. This analysis assesses whether the profitability indicators of the companies involved fall within the calculated ranges based on an evaluation of a panel of functionally comparable but independent companies, thus allowing the prices to be fixed in order to comply with the arm's length principle.

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The detailed information on inter-segmental sales and services rendered, tangible and intangible assets and financial investments by each geographic region where Galp operates is as follows:

	Sales and Services Rendered		Tangible and Intangible		Financial investments	
	2017	2016 (a)	2017	2016	2017	2016
<b>AFRICA</b>	116,460	79,005	1,236,202	1,221,909	15,473	17,174
<b>LATIN AMERICA</b>	42,254	6,016	2,577,431	2,400,080	0	0
<b>EUROPE</b>	3,685,045	2,736,749	2,559,301	2,642,431	1,488,546	1,417,159
PORTUGAL	2,922,325	1,847,066	2,200,520	2,269,177	377,835	343,839
OTHER EUROPEAN COUNTRIES	762,720	889,683	358,781	373,254	1,110,711	1073320
	<b>3,843,759</b>	<b>2,821,770</b>	<b>6,372,934</b>	<b>6,264,420</b>	<b>1,504,019</b>	<b>1,434,333</b>

(a) Restated amounts

Of the total €1,110,711 k under financial investments in other European countries, €1,101,453 k were invested in companies related with projects in Brazil.

The reconciliation between the items in the Segment Reporting and the Income Statement for the periods ended 31 March 2017 and 2016 is as follows:

Captions from Segment Reporting			Captions from Income Statement		
	2017	2016		2017	2016
<b>Income</b>					
Sales and services rendered	3,843,759	2,821,770	Sales Services Rendered	3,683,600 160,159	2,649,744 172,026
Cost of Sales	(2,907,820)	(2,269,957)	Cost of Sales	(2,907,820)	(2,269,957)
			Other operating income	28,272	17,867
			External supplies and services	(377,008)	(316,792)
			Employee costs	(79,324)	(79,997)
			Other operating costs	(22,586)	(9,313)
<b>EBITDA IAS/IFRS (1)</b>	<b>485,293</b>	<b>163,578</b>	<b>Operating income before amortization/depreciation and provisions</b>	<b>485,293</b>	<b>163,578</b>
<b>Non payable expenses</b>					
Amortization and Adjustments	(194,044)	(161,610)	Amortisation, depreciation and impairment losses on fixed assets	(194,044)	(161,610)
Provisions (net)	(5,272)	(5,152)	Provisions and impairment losses on receivables	(5,272)	(5,152)
<b>EBIT IAS/IFRS</b>	<b>285,977</b>	<b>(3,184)</b>	<b>Operating Income</b>	<b>285,977</b>	<b>(3,184)</b>
Income from financial investments	49,900	7,018	Income from financial investments and impairment losses on Goodwill	49,900	7,018
Other Financial Income	(11,611)	3,266	Financial income	7,938	5,906
			Financial costs	(12,500)	(17,642)
			Exchange (losses) gains	(3,154)	(6,694)
			Income from financial instruments	(3,895)	21,696
Income tax	(136,339)	(10,972)	Income tax	(136,339)	(10,972)
Energy sector extraordinary contribution	(35,153)	(45,180)	Energy sector extraordinary contribution	(35,153)	(45,180)
Non-controlling interests	(18,574)	(8,692)	Non-controlling interests	(18,574)	(8,692)
<b>Net income for the period</b>	<b>134,200</b>	<b>(57,744)</b>	<b>Net income for the period</b>	<b>134,200</b>	<b>(57,744)</b>

## 8. Financial income and costs

Financial income and financial costs for the periods ended 31 March 2017 and 2016 are as follows:

	(€ k)	
Captions	March 2017	March 2016
<b>Financial income:</b>		
Interest on bank deposits	5,948	4,739
Interest and other income with related companies	1,883	1,539
Other financial income	107	(372)
	<b>7,938</b>	<b>5,906</b>
<b>Financial costs:</b>		
Interest on bank loans, bonds, overdrafts and others	(26,836)	(29,027)
Interest with related parties	(2,346)	(2,061)
Interests capitalised in fixed assets (Note 12)	24,043	21,235
Net interest on retirement benefits and other benefits	(1,907)	(2,498)
Charges relating to loans and bonds	(3,073)	(3,107)
Other financial costs	(2,381)	(2,184)
	<b>(12,500)</b>	<b>(17,642)</b>
	<b>(4,562)</b>	<b>(11,736)</b>

During the period ended 31 March 2017, the Group capitalised under the caption "Fixed assets in progress", the amount of €24,043 k, regarding interests on loans obtained to finance capital expenditure on tangible and intangible assets during their construction phase.

## 9. Income taxes

The Group's operations take place in several regions and are carried out by various legal entities, being applied the locally established income tax rates.

The Group companies headquartered in Portugal in which the Group has an interest equal or greater than 75%, if such participation ensures more than 50% of voting rights, are taxed in accordance with the special regime for the taxation of groups of companies, with taxable income being determined in Galp Energia, SGPS, S.A..

Spanish tax resident companies, in which the percentage held by the Group exceeds 75% have, from 2005 onwards, been taxed on a consolidated basis. Currently, the fiscal consolidation is performed by Galp Energia España S.A..

However, estimated income tax of the Company and its subsidiaries is accounted based on their tax income. In the period ended 31 March 2017, €136,339 k was recorded in the caption "Income tax".

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Income tax and Energy sector extraordinary contribution for the period ended 31 March 2017 and 2016 are as follows:

	(€ k)	
Captions	March 2017	March 2016
Current income tax	52,800	26,687
"IRP" - Oil income Tax	5,447	2,711
"SPT" - Special Participation Tax	73,622	(1,214)
(Excess)/Insufficiency of income tax for the preceding year	(240)	92
Deferred tax	4,808	(17,197)
Exchange differences	(98)	(107)
<b>Income tax</b>	<b>136,339</b>	<b>10,972</b>
<b>Energy sector extraordinary contribution</b>	<b>35,153</b>	<b>45,180</b>
	<b>171,492</b>	<b>56,152</b>

### Energy Sector Extraordinary Contribution

The caption "Energy sector extraordinary contribution" includes:

- €16,251 k related to the Energy Sector Extraordinary Contribution "CESE I" (Note 25);
- €8,340 k related to the Energy Sector Extraordinary Contribution "CESE II" (Note 25);
- €10,562 k related to "Fundo Nacional de Eficiência Energética (FNEE)", related to the entities of the Group headquartered in Spain.

### Current income tax

As of 31 March 2017 and 31 December 2016, the Group has recorded in current income tax payable the amount of €115,057 k and €75,440 k respectively as follows:

	(€ k)	
Captions	2017	2016
<b>Galp Gás Natural Distribuição Group (Note 28)</b>		
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A. (Note 28)	7,800	9,925
Lusitaniagás - Companhia de Gás do Centro, S.A. (Note 28)	3,453	3,094
Galp Gás Natural Distribuição, S.A. (Note 28)	2,539	1,349
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A. (Note 28)	827	545
Setgás - Sociedade de Produção e Distribuição de Gás, S.A. (Note 28)	785	-
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A. (Note 28)	272	210
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A. (Note 28)	256	212
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A. (Note 28)	73	62
	<b>16,005</b>	<b>15,397</b>
<b>State and Other Public Entities</b>	<b>(131,062)</b>	<b>(90,837)</b>
	<b>(115,057)</b>	<b>(75,440)</b>

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Deferred taxes

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

Deferred Taxes March 2017 - Assets						
Captions	Initial balance	Effect in profit & loss	Effect in equity	Effect of currency translation	Other adjustments	Ending balance
Adjustments to accruals and deferrals	5,366	(77)	-	-	-	5,289
Adjustments to tangible and intangible assets	27,632	(9,317)	-	34	-	18,349
Adjustments to inventories	657	(89)	-	-	-	568
Overlifting adjustments	1,595	(1,579)	-	(16)	-	-
Retirement benefits and other benefits	86,902	276	-	-	-	87,178
Double economical taxation	2,752	-	-	-	-	2,752
Financial instruments	45	1,095	(26)	-	-	1,114
Tax losses carried forward	96,353	(18,503)	-	114	-	77,964
Regulated revenue	7,398	30	-	-	-	7,428
Non deductible provisions	47,157	14,769	-	220	-	62,146
Potential foreign exchange differences Brazil	21,366	(1,828)	3,007	(19,798)	21	2,768
Others	37,761	13,638	-	236	-	51,635
	<b>334,984</b>	<b>(1,585)</b>	<b>2,981</b>	<b>(19,210)</b>	<b>21</b>	<b>317,191</b>

(€ k)

Deferred Taxes March 2017 - Liabilities				
Captions	Initial balance	Effect in profit & loss	Effect of currency translation	Ending balance
Adjustments to accruals and deferrals	(507)	5	(27)	(529)
Adjustments to tangible and intangible assets	(12,545)	535	(193)	(12,203)
Adjustments to tangible and intangible assets Fair Value	(23,122)	(1,168)	186	(24,104)
Adjustments in Inventories	(82)	(60)	-	(142)
Underlifting Adjustments	(89)	(879)	5	(963)
Retirement benefits and other benefits	-	(314)	-	(314)
Dividends	(14,171)	(126)	-	(14,297)
Financial instruments	(1,446)	(1,095)	-	(2,541)
Regulated revenue	(11,845)	(91)	-	(11,936)
Accounting revaluations	(1,021)	(74)	-	(1,095)
Others	(985)	44	-	(941)
	<b>(65,813)</b>	<b>(3,223)</b>	<b>(29)</b>	<b>(69,065)</b>

Changes in deferred taxes reflected in Equity, correspond to:

- €26 k for changes in deferred taxes related to hedge reserves components;
- €3,007 k including €2,105 k related to the deferred taxes on the Exchange rate differences resulting from the financial contributions which are similar to "quasi capital" (Note 20) and €902 k related to non-controlling interests.

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

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

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**10. Earnings per share**

Earnings per share as of 31 March 2017 and 2016 are as follows:

	(€ k)	
	March 2017	March 2016
<b>Income:</b>		
Net Income for purposes of calculating earnings per share (Consolidated net income for the period attributable to Galp Energia SGPS, S.A. Shareholders)	134,200	(57,744)
<b>Number of shares</b>		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
<b>Basic and diluted earnings per share (amounts in Euros):</b>	<b>0.16</b>	<b>(0.07)</b>

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

**11. Goodwill**

The difference between the amounts paid to acquire an equity share in Group companies and the fair value of the acquired companies' equity as of 31 March 2017 was as follows:

March 2017						(€ k)		
Subsidiaries	Acquisition year	Acquisition cost	Equity proportion at the acquisition date		Goodwill movement			
			%	Amount	December 2016	Currency exchange differences (d)	March 2017	
					48,817	-	-	
<b>Petróleos de Portugal - Petrogal, S.A.</b>								
Galp Comercialização Portugal, S.A.	(a)	2008	146,000	100.00%	69,027	50,556	-	50,556
						50,556	-	50,556
Galp Swaziland (PTY) Limited		2008	18,117	100.00%	651	21,601	(304)	21,297
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	6,938	100.00%	1,370	5,568	-	5,568
Empresa Nacional de Combustíveis - Enacol, S.A.R.L		2007 and 2008	8,360	15.77%	4,031	4,329	-	4,329
Galp Moçambique, Lda.		2008	5,943	100.00%	2,978	4,021	(56)	3,965
Gasinsular - Combustíveis do Atlântico, S.A.		2005	50	100.00%	(353)	403	-	403
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		2005	858	67.65%	580	278	-	278
Galp Sinopec Brazil Services (Cyprus)		2012	3	100.00%	1	2	-	2
						86,758	(360)	86,398

- a) The subsidiary Galp Comercialização Portugal, S.A. was incorporated in Petróleos de Portugal - Petrogal, S.A. through a merger process, during the year ended 31 December 2010.
- b) The exchange differences result from the conversion of Goodwill recorded in local companies' currency to Group's reporting currency (euros) at the exchange rate prevailing on the date of the financial statements (Note 20).

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**12. Tangible and intangible assets****12.1. Detail of tangible and intangible assets:**

Tangible and intangible assets as of 31 March 2017:

	(€ k)						
March 2017	Gross acquisition cost	Impairments	Total gross assets	Gross accumulated Depreciation/ amortisation	Impairment accumulated Depreciation/ amortisation	Total accumulated depreciation/ amortisation	Net assets
<b>Tangible Assets:</b>							
Land and natural resources	284,606	(14,346)	<b>270,260</b>	(1,810)	23	<b>(1,787)</b>	<b>268,473</b>
Buildings and other constructions	935,360	(14,745)	<b>920,615</b>	(700,303)	6,035	<b>(694,268)</b>	<b>226,347</b>
Machinery and equipment	8,473,690	(194,165)	<b>8,279,525</b>	(5,608,401)	169,527	<b>(5,438,874)</b>	<b>2,840,651</b>
Transport equipment	29,639	-	<b>29,639</b>	(27,528)	-	<b>(27,528)</b>	<b>2,111</b>
Tools and utensils	4,737	(61)	<b>4,676</b>	(4,258)	61	<b>(4,197)</b>	<b>479</b>
Administrative equipment	180,023	(1,506)	<b>178,517</b>	(169,549)	1,456	<b>(168,093)</b>	<b>10,424</b>
Reusable containers	161,151	(1)	<b>161,150</b>	(144,420)	1	<b>(144,419)</b>	<b>16,731</b>
Other tangible assets	91,759	(2,393)	<b>89,366</b>	(82,581)	1,876	<b>(80,705)</b>	<b>8,661</b>
Tangible assets in progress	2,964,586	(317,717)	<b>2,646,869</b>	-	-	-	<b>2,646,869</b>
Advances to suppliers of tangible assets	7	-	<b>7</b>	-	-	-	<b>7</b>
	<u>13,125,558</u>	<u>(544,934)</u>	<u><b>12,580,624</b></u>	<u>(6,738,850)</u>	<u>178,979</u>	<u><b>(6,559,871)</b></u>	<u><b>6,020,753</b></u>
<b>Intangible assets</b>							
Research and development costs	285	(5)	<b>280</b>	(285)	5	<b>(280)</b>	-
Industrial property and other rights	610,386	(45,475)	<b>564,911</b>	(343,562)	2,561	<b>(341,001)</b>	<b>223,910</b>
Reconversion of consumption to natural gas	551	-	<b>551</b>	(449)	-	<b>(449)</b>	<b>102</b>
Goodwill	19,668	(7,810)	<b>11,858</b>	(10,437)	231	<b>(10,206)</b>	<b>1,652</b>
Other intangible Assets	498	-	<b>498</b>	(498)	-	<b>(498)</b>	-
Intangible assets in progress	43,435	(3,316)	<b>40,119</b>	-	-	-	<b>40,119</b>
	<u>674,823</u>	<u>(56,606)</u>	<u><b>618,217</b></u>	<u>(355,231)</u>	<u>2,797</u>	<u><b>(352,434)</b></u>	<u><b>265,783</b></u>

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

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## Tangible and intangible assets as of 31 December 2016:

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

## 12.2. Movement in tangible and intangible assets:

Movements in tangible and intangible assets at 31 March 2017 are as follows:

	(€ k)					
March 2017	Gross assets	Impairments	Total assets	Gross accumulated Depreciation / amortisation	Impairment accumulated Depreciation / amortisation	Net amount
<b>Tangible Assets:</b>						
Opening balance	12,717,306	(402,435)	12,314,871	(6,453,996)	49,236	5,910,111
Additions	278,781	(19,727)	259,054	-	-	259,054
Depreciation	-	-	-	(186,361)	19,331	(167,030)
Write-offs/Disposals	(5,959)	3,087	(2,872)	2,721	-	(151)
Adjustments	(29)	-	(29)	104	-	75
Transfers	126,944	(129,316)	(2,372)	(110,416)	110,421	(2,367)
Exchange differences	8,513	3,458	11,971	9,099	(9)	21,061
Closing balance	<u>13,125,556</u>	<u>(544,933)</u>	<u>12,580,623</u>	<u>(6,738,849)</u>	<u>178,979</u>	<u>6,020,753</u>
<b>Intangible Assets:</b>						
Opening balance	670,024	(57,202)	612,822	(348,068)	2,797	267,551
Additions	3,269	-	3,269	-	-	3,269
Amortisation	-	-	-	(7,287)	-	(7,287)
Write-offs/Disposals	(248)	52	(196)	184	-	(12)
Adjustments	(1)	-	(1)	-	-	(1)
Transfers	2,372	-	2,372	(5)	-	2,367
Exchange differences	(592)	544	(48)	(56)	-	(104)
Closing balance	<u>674,824</u>	<u>(56,606)</u>	<u>618,218</u>	<u>(355,232)</u>	<u>2,797</u>	<u>265,783</u>

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

				(€ k)			
December 2016	Gross assets	Impairments	Total assets	Gross accumulated Depreciation/ amortisation	Impairment accumulated Depreciation/ amortisation	Total accumulated depreciation/ amortisation	Net amount
<b>Tangible Assets:</b>							
Opening balance	11,467,566	(311,572)	11,155,994	(5,987,570)	47,301	(5,940,269)	5,215,725
Additions	1,106,434	(199,709)	906,725	-	-	-	906,725
Depreciation	-	-	-	(572,286)	2,325	(569,961)	(569,961)
Write-offs/Disposals	(234,206)	124,092	(110,114)	96,761	(390)	96,371	(13,743)
Adjustments	(134,723)	-	(134,723)	87,160	-	87,160	(47,563)
Transfers	3,679	-	3,679	-	-	-	3,679
Transfers to assets held for sale	(6,854)	-	(6,854)	4,713	-	4,713	(2,141)
Exchange differences	516,348	(15,246)	501,102	(83,165)	-	(83,165)	417,937
Changes in the consolidation perimeter	(938)	-	(938)	391	-	391	(547)
Closing balance	12,717,306	(402,435)	12,314,871	(6,453,996)	49,236	(6,404,760)	5,910,111
<b>Intangible Assets:</b>							
Opening balance	2,398,528	(62,007)	2,336,521	(936,341)	2,797	(933,544)	1,402,977
Additions	40,008	(1,131)	38,877	-	-	-	38,877
Depreciation	-	-	-	(64,057)	-	(64,057)	(64,057)
Write-offs/Disposals	(11,250)	7,435	(3,815)	1,996	-	1,996	(1,819)
Adjustments	(3,679)	-	(3,679)	(68)	-	(68)	(3,747)
Transfers to assets held for sale	(684)	-	(684)	495	-	495	(189)
Exchange differences	7,676	(1,499)	6,177	(365)	-	(365)	5,812
Changes in the consolidation perimeter	(1,760,575)	-	(1,760,575)	650,272	-	650,272	(1,110,303)
Closing balance	670,024	(57,202)	612,822	(348,068)	2,797	(345,271)	267,551

Main events occurring during the period ended 31 March 2017:

The increases noted in tangible and intangible assets captions, amounting to €282,050 k, mainly include:

i) Exploration & Production segment

- €212,792 k regarding exploration and development investments in blocks in Brazil;
- €57,461 k regarding exploration investments in other geographic areas.

ii) Gas & Power segment

- €1,664 k regarding development of information systems.

iii) Refining & Marketing segment

- €9,791 k related to industrial investments made in the refineries, parks and in the retail network.

iv) Others segment

- €342 k related to investments made by service provider at corporate level.

In the period ended 31 March 2017 were sold and written-off tangible and intangible assets in the net amount of €3,302 k including:

- €3,139 k related to write-off of equipment, expenses and mineral rights in blocks in Brazil, without economic viability, which were fully impaired; and
- €161 k related to write-offs in the Retail business unit, due to improvements in stations, convenience stores, expansion activities and development of information systems, the majority of which were fully amortised.

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The adjustments for exchange differences relate to the revaluation of opening balances from foreign currencies into euro of the tangible and intangible assets of the subsidiaries denominated in foreign currencies.

### 12.3. Impairment on tangible and intangible assets

In the period ended 31 March 2017, impairments on tangible and intangible assets have been recognised amounting to €419,763 k which mainly include:

- €271,596 k for impairment losses on non-operated and operated blocks and other assets in Brazil and Angola;
- €77,879 k for impairment losses in blocks in Namibia;
- €39,616 k for impairment losses in the retail network in Portugal and Spain;
- €8,753 k for impairment losses in exploration in Aljubarrota;
- €7,670 k for impairment losses in exploration in Uruguay;
- €7,267 k for impairment losses in exploration in Mozambique; and
- €4,656 k for impairment losses in blocks in East Timor.

### 12.4. Amortisation, depreciation and impairment losses in the period

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

	March 2017			March 2016			December 2016		
	Tangible	Intangible	Total	Tangible	Intangible	Total	Tangible	Intangible	Total
Amortisation / Depreciation for the period	186,361	7,287	193,648	130,935	7,416	138,351	569,961	29,742	599,703
Amortisation for the year - Service Concession Arranger	-	-	-	-	10,274	10,274	-	34,315	34,315
Impairments	396	-	396	12,985	-	12,985	199,709	1,131	200,840
Amortisation, depreciation and impairments (Note 6)	<u>186,757</u>	<u>7,287</u>	<u>194,044</u>	<u>143,920</u>	<u>17,690</u>	<u>161,610</u>	<u>769,670</u>	<u>65,188</u>	<u>834,858</u>

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**12.5. Split of tangible and intangible assets in progress**

The split of tangible and intangible assets in progress (including advances to suppliers on tangible and intangible assets net of impairment losses) in the period ended 31 March 2017 and in the year ended 31 December 2016 is as follows:

							(€ K)
	March 2017			December 2016			
	Assets in progress	Impairments	Net amount	Assets in progress	Impairments	Net amount	
Exploration of oil in Brazil	1,562,581	(27,145)	1,535,436	1,567,863	(29,897)	1,537,966	
Exploration of oil in Angola and Congo	862,245	(227,167)	635,078	834,593	(230,338)	604,255	
Exploration in Mozambique	315,804	(7,267)	308,537	315,122	(7,365)	307,757	
Other projects	267,398	(59,454)	207,944	259,576	(60,007)	199,569	
	<b>3,008,028</b>	<b>(321,033)</b>	<b>2,686,995</b>	<b>2,977,154</b>	<b>(327,607)</b>	<b>2,649,547</b>	

**13. Government grants**

As of 31 March 2017 and 31 December 2016 the amounts to be recognised as government grants in future years amount to €7,242 k and €7,492 k, respectively (Note 24).

During the periods ended 31 March 2017 and 31 March 2016 government grants of €250 k and €2,483 k, respectively, were recognised in the income statement (Note 5).

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**14. Other receivables**

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

(€ k)

Captions	March 2017		December 2016	
	Current	Non-current	Current	Non-current
State and Other Public Entities:				
Value Added Tax - Reimbursement requested	3,395	-	4,376	-
"ISP" - Tax on Oil Products	247	-	237	-
Others	61,340	-	73,463	-
Loans granted to Sinopec Group (Note 28)	561,058	-	610,003	-
Non operated blocks	100,239	-	143,663	-
Other receivables - associates, joint ventures and other related parties (Note 28)	23,986	-	20,802	-
Underlifting	61,532	-	19,333	-
Suppliers debtor balances	9,283	-	16,619	-
Advances to suppliers	5,653	-	7,024	-
Means of payment	6,456	-	6,618	-
Operated blocks	22,249	-	5,459	-
Personnel	1,894	-	1,797	-
Guarantees	1,557	13,663	1,285	11,663
"ISP" - Tax on Oil Products - Congeners credit	1,232	-	685	-
Loans to costumers	531	839	531	839
Subsoil levies	230	-	182	-
Advances to tangible and intangible suppliers	25	-	25	-
Dividends (Note 4.5)	7,923	-	-	-
Loans to associates, joint ventures and other related parties (Note 28)	-	19,026	-	38,375
Other receivables	17,018	35,836	35,207	23,342
	<b>885,848</b>	<b>69,364</b>	<b>947,309</b>	<b>74,219</b>
Accrued income:				
Sales and services rendered not yet invoiced Natural Gas	60,144	-	56,582	-
Sales and services rendered not yet invoiced Electricity	28,109	-	45,070	-
Sales and services rendered not yet invoiced	17,717	-	21,672	-
Adjustment to tariff deviation - "pass through" - ERSE regulation	18,675	-	21,006	-
Accrued management and structure costs	2,158	-	2,158	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation	1,072	506	1,682	776
Commercial discount on purchases	835	-	1,042	-
Compensation for the uniform tariff	914	-	882	-
Sale of finished goods to be invoiced by the service stations	1,031	-	820	-
Accrued interest	533	-	360	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation	-	61,639	-	61,639
Other accrued income	14,852	8	11,824	-
	<b>146,040</b>	<b>62,153</b>	<b>163,098</b>	<b>62,415</b>
Deferred charges:				
Energy sector extraordinary contribution	27,770	105,131	21,740	85,923
Catalyser charges	12,534	-	13,983	-
Deferred charges - external supplies and services	6,123	-	6,025	-
Prepaid rent	4,468	-	4,942	-
Prepaid rent relating to service stations concession contracts	4,055	25,962	2,928	25,277
Interest and other financial costs	1,426	-	1,978	-
Prepaid insurance	1,879	-	1,044	-
Retirement benefits (Note 23)	-	272	-	271
Other deferred costs	12,772	220	11,125	183
	<b>71,027</b>	<b>131,585</b>	<b>63,765</b>	<b>111,654</b>
	<b>1,102,915</b>	<b>263,102</b>	<b>1,174,172</b>	<b>248,288</b>
Impairment of other receivables	(11,504)	(2,753)	(8,355)	(2,753)
	<b>1,091,411</b>	<b>260,349</b>	<b>1,165,817</b>	<b>245,535</b>

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

	(€ k)					
Other receivables	Initial balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
<b>March 2017</b>						
Other receivables - Current	8,355	3,187	-	-	(38)	11,504
Other receivables - Non-Current	2,753	-	-	-	-	2,753
	11,108	3,187	-	-	(38)	14,257
<b>March 2016</b>						
Other receivables - Current	8,096	106	-	-	10	8,212
Other receivables - Non-Current	2,753	-	-	-	-	2,753
	10,849	106	-	-	10	10,965

The increase and decrease in the caption "Impairment of other receivables" in the net amount of €3,187 k is included in the caption "Provisions and impairment losses on receivables" (Note 6).

The caption "Loans granted" includes the amount of €561,058 k (US\$599,827 k) relating to a loan granted by the Group to Tip Top Energy, SARL (Company from Sinopec Group) on 28 March 2012, renewable every three months until September 2017, remunerated at a three-month LIBOR interest rate plus a spread and registered as a current asset.

The movement in the Loans granted to Tip Top Energy, SARL, since the execution of the agreement up to the period ended 31 March, 2017 is as follows:

	Exchange rate		
	USD	31/03/2017	(€ k)
Loan 28/03/2012	1,228,626,253.42	1.0691	1,149,215
Capitalised interests	71,221,082.63	1.0691	66,618
Interest repayment	(61,012,962.89)	1.0691	(57,069)
Partial repayments	(639,007,500.00)	1.0691	(597,706)
<b>Other receivables</b>	<b>599,826,873.16</b>	<b>1.0691</b>	<b>561,058</b>

At period ended 31 March 2017, interest on loans granted to related companies amounted to €1,732 k.

The amount of €61,532 k recorded in the caption "Other receivables – underlifting" represents the amounts to be received by the Group for the lifting of barrels of crude oil below the production quota (underlifting) and is valued at the lower of the market price at the sale date and the market price on 31 March 2017.

The amount of €100,239 k presented in the caption "Other receivable – Non-operated Blocks", includes the amount of €29,757 k related to carry from public participation interests, referring to amounts receivable from public partners during the exploration period. Farm-in contracts agreed with partners consider that, during the exploration period, the Group is responsible for investment through cash calls and requested by the operator to the partner up to their participation limit.

The caption "Means of payment" amounting to €6,456 k refers to amounts receivable for sales made with Visa/debit cards, which as of 31 March 2017 were pending receipt.

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The amount of €23,986 k recorded in the current and non-current caption "Other receivables—associates, joint ventures, affiliates and related entities" refers to amounts receivable from non-consolidated companies.

The caption "Guarantees" amounting to €15,220 k includes the non-current balance of €13,663 k from payments on account and negotiated guarantees to support transactions and operations in the Spanish and French electricity markets.

The amount of €9,283 k recognised in the caption "Suppliers debtor balances" are mainly related to credit notes issued by suppliers and to be received in 2017.

The caption "Accrued income - sales and services rendered not yet invoiced, amounting to €88,253 k, is mainly related with the billing of natural gas and electricity consumption in March, to be issued to customers in April and is detailed as follows:

Company	(€ k)		
	TOTAL	Natural Gas	Electricity
Galp Gás Natural, S.A.	49,486	49,486	-
Galp Power, S.A.	22,869	220	22,649
Petróleos de Portugal - Petrogal, S.A.	4,925	-	4,925
Lisboagás Comercialização, S.A.	4,485	4,485	-
Galp Energia España, S.A.	3,001	2,790	211
Lusitaniagás Comercialização, S.A.	1,490	1,490	-
Transgás, S.A.	890	890	-
Setgás Comercialização, S.A.	783	783	-
Agrocer-Sociedade de Cogeração do Oeste S.A.	321	-	321
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	3	-	3
	<b>88,253</b>	<b>60,144</b>	<b>28,109</b>

The caption "Accrued income - sale of finished goods to be invoiced by the service stations" amounting to €1,031 k relates to consumptions up until 31 March 2017 through the Galp Frota loyalty card scheme and which will be invoiced in the following months.

Expenses recorded in deferred costs amounting to €30,017 k, relate to prepayments of rents regarding service station leases and are registered as a cost over the respective concession period, which varies between 17 and 32 years.

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

Galp holds collateral guarantees on receivables, namely bank guarantees and security deposits, which as of 31 March 2017, amount to approximately €103,733 k.

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**15. Trade receivables**

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

**(€ k)**

Captions	March 2017		December 2016	
	Current	Non-current	Current	Non-current
Trade receivables - current accounts	1,069,805	505	1,034,498	1,081
Trade receivables - doubtful accounts	191,368	-	187,818	-
Trade receivables - notes receivable	1,287	-	1,731	-
	<b>1,262,460</b>	<b>505</b>	<b>1,224,047</b>	<b>1,081</b>
Impairment on trade receivables	(185,330)	-	(182,977)	-
	<b>1,077,130</b>	<b>505</b>	<b>1,041,070</b>	<b>1,081</b>

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

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

**(€ K)**

Trade receivables impairment	Initial balance	Increases	Decreases	Utilisation	Adjustments	Assets held for sale	Changes in consolidation perimeter	Ending balance
March 2017	182,977	2,860	(738)	(21)	252	-	-	185,330
March 2016	199,428	6,344	(2,418)	-	(313)	-	-	203,041

Increase and decrease in trade receivables impairment in the net amount of €2,122 k was recognised in the caption "Provisions and impairment losses on receivables" (Note 6).

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

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

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**16. Inventories**

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

	(€ k)	
Captions	March 2017	December 2016
Raw, subsidiary and consumable materials:		
Crude oil	167,696	142,111
Other raw materials	69,566	60,260
Raw material in transit	261,958	59,407
	<b>499,220</b>	<b>261,778</b>
Impairment on raw, subsidiary and consumable materials	(10,179)	(11,701)
	<b>489,041</b>	<b>250,077</b>
Finished and semi-finished products:		
Finished products	183,020	209,141
Semi-finished products	164,279	195,879
Finished products in transit	-	2,667
	<b>347,299</b>	<b>407,687</b>
Impairment on finished and semi-finished products	(981)	(32)
	<b>346,318</b>	<b>407,655</b>
Work in progress	46	43
	<b>46</b>	<b>43</b>
Goods	214,442	212,342
Goods in transit	346	254
	<b>214,788</b>	<b>212,596</b>
Impairment on goods	(1,356)	(1,447)
	<b>213,432</b>	<b>211,149</b>
	<b>1,048,837</b>	<b>868,924</b>

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 March 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 €40,633 k and €34,644 k respectively (Note 24).

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

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The movement in Inventories impairment captions for the periods ended 31 March 2017 and 31 March 2016 is as follows:

(€ K)						
Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Ending balance
<b>March 2017</b>						
Impairment on raw, subsidiary and consumable materials	11,701	-	(1,522)	-	-	10,179
Impairment on finished and semi-finished products	32	952	-	-	(3)	981
Impairment on goods	1,447	1	(97)	-	5	1,356
	<b>13,180</b>	<b>953</b>	<b>(1,619)</b>	<b>-</b>	<b>2</b>	<b>12,516</b>
<b>March 2016</b>						
Impairment on raw, subsidiary and consumable materials	11,639	796	(2,511)	-	-	9,924
Impairment on finished and semi-finished products	3,677	4,359	(541)	-	(98)	7,397
Impairment on goods	13,933	22	(11,601)	-	139	2,493
	<b>29,249</b>	<b>5,177</b>	<b>(14,653)</b>	<b>-</b>	<b>41</b>	<b>19,814</b>

The net balance of increases and decreases, amounting to €(666) k was recorded against the caption "Cost of sales - Impairment in inventories" (Note 6) in the income statement. This decrease is mainly related to the evolution of market prices.

## 17. Other financial investments

Other financial investments as at 31 March 2017 and 31 December 2016 are detailed as follows:

(€ k)				
Captions	March 2017		December 2016	
	Current	Non-current	Current	Non-current
<b>Financial derivatives at fair value through profit and loss (Note 27)</b>				
Swaps and Options over Commodities	12,333	2,502	18,922	2,246
Currency swaps	800	-	31	-
	<b>13,133</b>	<b>2,502</b>	<b>18,953</b>	<b>2,246</b>
<b>Other Financial Assets</b>				
Other	-	23,817	-	24,156
	<b>-</b>	<b>23,817</b>	<b>-</b>	<b>24,156</b>
	<b>13,133</b>	<b>26,319</b>	<b>18,953</b>	<b>26,402</b>

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

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**18. Cash and cash equivalents**

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

Captions	March 2017	December 2016	March 2016
Cash	4,540	5,066	4,534
Cash Deposits	329,200	218,564	162,749
Term deposits	34,129	33,427	1,457
Other negotiable securities	41,458	68,604	51,876
Other treasury investments	549,358	707,837	815,350
<b>Cash and cash equivalents in the consolidated statement of financial position</b>	<b>958,685</b>	<b>1,033,498</b>	<b>1,035,966</b>
Bank overdrafts (Note 22)	(101,127)	(110,255)	(81,793)
<b>Cash and cash equivalents in the consolidated statement of cash flow</b>	<b>857,558</b>	<b>923,243</b>	<b>954,173</b>

The caption "Other negotiable securities" mainly includes:

- €31,015 k regarding bank deposit certificates;
- €4,446 k of electricity futures, CO<sub>2</sub> futures and futures over commodities (Brent) (Note 27); and
- €5,993 k of futures over natural gas with physical delivery.

These futures are recorded in this caption due to their high liquidity and reduced risk of loss of value (Note 27).

The caption "Other treasury investments" includes investments with maturities of up to three months, in respect of the following Group companies:

	(€ k)	
Companies	March 2017	December 2016
Galp Energia E&P, B.V.	329,354	572,589
Galp Sinopec Brazil Services B.V.	187,073	92,970
Petróleos de Portugal - Petrogal, S.A.	-	20,586
Petrogal Brasil, S.A.	18,597	11,304
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	3,900	4,000
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	5,300	4,000
Galp Energia España, S.A.	3,741	1,423
Galp Energia Brasil S.A.	1,109	601
Galp Exploração Serviços do Brasil, Lda.	284	364
	<b>549,358</b>	<b>707,837</b>

During 2017, no restrictions or constraints were identified besides those that result from the law itself, regarding the use or distribution of funds presented as Cash and cash equivalents, in its various geographies.

## 19. Share capital

### Capital structure

The share capital of Galp S.G.P.S., S.A. is comprised of 829,250,635 shares, with nominal value of 1 Euro each and fully subscribed. Of these, 771,171,121 (93% of the share capital) are listed on the Euronext Lisbon stock exchange. The remaining 58,079,514 shares, representing some 7% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not listed.

The 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 March 2017 and 31 December 2016 was as follows:

#### **2017**

	<b>Number of shares</b>	<b>% of Capital</b>	<b>% of Voting rights</b>
Amorim Energia, BV	276,472,161	33.34%	33.34%
Parpública - Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
<i>Free float</i>	494,698,960	59.66%	59.66%
<b>Total</b>	<b>829,250,635</b>	<b>100.00%</b>	<b>-</b>

#### **2016**

	<b>Number of shares</b>	<b>% of Capital</b>	<b>% of Voting rights</b>
Amorim Energia, B.V.	276,472,161	33.34%	33.34%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
<i>Free-float</i>	494,698,960	59.66%	59.66%
<b>Total</b>	<b>829,250,635</b>	<b>100.00%</b>	<b>-</b>

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**20. Reserves**

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

	(€ k)		
Captions	March 2017	December 2016	March 2016
<b>Translation reserves:</b>			
Reserves - financial allocations ("quasi capital")	(249,268)	(243,076)	(274,335)
Reserves - Tax on financial allocations ("quasi capital") (Note 9)	96,470	94,365	104,993
	(152,798)	(148,711)	(169,342)
Reserves - Translation of financial statements	534,262	547,366	87,196
Reserves - Goodwill currency update (Note 11)	4,830	5,190	3,290
	386,294	403,845	(78,856)
<b>Hedging reserves:</b>			
Reserves - financial derivatives (Note 27)	5,975	5,254	(8,168)
Reserves - Deferred tax on financial derivatives (Note 9)	(1,390)	(1,350)	1,578
	4,585	3,904	(6,590)
<b>Other reserves:</b>			
Legal reserves	165,850	165,850	165,850
Free distribution reserves	27,977	27,977	27,977
Special reserves (Note 3)	20	20	(443)
Reserves - Capital increase in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services B.V.	2,493,088	2,493,088	2,493,088
Reserves - Increase of 10.7532% in 2012 and 0.3438% in 2013 in the participation in the share capital of the subsidiary Lusitaniagás - Companhia de Gas do Centro, S.A.	-	-	(2,028)
Reserves - Increase of 33.05427% in 2015 in the participation in the share capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A. (Note 3)	-	-	(571)
Reserves - Increase of 33.0541% in 2015 in the participation in the share capital of the subsidiary Setgás Comercialização, S.A.	450	450	450
Reserves - Increase of 99% in the participation in the share capital of the subsidiary Enerfuel, S.A.	(31)	(31)	(31)
	2,687,354	2,687,354	2,684,292
	<b>3,078,233</b>	<b>3,095,103</b>	<b>2,598,846</b>

Translation reserves:

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

- €534,262 k relating to positive exchange differences resulting from the translation of financial statements in foreign currency to Euros;
- €152,798 k relating to negative foreign exchange rate differences on the financial contributions from Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A., Petrogal Brazil, B.V., Galp Sinopec Brazil Services B.V. and Winland International Petroleum, SARL (W.I.P.) to Petrogal Brasil, S.A. stated in Euros and US Dollars, remunerated and not remunerated, and for which there is no intention of reimbursement, and as such are similar to share capital ("quasi capital"), thus being considered an integral part of the net investment in that foreign operational unit in accordance with IAS 21;
- €4,830 k regarding positive exchange rate differences resulting from the translation of Goodwill.

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Hedging reserves:

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

In the period ended 31 March 2017, the amount of €5,975 k (Note 27) is related with the fair value of financial derivatives - cash flow hedges and €1,390 k relates to the respective tax impact, and presents the following detail:

(€ k)					
Hedging reserves	March 2017	December 2016	March 2016	Changes in the period (March 2017 - December 2016)	Changes in the period (March 2016 - December 2015)
<b>Reserves - financial derivatives (Note 27)</b>					
Group companies	6,339	6,224	(7,013)	115	(5,885)
Financial investments in associates and joint ventures	(364)	(970)	(1,155)	606	(363)
	<u>5,975</u>	<u>5,254</u>	<u>(8,168)</u>	<u>721</u>	<u>(6,248)</u>
<b>Reserves - Deferred tax on financial derivatives</b>					
Group companies (Note 9)	(1,426)	(1,400)	1,578	(26)	1,324
Financial investments in associates and joint ventures	36	50	-	(14)	-
	<u>(1,390)</u>	<u>(1,350)</u>	<u>1,578</u>	<u>(40)</u>	<u>1,324</u>
	<u><b>4,585</b></u>	<u><b>3,904</b></u>	<u><b>(6,590)</b></u>	<u><b>681</b></u>	<u><b>(4,924)</b></u>

Other reserves:

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

**21. Non-controlling interests**

As of 31 March 2017, 31 March 2016 and 31 December 2016, the caption "Non-controlling interests" included in equity refers to the following subsidiaries:

(€ k)									
March 2017	% Non-controlling interest December 2016	Dec-16	Assigned dividends	Prior year income	Translation reserves (b)	Retained earnings - actuarial gains and losses	Changes in the consolidation perimeter	Net income for the period	March 2017
Galp Sinopec Brazil Services B.V.	30.00%	1,309,700	-	-	(18,406)	-	-	7,598	1,298,892
Petrogal Brasil, S.A.	30.00%	230,046	-	-	14,307	-	-	9,442	253,795
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	51.71%	19,353	-	-	-	-	-	909	20,262
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	20.00%	3,340	-	-	-	-	-	172	3,512
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	25.00%	1,338	-	-	-	-	-	61	1,399
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	32.35%	983	-	-	-	-	-	52	1,035
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	25.00%	797	-	-	-	-	-	131	928
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(a) 35.00%	(177)	-	2	-	-	-	4	(171)
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	(a) 35.00%	(2,444)	-	-	-	-	-	205	(2,239)
		<u>1,562,936</u>	<u>-</u>	<u>2</u>	<u>(4,099)</u>	<u>-</u>	<u>-</u>	<u>18,574</u>	<u>1,577,413</u>

- a) The subsidiaries Petrogás Guiné Bissau, Lda. and Carriço Cogeração, S.A. present negative equity. Accordingly, the Group only recognised accumulated losses in the proportion of the capital held in that subsidiaries, reason why the non-controlling interest's presents a debtor balance;

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

b1) €18,406 k related to the negative exchange differences arising from the translation of financial statements of the subsidiary Galp Sinopec Brazil Services B.V. in United States Dollars (US\$) to Euros (Eur);

b2) €14,307 k related to the positive Exchange differences from the subsidiary Petrogal Brasil, S.A. of which:

- €16,058 k are related to positive Exchange differences resulting from the translation of the financial statements of the subsidiary Petrogal Brasil, S.A. in Brazilian Reais (BRL) to Euros (EUR);
- €1,751 k related to negative exchange differences resulting from the financial allocation of Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A., Petrogal Brazil B.V., Galp Sinopec Brazil Services B.V. and Winland International Petroleum, SARL (W.I.P.), to Petrogal Brasil, S.A., in Euros and in United States Dollars, remunerated and not remunerated, and for which there is no intention of reimbursement, and as such are similar to share capital ("quasi capital"), thus being considered an integral part of the net investment in that foreign operational unit in accordance with IAS 21.

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**22. Loans**Detail of loans

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

	(€ k)			
	<b>March 2017</b>		<b>December 2016</b>	
	Current	Non-current	Current	Non-current
Bank loans:				
Loans	183,488	885,098	198,556	912,749
Bank overdrafts (Note 18)	101,127	-	110,255	-
Discounted notes	281	-	631	-
	<b>284,896</b>	<b>885,098</b>	<b>309,442</b>	<b>912,749</b>
<i>Origination Fees</i>	(723)	(739)	(1,134)	(1,260)
	<b>284,173</b>	<b>884,359</b>	<b>308,308</b>	<b>911,489</b>
Other loans obtained:				
IAPMEI/SIDER	-	370	-	384
	-	<b>370</b>	-	<b>384</b>
	<b>284,173</b>	<b>884,729</b>	<b>308,308</b>	<b>911,873</b>
Bonds and Notes:				
Bonds	392,500	300,000	22,500	670,000
Notes	-	1,000,000	-	1,000,000
	<b>392,500</b>	<b>1,300,000</b>	<b>22,500</b>	<b>1,670,000</b>
<i>Origination Fees</i>	(4,799)	(3,494)	-	(4,344)
	<b>387,701</b>	<b>1,296,506</b>	<b>16,855</b>	<b>1,665,656</b>
	<b>671,874</b>	<b>2,181,235</b>	<b>325,163</b>	<b>2,577,529</b>

Current and non-current loans, excluding origination fees, bank overdrafts and discounted notes, have the following repayment plan as of 31 March 2017:

	(€ k)		
	<b>Loans</b>		
Maturity	Total	Current	Non-current
2017	178,337	178,337	-
2018	628,680	397,651	231,029
2019	698,988	-	698,988
2020	649,358	-	649,358
2021	535,091	-	535,091
2022	25,972	-	25,972
2023	20,029	-	20,029
2024 and subsequent years	25,000	-	25,000
	<b>2,761,456</b>	<b>575,988</b>	<b>2,185,467</b>

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

		March 2017		December 2016	
Currency		Total initial amount	Due amount (€k)	Total initial amount	Due amount (€k)
United States Dollars	USD	126,000	58,928	126,000	59,767
Euro	EUR	3,580,382	2,702,528	3,580,353	2,744,422
			<b>2,761,456</b>		<b>2,804,189</b>

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

### Description of the main loans

#### Commercial paper issuance

As of 31 March 2017, the Group has contracted commercial paper programs which are fully underwritten, amounting to €940,000 k, medium and long-term. Of this amount, the Group has used €490,000 k of the medium and long-term program.

These instruments bear interest at the Euribor rate applicable for the respective period of issuance, plus variable spreads. The referred interest rates are applicable to the amount of each issuance and remain unchanged during the respective period of the issue.

#### Bank loans

Detail of the main bank loans as of 31 March 2017:

					(€ k)
Entity	Due amount	Interest rate	Maturity	Reimbursement	
Banco Itaú	58,928	Libor 6M + spread	april 2017	april 2017	
UniCredit Bank Austria	150,000	Euribor 6M + spread	april 2020	april 2020	
					<b>208,928</b>

Additionally, the Group has project finance loans amounting to €22,048 k, obtained by the companies Agroger - Sociedade de Cogeração do Oeste S.A. and CLCM – Companhia Logística de Combustíveis da Madeira, S.A.

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Detail of the loans obtained from the European Investment Bank (EIB) as of 31 March 2017:

(€ k)

Entity	Due amount	Interest rate	Maturity	Reimbursement
EIB (Oporto cogeneration)	50,000	Fixed rate	October '17	October '17
EIB (Instalment A - Sines cogeneration)	17,577	Fixed rate	September '21	Semi-annual instalments beginning in March '10
EIB (Instalment B - Sines cogeneration)	9,396	Fixed rate	March '22	Semi-annual instalments beginning in September '10
EIB (Instalment A - refinery conversion)	162,000	Revisable fixed rate	February '25	Semi-annual instalments beginning in August '12
EIB (Instalment B - refinery conversion)	108,000	Fixed rate	February '25	Semi-annual instalments beginning in August '12
	<b>346,973</b>			

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

The remaining loan with the EIB, amounting to €108,000 k, 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 33).

Bonds

Detailed information for bonds as of 31 March 2017:

(€ k)

Emission	Due amount	Interest rate	Maturity	Reimbursement
GALP ENERGIA/2013-2017 €600 M. FRN	22,500	Euribor 6M + spread	May '17	May '17
GALP ENERGIA/2012-2018 FRN	260,000	Euribor 3M + spread	February '18	February '18
GALP ENERGIA/2013 - 2018	110,000	Euribor 3M + Spread	March '18	March '18
GALP ENERGIA/2013-2018 €200 M.	200,000	Euribor 6M + spread	April '18	April '18
GALP ENERGIA/2012-2020	100,000	Euribor 6M + spread	June '20	June '20
	<b>692,500</b>			

Notes Issuance

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

Detail by issuance, as of 31 March 2017:

(€ k)

Emission	Overdue amount	Interest rate	Maturity	Reimbursement
Galp 4.125% 01.2019	500,000	Fixed rate 4,125%	January 2019	January 2019
Galp 3.000% 01.2021	500,000	Fixed rate 3,000%	January 2021	January 2021
	<b>1,000,000</b>			

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The fair value of the bonds was measured based on inputs observed in the market, therefore its classification in the fair value hierarchy is Level 2 (Note 34).

### 23. Post employment benefits

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

	(€ k)	
	March 2017	December 2016
Bonds	169,495	171,354
Shares	55,173	51,108
Other Investments	8,367	10,279
Real Estate	3,107	2,628
Liquidity	12,296	17,141
Property	30,245	30,245
<b>Total</b>	<b>278,683</b>	<b>282,755</b>

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

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

	March 2017			December 2016		
Captions	Asset (Note 14)	Liability	Equity	Asset (Note 14)	Liability	Equity
Post employment benefits:						
Relating to the Pension Fund	272	(7,137)	44,345	271	(7,031)	44,345
Retired Employees	-	(743)	1,452	-	(750)	1,452
Pre-retirement	-	(57,962)	9,107	-	(56,518)	9,107
Early retirement	-	(60,853)	7,744	-	(63,026)	7,744
Retirement bonus	-	(7,122)	341	-	(7,029)	341
Voluntary social insurance	-	(2,153)	3,892	-	(2,257)	3,892
Other benefits:						
Healthcare	-	(208,052)	75,342	-	(208,283)	75,342
Life insurance	-	(2,797)	238	-	(2,816)	238
Defined contribution plan minimum benefit	-	(11,986)	19	-	(11,412)	19
Deferred taxes	-	-	(24,603)	-	-	(24,603)
	<b>272</b>	<b>(358,805)</b>	<b>117,877</b>	<b>271</b>	<b>(359,122)</b>	<b>117,877</b>

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

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**24. Other payables**

As at 31 March 2017 and of 31 December 2016 the non-current and current captions "Other payables" were detailed as follows:

(€ k)				
Captions	March 2017		December 2016	
	Current	Non-current	Current	Non-current
State and other public entities:				
Value Added Tax payables	202,532	-	194,719	-
"ISP" - Tax on oil products	116,837	-	115,853	-
Personnel and Corporate Income Tax Withheld	10,685	-	9,937	-
Social Security contributions	5,310	-	5,572	-
Other taxes	29,084	7	23,780	2
Tangible and intangible assets suppliers	73,060	83,531	97,076	83,998
Overlifting	29,370	-	59,752	-
Advances on sales (Note 16)	40,633	-	34,644	-
Other payables - Associates, affiliates and related companies (Note 28)	7,143	-	7,092	121
Personnel	7,368	-	6,815	-
Dividends payable	5,531	-	5,449	-
Advances related to disposal of financial investments (Note 3.1 a))	-	-	5,327	-
"ISP" - Other operators debit	4,734	-	4,553	-
Trade receivables credit balances	1,651	-	3,165	-
Guarantee deposits and guarantees received	2,449	3,354	2,457	3,292
Non operated Blocks	1,951	-	1,902	-
Loans - Associates, affiliates and related companies (Note 28)	365	176,011	365	178,515
Trade receivables advance payments	1,251	-	264	-
Operated Blocks	17,580	-	122	-
Other payables - Other shareholders	2	-	2	-
Loans - Other shareholders	-	1,205	-	1,205
Other creditors	16,476	683	12,139	597
	<b>574,012</b>	<b>264,791</b>	<b>590,985</b>	<b>267,730</b>
Accrued costs:				
External supplies and services	113,043	-	116,510	-
Accrued interest	19,238	-	49,208	-
Productivity bonuses	28,197	3,741	26,579	3,704
Holiday , holiday subsidy and corresponding contributions	31,282	-	25,698	-
Adjustment to tariff deviation - regulated revenue - "ERSE" regulation (Note 14)	6,601	8,426	5,337	9,092
Adjustment to tariff deviation - other activities - "ERSE" regulation	6,037	-	4,944	-
Discounts, bonuses and rappel related to sales	4,256	-	3,985	-
Accrued insurance premiums	10,182	-	1,656	-
Accrued personnel costs - other	1,297	-	1,489	-
Financial costs	960	-	1,013	-
Fastgalp prizes	206	-	118	-
Adjustment to tariff deviation - energy tariff - "ERSE" regulation (Note 14)	-	18,104	-	18,172
Other accrued costs	37,149	-	34,233	-
	<b>258,448</b>	<b>30,271</b>	<b>270,770</b>	<b>30,968</b>
Deferred income:				
Services rendered	36,491	-	7,177	-
Investment government grants (Note 13)	1,156	6,086	1,156	6,336
Others	13,204	39	13,920	42
	<b>50,851</b>	<b>6,125</b>	<b>22,253</b>	<b>6,378</b>
	<b>883,311</b>	<b>301,187</b>	<b>884,008</b>	<b>305,076</b>

The caption "Advances on sales" amounting to €40,633 k is related with Group liabilities with competitors for strategic reserves (Note 16).

The amount of €29,370 k presented in the caption "Other payables - Overlifting" represents the Group's liability in respect of excess crude oil lifted considering its production quota.

The amount of €4,734 k recorded in the caption "ISP – Other operators Debit" is related to the fact that the bonded warehouse is confined to Galp. Therefore, it is Galp's responsibility to collect the "ISP" (tax on petroleum products) from counterparties (partners/competitors) and to deliver it over to the State.

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The amount of €2,449 k recorded in the caption "Guarantee deposits and guarantees received" includes €2,144 k relating to Petrogal's liability as of 31 March 2017 for customer deposits received for gas containers in use, that were recorded at acquisition cost, which corresponds to their approximate fair value.

The amount of €176,011 k recorded in the caption "Loans – associates, affiliates and related companies" refers to the following:

- In March 2012, Winland International Petroleum, SARL, granted loans amounting to €176,011 k (US\$188,173,000) under the form of shareholders loans to the subsidiary Petrogal Brasil, S.A.. This loan bears interest at market rates and has a maturity of 10 years. In the period ended 31 March 2017 the amount of €2,338 k is recognised under the caption "Interest", regarding loans obtained concerning related companies.

The amount of €1,205 k in the caption "Loans – other shareholders", recorded as non-current payable, is related to a loan payable to EDP Cogeração, S.A. related to shareholder loans obtained by the subsidiary Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A., which bears interest at market rates and does not have a defined maturity.

Government investment grants are recognised as income over the useful life of the assets. The amount to be recognised in future periods amounts to €7,292 k (Note 13).

The caption "Non-current tangible and intangible assets suppliers" essentially refers to surface rights.

Land use rights presented in the Galp financial statements represent exclusive use rights over such land. These rights grant the same legal rights and obligations attributed to the owners of the land (in particular, the rights to build and use) over a given period of time, as contractually established.

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## 25. Provisions

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

(€ k)								
Captions	Initial balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in the consolidation perimeter	Ending balance
<b>March 2017</b>								
Lawsuits	20,343	639	(676)	(385)	-	167	-	20,088
Financial investments (Note 4)	4,005	11	(1,509)	-	-	-	-	2,507
Taxes	31,154	5,447	-	(133)	-	(331)	-	36,137
Environmental matters	3,454	-	-	-	-	-	-	3,454
Abandonment of blocks	139,060	84,344	-	-	-	(1,586)	-	221,818
Other risks and charges	231,471	49,830	(1)	(126)	-	2	-	281,176
	<u>429,487</u>	<u>140,271</u>	<u>(2,186)</u>	<u>(644)</u>	<u>-</u>	<u>(1,748)</u>	<u>-</u>	<u>565,180</u>
<b>March 2016</b>								
Lawsuits	29,179	299	(977)	(19)	-	838	-	29,320
Financial investments (Note 4)	4,115	-	(222)	-	-	363	-	4,256
Taxes	33,405	-	-	-	-	(1,344)	-	32,061
Environmental matters	2,208	-	-	-	-	-	-	2,208
Abandonment of blocks	128,795	5,745	-	-	-	(5,805)	-	128,735
Other risks and charges	231,060	29,135	-	-	-	165	-	260,360
	<u>428,762</u>	<u>35,179</u>	<u>(1,199)</u>	<u>(19)</u>	<u>-</u>	<u>(5,783)</u>	<u>-</u>	<u>456,940</u>
<b>December 2016</b>								
Lawsuits	29,179	297	(12,874)	(492)	98	4,564	(429)	20,343
Financial investments (Note 4)	4,115	35	(331)	-	-	186	-	4,005
Taxes	33,405	1,516	-	(4,735)	-	968	-	31,154
Environmental matters	2,208	1,475	-	(229)	-	-	-	3,454
Abandonment of blocks	128,795	47,264	(40,597)	-	-	3,598	-	139,060
Other risks and charges	231,060	41,926	1,388	(10,393)	(98)	(1,107)	(31,305)	231,471
	<u>428,762</u>	<u>92,513</u>	<u>(52,414)</u>	<u>(15,849)</u>	<u>-</u>	<u>8,209</u>	<u>(31,734)</u>	<u>429,487</u>

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

(€ k)			
	March 2017	March 2016	December 2016
Capitalisation of abandonment blocks provision costs	84,344	5,745	19,866
Energy sector extraordinary contribution - CESE II	33,577	671	4,274
Energy sector extraordinary contribution - CESE I	16,252	26,666	28,402
Estimate for additional payments of IRP - Oil income tax (Angola)	5,447	-	754
Provisions (Note 6)	(37)	1,120	(10,422)
Income from investments in associates and joint ventures (Note 4)	(1,498)	(222)	(296)
Future liability - disposal of Galp Gás Natural Distribuição, SGPS, S.A. (Note 3,1 d))	-	-	7,476
Estimate for additional payments of special participation tax in Brazil	-	-	(9,955)
	<u>138,085</u>	<u>33,980</u>	<u>40,099</u>

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### Lawsuits

The provision for current lawsuits amounts to €20,088 k and includes mainly: an amount of €4,180 k relating to a liability for fines imposed by the Competition Authority relating to contracts with distributors in the LPG business; the amount of €2,204 k related to liabilities for the offsetting of subsoil levies and an amount of €11,314 k related to the provision of the estimate for payment of an additional amount of the special participation tax in Brazil. The amount of €167 k included in the heading Adjustments corresponds to translation differences arising from the translation from the functional currency to the Group reporting currency (EUR) mainly from this provision.

### Financial investments

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

### Taxes

The caption "Tax provisions", amounting to €36,137 k includes mainly:

- i) €27,690 k of additional liquidations of Oil Income Tax ("IRP") (Note 9); and
- ii) €7,394 k concerning a tax contingency, related with a correction to the 2001 and 2002 corporate income tax of the subsidiary Petrogal (Note 9).

The increase of the tax provision in the period ended 31 March 2017 corresponds mainly to the additional liquidation of Oil Income Tax "IRP" in Angola amounting to €5,447 k.

### Environmental issues

The amount of €3,454 k presented in the caption "Environmental matters" is related to the costs associated with the soil decontamination of certain facilities occupied by the Group, where due to legal obligation a decision has already been taken to carry out the decontamination.

### Abandonment of blocks

The amount of €221,818 k recorded in provisions for the abandonment of blocks is destined to cover all costs to be incurred with the dismantling of assets and soil decontamination at the end of the useful life of those areas. The changes in provisions for the abandonment of blocks in the period ended were as

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follows:

	Initial balance	Increases	NPV interests increase	Decreases	Exchange differences (Cta's) (a)	Exchange differences (P/L) (b)	Ending balance
<b>Blocks in Brazil</b>							
- Lula and gas pipeline	50,713	41,663	2,045	-	758	(873)	94,306
- Rabo Branco	343	-	3	-	5	(50)	301
- Iracema	28,375	39,163	1,189	-	424	(1,115)	68,036
	<u>79,431</u>	<u>80,826</u>	<u>3,237</u>	<u>-</u>	<u>1,187</u>	<u>(2,038)</u>	<u>162,643</u>
<b>Blocks in Angola</b>							
- Block 1	7,237	-	-	(102)	-	-	7,135
- Block 14 - Kuito	12,562	-	92	-	(176)	-	12,478
- Block 14 - BBLT	(2,648)	-	(19)	-	37	-	(2,630)
- Block 14 - TL	40,468	-	296	-	(569)	-	40,195
- Block 14 - K	2,010	-	15	-	(28)	-	1,997
	<u>59,629</u>	<u>-</u>	<u>384</u>	<u>(102)</u>	<u>(736)</u>	<u>-</u>	<u>59,175</u>
<b>Total</b>	<u>139,060</u>	<u>80,826</u>	<u>3,621</u>	<u>(102)</u>	<u>451</u>	<u>(2,038)</u>	<u>221,818</u>

(a) Exchange differences resulting from conversion of the functional currency to the Group's currency (Euro) are recorded in equity under caption Translation reserves (Cta's)

(b) The provision is recorded in USD, the currency valuation for the functional currency of the company(ies) is recorded in the income statement(P/L) under the heading Exchange (loss)/ gains.

Other risks and charges

As at 31 March 2017 the caption "Provisions – other risks and charges", amounting to €281,176 k, mainly comprises:

- €7,476 k for the provision related to potential compensation to the buyer of 22.5% in GGND in case the CESE I tax becomes due;
- €4,561 k concerning processes related to sanctions applied by customs authorities due to the late submission of the customs destination declaration of some cargo shipments received in Sines;
- €68,593 k related to the provision to cover the Energy Sector Extraordinary Contribution "CESE I":

For the year ended 31 December 2014, the Group was subject to a special tax (Energy Sector Extraordinary Contribution "CESE I"), pursuant to Article 228 of Law 83C/2013 of 31 December, which states that the energy companies that detain net assets in certain activities as at 1 January 2014 are subject to a tax calculated on the amount of net assets at that date.

As this law is being challenged, the Group decided to record the total value of the liability amounting to €68,593 k under the "Provisions" caption. The total value of the liability on 31 December 2016 amounted to €52,342 k. In the period ended 31 March 2017, the provision was reinforced by €16,251 k, and recognised in the income statement under the caption "Energy sector extraordinary contribution";

- €195,672 k related to the provision to cover the Energy Sector Extraordinary Contribution "CESE II":

In the period ended 31 December 2015, the Group was subject to a special tax (Energy Sector Extraordinary Contribution "CESE II"), pursuant to Law 33/2015 of 27 April and Order No. 157 - B/2015 of 28 May, which focuses on the value of future sales, based on the four existing long term LNG sourcing contracts which are on a take-or-pay basis. Resulting from the respective Law and Order, Galp recorded a total payable amount of €156,156 k, to be paid in instalments of

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€52,052 k in May of each of the years 2015, 2016 and 2017, respectively. In the period ended 31 March 2017, through the Order No. 92-A/2017 of 2 March, the economic value of the take or pay contracts was modified, which caused the CESE increase in the amount of €32,303 k. This increase is not applied retrospectively, being applied in the current year. For the increase presented, interest for delayed payments of €1,274 k were also noted.

As it is challenging the Law, Galp has accounted for the total value of the liability amounting to €195,672 k under the "Provisions" caption and the respective cost is being deferred under the caption "Other receivables - Deferred costs" over the useful life of the contracts. In the period ended 31 March 2017, the Group recognised in the income statement under the caption "Energy sector extraordinary contribution" the amount of €8,340 k and the current and non-current captions "Other receivables - Deferred costs" amount to €27,770 k and €105,131 k, respectively (Note 14).

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

## 26. Trade payables

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

	(€ k)	
Captions	March 2017	December 2016
Trade payables - current accounts	394,032	363,288
Trade payables - pending invoices	442,759	487,124
	<b>836,791</b>	<b>850,412</b>

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

## 27. Other financial instruments – Financial derivatives

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

Financial derivatives are defined, in accordance with IAS/IFRS, as "financial assets at fair value through profit and loss" or "financial liabilities at fair value through profit and loss". Financial derivatives on commodities that are contracted to hedge the fair value variability or to address any risks that may affect the results of customer contracts of exercise are termed as "fair value hedge". On the other hand,

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financial derivatives on commodities that are contracted to hedge cash flow of customer contracts are termed as "cash flow hedges".

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

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

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

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

(€ k)										
	Fair Value as of March 2017					Fair Value as of December 2016				
	Assets		Liabilities		Equity	Assets		Liabilities		Equity
	current	non-current	current	non-current		current	non-current	current	non-current	
<b>Commodities Financial Derivatives</b>										
Swaps	12,333	2,502	(10,032)	(3,383)	1,354	18,922	2,246	(16,055)	(1,222)	1,169
Futures	4,446	-	-	-	4,985	4,001	-	-	-	5,055
	<b>16,779</b>	<b>2,502</b>	<b>(10,032)</b>	<b>(3,383)</b>	<b>6,339</b>	<b>14,220</b>	<b>7,263</b>	<b>(4,191)</b>	<b>(331)</b>	<b>(1,766)</b>
<b>Currency Financial Derivatives</b>										
Non-deliverable Forwards	18	-	(147)	-	-	-	-	(1,001)	-	-
Forwards	782	-	(113)	-	-	31	-	-	-	-
Currency Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-
	<b>800</b>	<b>-</b>	<b>(260)</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>(1,001)</b>	<b>-</b>	<b>-</b>
	<b>17,579</b>	<b>2,502</b>	<b>(10,292)</b>	<b>(3,383)</b>	<b>6,339</b>	<b>22,954</b>	<b>2,246</b>	<b>(17,056)</b>	<b>(1,222)</b>	<b>6,224</b>

The MTM (Mark-to-Market) of the derivative financial liabilities amounts to €13,675 k. Of this amount, €10,292 k are classified as current liabilities and will be realised over one year. The amount presented in non-current liabilities, amounting to €3,383 k will be realised over the period of two years (€3,331 k) and the remaining up to five years.

The accounting impact as of 31 March 2017 and 2016 of the income and losses from derivative financial instruments is presented in the following table:

	31 March 2017				31 March 2016				(€ k)
	Income statement			Equity	Income statement			Equity	
	Potential (MTM)	Real	MTM+Real	Potential (MTM)	Potential (MTM)	Real	MTM+Real	Potential (MTM)	
<b>Commodities Financial Derivatives</b>									
Swaps	(1,525)	1,533	8	185	19,832	(3,964)	15,868	(2,118)	
Swaps - Fair value hedge	4,862	-	4,862	-	200	-	200	-	
Futures	(2,366)	10,822	8,456	(299)	6,313	(14,392)	(8,079)	(3,767)	
	<b>971</b>	<b>12,355</b>	<b>13,326</b>	<b>(114)</b>	<b>26,345</b>	<b>(18,356)</b>	<b>7,989</b>	<b>(5,885)</b>	
<b>Currency Financial Derivatives</b>									
Non-deliverable Forwards	872	(4,206)	(3,334)	-	(2,552)	312	(2,240)	-	
Forwards	638	17	655	-	103	1,131	1,234	-	
	<b>1,510</b>	<b>(4,189)</b>	<b>(2,680)</b>	<b>-</b>	<b>(2,449)</b>	<b>1,443</b>	<b>(1,006)</b>	<b>-</b>	
	<b>2,481</b>	<b>8,166</b>	<b>10,647</b>	<b>(114)</b>	<b>23,896</b>	<b>(16,913)</b>	<b>6,983</b>	<b>(5,885)</b>	

Notes:

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

Real - value of closed positions.

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The caption Income from Financial Instruments in the negative amount of €3,895 k includes the potential value of MTM (Mark-to Market) of commodities derivatives as shown in the table below:

	(€ k)	
	March 2017	March 2016
<b>Income on Financial Instruments</b>		
<b>Commodities Financial Derivatives</b>		
Swaps	(1,525)	20,032
Futures	(2,366)	1,664
<b>Other trading operations</b>	(4)	-
	<b>(3,895)</b>	<b>21,696</b>

The realised amount of financial derivatives recognised in the caption "Cost of Sales" amounts to positive €17,325 k, comprising derivatives over commodities and MTM of the derivatives for the Contango operation (Note 6).

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

	(€ k)	
<b>Fair Value changes in Equity</b>	March 2017	March 2016
Group companies	(114)	(5,885)
Non-controlling interests	-	-
	<b>(114)</b>	<b>(5,885)</b>
Associates and joint ventures	(135)	(671)
	<b>(249)</b>	<b>(6,556)</b>

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

		(€ k)			
		31 March 2017		31 December 2016	
		Maturity		Maturity	
		< 1 year	> 1 year	< 1 year	> 1 year
<b>Commodities Financial Derivatives</b>					
Swaps	Buy	165,892	8,467	129,438	13,650
	Sell	198,438	-	141,708	21,274
Futures	Buy	71,391	9,287	75,696	1,844
	Sell	8,219	-	5,681	-
<b>Currency Financial Derivatives</b>					
Non-deliverable Forwards	Buy	13,679	-	27,363	-
	Sell	-	-	-	-
Swaps	Buy	-	-	41,054	-
	Sell	43,789	-	44,352	-
		<b>516</b>	<b>17,754</b>	<b>81,810</b>	<b>(5,780)</b>

Note: Equivalent nominal value in thousand Euro

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Galp has financial derivatives over commodities recognised as fair value hedge (fair value hedge and cash-flow hedge). These financial derivatives have been contracted for the reduction of risks associated with contracts signed with customers and suppliers. Accordingly, the income statement shows, under the MTM (Mark-to-market) caption, the positive amount of €4,826 k, through the caption "Other financial instruments", related to the fair value hedge and in Equity, under the caption "Hedging reserves", the negative amount of €114 k relating to cash-flow hedge. The cash flow hedges reflected in Equity, whose positions are closed, are reclassified to income for the year. The amount of closed hedging instruments amounts to positive €6,063 k, and was recognised under the heading Cost of Sale, together with the items covered.

Galp trades financial instruments denominated as futures. Given their high liquidity, as they are exchange-traded, they are classified as financial assets at fair value through profit and loss and included in "Cash and cash equivalents" caption. The gains and losses on commodity futures (Brent, natural gas and electricity) are classified in the caption "Cost of sales". Changes in the fair value of open positions are recorded in financial income. As these futures are exchange-traded, subject to a Clearing House, gains and losses are continuously recorded in the income statement.

## 28. Related parties

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

## 29. Remuneration of the board

The remuneration of the board members of Galp for the periods ended 31 March 2017 and 2016 is detailed as follows:

	March 2017						March 2016					
	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
<b>Board members of Galp Energia SGPS</b>												
Executive management	957	173	68	94	13	1,305	859	153	70	(1,921)	12	(827)
Non-executive management	137	-	-	-	-	137	139	-	-	-	-	139
Supervisory board	23	-	-	-	-	23	23	-	-	-	-	23
	<b>1,117</b>	<b>173</b>	<b>68</b>	<b>94</b>	<b>13</b>	<b>1,465</b>	<b>1,021</b>	<b>153</b>	<b>70</b>	<b>(1,921)</b>	<b>12</b>	<b>(665)</b>
<b>Board members of subsidiaries</b>												
Executive management	298	-	-	-	-	298	272	-	-	(45)	-	227
	<b>298</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>298</b>	<b>272</b>	<b>-</b>	<b>-</b>	<b>(45)</b>	<b>-</b>	<b>227</b>
	<b>1,415</b>	<b>173</b>	<b>68</b>	<b>94</b>	<b>13</b>	<b>1,763</b>	<b>1,293</b>	<b>153</b>	<b>70</b>	<b>(1,966)</b>	<b>12</b>	<b>(438)</b>

Of the amounts of €1,763 k and €(438) k, recorded in the periods ended 31 March 2017 and 2016, respectively, €1,722 k and €(482) k were recorded as employee costs (Note 6) and €41 k and €44 k were recorded as external supplies and services.

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

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

The variable remuneration of the Board of directors who exercise executive functions has a maximum limit of 60% of total annual fixed remuneration and includes an annual and a three-year variable components. The variable remuneration depends on the performance evaluation carried out by the Remuneration Committee based on specific, measurable and predefined criteria (economic, financial and operational) that contribute 65% to the definition of the amount of the applicable annual and three-year variable remuneration, corresponding the remaining 35% to the result of a qualitative evaluation by the Remuneration Committee of the activity developed by the executive directors in the relevant period, as the case may be.

The payment of 50% of the triennial component of the remuneration is deferred for three years, considering successive and overlapping triennia. Each year the evaluation of the previous year is carried out by the Remuneration Committee, which establishes a provisional value for the purposes of accrual. At the end of each three-year period, the Remuneration Committee shall carry out a quantitative and qualitative evaluation of the three-year period for the payment of variable remuneration, if the objectives are met. The deferred effective value of the three-year variable remuneration depends, on the one hand, on the fulfillment of the overall objectives for the three-year period in question, and on the other hand, on the qualitative assessment by the Remuneration Committee, so that at the end of the triennium in question, it may be reduced or increased in accordance with their assessment.

### 30. Dividends

During the period ended 31 March 2017, no dividends were allocated or paid.

### 31. Oil and gas reserves (Unaudited)

Information regarding Galp's oil and gas reserves is subject to independent assessment by a suitably qualified Company with the methodology established in accordance with the Petroleum Resources Management System ("PMRS"), approved in March 2007 by the Society of Petroleum Engineers ("SPE"), the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

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

### 32. Financial risk management

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

### 33. Contingent assets and liabilities

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

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

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

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

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

### 35. Information on environmental matters

The cost of CO<sub>2</sub> gas emissions, measured at the acquisition costs of the respective licenses, is recognised in Operating costs and amounts to €1,832 k as of 31 March 2017.

Galp has acquired CO<sub>2</sub> Futures, maturing in December 2017, which represents 1,155,000 Ton / CO<sub>2</sub>, acquired at the average price of €4.36/CO<sub>2</sub> TON.

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

No other significant changes were noted up to the first quarter of the year.

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

**36. Subsequent events**

There are no subsequent events relevant to note.

**37. Approval of the financial statements**

The consolidated financial statements were approved by the Board of Directors on 28 April 2017.

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**THE BOARD OF DIRECTORS:****Chairman:**


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 Paula Fernanda Ramos Amorim
**Vice-Chairmen:**


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 Miguel Athayde Marques

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 Carlos Nuno Gomes da Silva
**Members:**


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 Filipe Crisóstomo Silva

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 Thore E. Kristiansen

---

 Sérgio Gabrielli de Azevedo

---

 Abdul Magid Osman

---

 Marta Cláudia Ramos Amorim Barroca de Oliveira

---

 Raquel Rute da Costa David Vunge

---

 Carlos Manuel Costa Pina

---

 Francisco Vahia de Castro Teixeira Rêgo

---

 Jorge Manuel Seabra de Freitas

---

 José Carlos da Silva Costa

---

 Pedro Carmona de Oliveira Ricardo

---

 João Tiago Cunha Belém da Câmara Pestana

---

 Rui Paulo da Costa Cunha e Silva Gonçalves

---

 Luís Manuel Pego Todo Bom

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 Diogo Mendonça Rodrigues Tavares

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 Joaquim José Borges Gouveia
**THE ACCOUNTANT:**


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 Carlos Alberto Nunes Barata

# 11. Definitions

## Benchmark refining margin

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

## Rotterdam hydrocracking margin

The Rotterdam hydrocracking margin has the following profile: -100% Brent dated, +2.2% LGP FOB Seagoing (50% Butane + 50% Propane), +19.1% PM UL NWE FOB Bg., +8.7% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +45.1% ULSD 10 ppm NWE CIF Cg. +8.9% LSFO 1% FOB Cg; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent dated; Freight 2015: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.60/ton. Yields in % of weight.

## Rotterdam cracking margin

The Rotterdam cracking margin has the following profile: -100% Brent dated, +2.3% LGP FOB Seagoing (50% Butane + 50% Propane), +25.4% PM UL NWE FOB Bg., +7.5% Naphtha NWE FOB Bg., +8.5% Jet NWE CIF, +33.3% ULSD 10 ppm NWE CIF Cg. and +15.3% LSFO 1% FOB Cg.; C&L: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent dated; Freight 2015: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.60/ton. Yields in % of weight.

## Rotterdam base oils margin

Base oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13.0% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, +34.0% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg., +14%; Base Oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% CIF NWE Cg.; Losses: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Arabian Light; Freight 2015: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$6.95/ton. Yields in % of weight.

## Rotterdam aromatics margin

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

## Replacement cost (RC)

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

## Replacement cost adjusted (RCA)

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

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## ABBREVIATIONS

**APETRO:** *Associação Portuguesa de Empresas Petrolíferas* (Portuguese association of oil companies)

**bbl:** barrel of oil

**Bg:** Barges

**bn:** billion

**boe:** barrels of oil equivalent

**CESE:** *Contribuição Extraordinária sobre o Sector Energético* (Portuguese Extraordinary Energy Sector Contribution)

**Cg:** Cargoes

**CIF:** Costs, Insurance and Freight

**CORES:** *Corporación de Reservas Estratégicas de Productos Petrolíferos*

**CTA:** Cumulative Translation Adjustment

**E&P:** Exploration & Production

**Ebit** Earnings before interest and taxes

**Ebitda:** Ebit plus depreciation, amortisation and provisions

**EUA:** United States of America

**EUR/€:** Euro

**FOB:** Free on Board

**FPSO:** Floating, production, storage and offloading unit

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

**G&P:** Gas & Power

**GGND:** Galp Gás Natural Distribuição, S.A.

**GWh** Gigawatt per hour

**HC:** hydrocracker

**IAS:** International Accounting Standards

**IFRS:** International Financial Reporting Standards

**IRP:** Oil income tax (Oil tax payable in Angola)

**IRC:** portuguese corporate income tax

**ISP:** Tax on oil products

**JKM:** Japan Korea Marker

**k:** thousand

**kbbl:** thousands of barrels

**kboe:** thousands of barrels of oil equivalent

**kboepd:** thousands of barrels of oil equivalent per day

**kbopd:** thousands of barrels of oil per day

**LNG:** liquid natural gas

**LSFO:** low sulphur fuel oil

**m:** million

**mmbbl:** millions of barrels

**mmbboe:** millions of barrels of oil equivalent

**mmbtu:** million British thermal units

**mm<sup>3</sup>:** million cubic metres

**mton:** millions of tonnes

**MW:** megawatt

**NBP:** National Balancing Point

**NG:** natural gas

**n.s.:** no significance

**NWE:** Northwestern Europe

**OPEC:** Organisation of Petroleum Exporting Countries

**p.p.:** percentage points

**QoQ:** quarter-on-quarter

**R&D:** Refining & Distribution

**RC:** Replacement Cost

**RCA:** Replacement Cost Adjusted

**T:** tonnes

**USA:** United States of America

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

**VAT:** value-added tax

**VGO:** vacuum gas oil

**YoY:** year-on-year

**CAUTIONARY STATEMENT**

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

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

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

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

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

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

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### Galp Energia, SGPS, S.A.

#### Investor Relations:

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

#### Contacts:

Tel: +351 21 724 08 66  
Fax: +351 21 724 29 65

#### Address:

Rua Tomás da Fonseca,  
Torre A, 1600-209 Lisbon, Portugal

Website: [www.galp.com](http://www.galp.com)  
Email: [investor.relations@galp.com](mailto:investor.relations@galp.com)

Reuters: GALP.LS  
Bloomberg: GALP PL