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# **RESULTS AND CONSOLIDATED INFORMATION FIRST HALF 2017**

August 2017

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# 1. 1H17 highlights

- **Post-dividend free cash flow was €73 m during the quarter, benefiting from the cash flow from operating activities** and the lower capex in the period.
- **Consolidated RCA Ebitda increased €262 m year-on-year (YoY) to €892 m**, supported by the performance of the Refining & Marketing (R&M) and Exploration & Production (E&P) businesses.
- **RCA Ebitda for E&P was €391 m**, up €257 m YoY supported by **production growth and higher oil and natural gas prices**.
- The average **working interest production reached 88.9 kboepd**, up 60% YoY, supported by the development of the Lula field. FPSO P-66 (FPSO #7) started production in the period and FPSO Cidade de Saquarema (FPSO #6) reached plateau production in June, only 11 months after its start. Production was impacted by planned maintenance activities, including at FPSO Cidade de Angra dos Reis (FPSO #1), FPSO Cidade de Paraty (FPSO #2) and FPSO Cidade de Mangaratiba (FPSO #3).
- **RCA Ebitda for R&M rose €129 m YoY to €420 m**, benefiting from the **higher realised refining margin of \$5.5/boe** and from the **high availability of the refining system**. It is also worth noting **the strong contribution of the oil products marketing business**, supported by the economic context in Iberia and African countries in which Galp operates.
- **RCA Ebitda for the Gas & Power (G&P) business decreased €119 m YoY to €68 m**, due to the deconsolidation of the regulated infrastructure business and to the lower contribution of LNG trading and gas marketing in Iberia.
- **Group RCA Ebit amounted to €473 m**. As of the beginning of 2017, exploration expenses written-off started to be accounted for as recurring items. During the first half, a €22 m impairment was booked related to exploration blocks offshore Portugal.
- **RCA net income was €250 m**, despite higher taxes due to better results in the E&P business. **IFRS net income was €234 m**. The inventory effect amounted to €18 m and non-recurring items to €35 m.
- **Capex totalled €411 m** during the quarter, of which 89% from the E&P business.
- Net debt on June 30 reached €1.3 billion (bn), considering the loan to Sinopec as cash, with a **net debt to Ebitda RCA ratio of 0.9x**.
- On June 1, the consortium for the development of **Area 4 in Mozambique made the final investment decision (FID) for the Coral South FLNG project**. The project will be the first to develop the large natural gas discoveries made in the Rovuma basin and will consist of a floating liquefied natural gas unit (FLNG) with a capacity of c.3.4 million tonnes per annum (mtpa). The start of production is expected during 2022.

## 2. Key figures

### Financial data

€ m (RCA)

	First Half			
	2016	2017	Var. YoY	% Var. YoY
<b>Ebitda RCA</b>	<b>631</b>	<b>892</b>	<b>262</b>	<b>41%</b>
Exploration & Production	135	391	257	n.m.
Refining & Marketing	291	420	129	45%
Gas & Power	187	68	(119)	(64%)
<b>Ebit RCA</b>	<b>323</b>	<b>473</b>	<b>151</b>	<b>47%</b>
<b>Ebit IFRS</b>	<b>128</b>	<b>485</b>	<b>357</b>	<b>n.m.</b>
<b>Net income RCA</b>	<b>247</b>	<b>250</b>	<b>3</b>	<b>1%</b>
Non-recurring items	(178)	(35)	144	(81%)
Inventory effect	(61)	18	79	n.m.
<b>Net income IFRS</b>	<b>8</b>	<b>234</b>	<b>226</b>	<b>n.m.</b>
<b>Capex</b>	<b>630</b>	<b>411</b>	<b>(219)</b>	<b>(35%)</b>
<b>Post-dividend free cash flow</b>	<b>(253)</b>	<b>73</b>	<b>-</b>	<b>n.m.</b>
<b>Net debt including loan to Sinopec<sup>1</sup></b>	<b>1,891</b>	<b>1,329</b>	<b>(562)</b>	<b>(30%)</b>
<b>Net debt to Ebitda RCA<sup>2</sup></b>	<b>1.6x</b>	<b>0.9x</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Considering loan to Sinopec as cash. <sup>2</sup>As at 30 June 2017, ratio considers net debt including €527 m loan to Sinopec as cash, plus €165 m of Sinopec MLT shareholder loan to Petrogal Brasil and LTM Ebitda RCA of €1,673 m.

### Operational data

	First Half			
	2016	2017	Var. YoY	% Var. YoY
Average working interest production (kboepd)	55.5	88.9	33.4	60%
Average net entitlement production (kboepd)	53.0	87.2	34.2	65%
Oil and gas average sale price (USD/boe)	32.1	43.9	11.8	37%
Raw materials processed (mmboe)	51.5	56.1	4.6	9%
Galp refining margin (USD/boe)	4.3	5.5	1.1	26%
Oil sales to direct clients (mton)	4.4	4.4	(0.0)	(1%)
NG sales to direct clients (mm <sup>3</sup> )	1,782	2,201	419	23%
NG/LNG trading sales (mm <sup>3</sup> )	1,672	1,532	(140)	(8%)

### Market indicators

	First Half			
	2016	2017	Var. YoY	% Var. YoY
Average exchange rate (EUR:USD)	1.12	1.08	(0.03)	(3%)
Dated Brent price <sup>1</sup> (USD/bbl)	39.8	51.7	11.9	30%
Heavy-light crude price spread <sup>1</sup> (USD/bbl)	(2.3)	(1.5)	(0.8)	(34%)
U.K. NBP gas price <sup>1</sup> (USD/mmbtu)	4.3	5.4	1.1	25%
U.S. Henry Hub gas price <sup>2</sup> (USD/mmbtu)	2.1	3.1	1.0	46%
LNG Japan and Korea price <sup>1</sup> (USD/mmbtu)	4.8	6.3	1.5	30%
Benchmark refining margin <sup>3</sup> (USD/bbl)	3.1	3.9	0.8	26%
Iberian oil market <sup>4</sup> (mton)	30.5	30.9	0.4	1.3%
Iberian natural gas market <sup>5</sup> (mm <sup>3</sup> )	15,674	17,367	1,694	10.8%

<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 half of 2017, dated Brent averaged \$51.7/bbl, up \$11.9/bbl YoY, following expectations of market rebalancing, particularly following OPEC's production restriction agreement, which was extended until March 2018

During the first half of 2017, this average price spread narrowed \$0.8/bbl YoY to -\$1.5/bbl. The relative valuation of Urals was due to the lower availability of this and other similar quality crudes produced by OPEC members, following the agreed production limits.

### Natural gas

The natural gas price in Europe (NBP) averaged \$5.4/mmbtu, up \$1.1/mmbtu YoY, as a result of lower production in Western Europe, as well as the announcement of the closure of the largest natural gas storage facility in the United Kingdom.

The LNG reference price in the USA (Henry Hub) increased \$1.0/mmbtu YoY to \$3.1/mmbtu. This increase was due to lower natural gas production and inventories in the USA, as well as the development of new LNG export projects.

### Refining margins

During the first half, the benchmark margin increased \$0.8/bbl YoY to \$3.9/bbl, as a result of stronger diesel and fuel oil cracks.

During the first half of 2017, the diesel crack was \$11.8/bbl, up \$1.8/bbl YoY, due to increased demand and unplanned outages in refineries in Central Europe.

The fuel crack averaged -\$4.4/bbl, compared to -\$12.3/bbl in the previous year, following lower inventories, which stemmed primarily from: lower exports from Russia, as a result of its upgrade programme and the higher taxes on fuel exports; and the reduction in the average residue yield of the crude oil available on the market, following the OPEC agreement.

### Iberian market

During the first half of 2017, the Iberian market for oil products totalled 30.9 million tonnes (mton), up 1.3% YoY, as demand for jet and diesel increased, driven by the pick-up in economic activity, namely tourism.

During the first half, the Iberian natural gas market increased 11% YoY to 17,367 mm<sup>3</sup>, supported by the increase in the electrical segment consumption, during a period of lower hydroelectric power generation.

## Results and consolidated information – First half 2017

August 2017



## 4. Exploration & Production

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

	First Half			
	2016	2017	Var. YoY	% Var. YoY
<b>Average working interest production<sup>1</sup> (kboepd)</b>	<b>55.5</b>	<b>88.9</b>	<b>33.4</b>	<b>60%</b>
Oil production (kbpd)	52.3	77.4	25.2	48%
<b>Average net entitlement production<sup>1</sup> (kboepd)</b>	<b>53.0</b>	<b>87.2</b>	<b>34.2</b>	<b>65%</b>
Angola	7.5	6.6	(1.0)	(13%)
Brazil	45.4	80.6	35.2	77%
<b>Oil and gas average sale price (USD/boe)</b>	<b>32.1</b>	<b>43.9</b>	<b>11.8</b>	<b>37%</b>
<b>Royalties<sup>2</sup> (USD/boe)</b>	<b>3.3</b>	<b>4.4</b>	<b>1.1</b>	<b>33%</b>
<b>Production costs (USD/boe)</b>	<b>9.3</b>	<b>8.6</b>	<b>(0.8)</b>	<b>(8%)</b>
<b>Amortisation<sup>3</sup> (USD/boe)</b>	<b>15.4</b>	<b>13.8</b>	<b>(1.6)</b>	<b>(10%)</b>
<b>Ebitda RCA</b>	<b>135</b>	<b>391</b>	<b>257</b>	<b>n.m.</b>
Depreciation, Amortisation and Impairments <sup>3</sup>	133	200	67	51%
Exploration expenditures written off <sup>4</sup>	-	22	22	#DIV/0!
Provisions	(0)	-	0	n.m.
<b>Ebit RCA</b>	<b>2</b>	<b>169</b>	<b>167</b>	<b>n.m.</b>
<b>Ebit IFRS</b>	<b>(93)</b>	<b>168</b>	<b>261</b>	<b>n.m.</b>
<b>Net Income from E&amp;P Associates</b>	<b>11</b>	<b>16</b>	<b>6</b>	<b>54%</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 and excludes exploration expenditures written-off.

<sup>4</sup> Effective from 1 January 2017, exploration expenses written-off are considered as recurring items.

### Operations

During the first half of 2017, working interest production was 88.9 kboepd, a 60% increase YoY, which was due to the increase in production from Brazil, where seven units are already in production, compared to five units in the previous year.

On May 17, FPSO #7, the first replicant unit allocated to the Brazilian pre-salt, started production in the Lula South area. In Lula Central, FPSO Cidade de Saquarema (FPSO #6) reached plateau production in June, 11 months after coming onstream.

The planned maintenance works in some units in Brazil impacted production during the period, in particular the planned outages at FPSOs #1, #2 and #3.

Regarding the replicant unit to be allocated to the Lula North area (FPSO #8), the topsides' integration works proceed at COOEC's shipyard, in China. As for the hull of the replicant to develop the Lula Extreme South area (FPSO #9), it arrived during the quarter at the Brasfels shipyard and the integration works are underway.

Net entitlement production went up 65% YoY to 87.2 kboepd.

## Results and consolidated information – First half 2017

August 2017

### Results

During the first half of 2017, RCA Ebitda amounted to €391 m, up €257 m YoY, benefiting from higher production and average sale price, which reached \$43.9/boe, compared to \$32.1/boe in the first half of 2016.

Production costs increased €44 m YoY to €125 m, due to the higher number of operating units in Brazil. In unit terms, and on a net entitlement basis, production costs decreased from \$9.3/boe the previous year to \$8.6/boe.

Amortisation, depreciation charges and abandonment provisions amounted to €200 m, up €68 m YoY following higher production. On a

net entitlement basis, unit depreciation charges were \$13.8/boe, against \$15.4/boe in the previous year.

In the quarter, a €22 m impairment was made regarding the relinquishment of exploration blocks in Portugal. It should be noted that, as of 1 January 2017, exploration expenses written-off started to be accounted for as recurring items.

RCA Ebit went up to €169 m, although impacted by the exploration impairment in Portugal.



## 5. Refining & Marketing

€m (RCA, except otherwise stated)

	First Half			
	2016	2017	Var. YoY	% Var. YoY
<b>Galp refining margin (USD/boe)</b>	<b>4.3</b>	<b>5.5</b>	<b>1.1</b>	<b>26%</b>
<b>Refining cash cost<sup>1</sup> (USD/boe)</b>	<b>1.8</b>	<b>1.7</b>	<b>(0.2)</b>	<b>(10%)</b>
<b>Impact of hedging on refining margin<sup>2</sup> (USD/boe)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>n.m.</b>
<b>Raw materials processed (mmboe)</b>	<b>51.5</b>	<b>56.1</b>	<b>4.6</b>	<b>9%</b>
Crude processed (mmbbl)	47.1	49.6	2.5	5%
<b>Total refined product sales (mton)</b>	<b>8.5</b>	<b>9.1</b>	<b>0.5</b>	<b>6%</b>
Sales to direct clients (mton)	4.4	4.4	(0.0)	(1%)
<b>Ebitda RCA</b>	<b>291</b>	<b>420</b>	<b>129</b>	<b>45%</b>
Depreciation, Amortisation and Impairments	130	179	50	38%
Provisions	12	2	(11)	(85%)
<b>Ebit RCA</b>	<b>149</b>	<b>239</b>	<b>90</b>	<b>61%</b>
<b>Ebit IFRS</b>	<b>56</b>	<b>245</b>	<b>190</b>	<b>n.m.</b>
<b>Net Income from R&amp;M Associates</b>	<b>0</b>	<b>6</b>	<b>6</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 half of 2017 increased 9% YoY to 56.1 mmboe, mainly as a result of the planned outage of the hydrocracker at the Sines refinery and in several units in Matosinhos during the previous year. Crude oil accounted for 88% of raw materials processed, of which 83% corresponded to medium and heavy crudes.

Middle distillates accounted for 47% of total production, while gasoline accounted for 23%. Consumption and losses stood at 8%.

Volumes sold to direct clients stood in line YoY at 4.4 mton, despite the decreased exposure to lower margin activities in Iberia, namely in the wholesale segment. Volumes sold in Africa increased 18% and accounted for 10% of total volumes sold to direct clients.

### Results

Ebitda RCA increased €129 m to €420 m, supported by the market environment and the operational availability of the refineries.

Galp's refining margin stood at \$5.5/boe, compared to \$4.3/boe the previous year. The spread to benchmark margin was \$1.6/boe, as the Company benefited mainly from sourcing opportunities.

Refining cash costs stood at €86 m, in line YoY. In unit terms, cash costs were \$1.7/boe.

The marketing of oil products benefited from the higher demand in the retail segment and in the wholesale segment, related to the increased economic activity, and particularly tourism.

Depreciation charges and provisions totalled €181 m, up €39 m YoY.



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RCA Ebit was €239 m, while IFRS Ebit increased to €245 m. The inventory effect was positive by €12 m.



## 6. Gas & Power

€m (RCA except otherwise stated)

	First Half			
	2016	2017	Var. YoY	% Var. YoY
<b>NG/LNG total sales volumes (mm<sup>3</sup>)</b>	<b>3,454</b>	<b>3,733</b>	<b>279</b>	<b>8%</b>
Sales to direct clients (mm <sup>3</sup> )	1,782	2,201	419	23%
Trading (mm <sup>3</sup> )	1,672	1,532	(140)	(8%)
<b>Sales of electricity (GWh)</b>	<b>2,421</b>	<b>2,520</b>	<b>99</b>	<b>4%</b>
Sales of electricity to the grid (GWh)	735	844	108	15%
<b>Ebitda RCA</b>	<b>187</b>	<b>68</b>	<b>(119)</b>	<b>(64%)</b>
Natural Gas	121	51	(70)	(58%)
Infrastructure <sup>1</sup>	65	-	(65)	n.m.
Power	1	17	16	n.m.
Depreciation, Amortisation and Impairments	30	9	(20)	(69%)
Provisions	1	4	3	n.m.
<b>Ebit RCA</b>	<b>156</b>	<b>55</b>	<b>(101)</b>	<b>(65%)</b>
<b>Ebit IFRS</b>	<b>151</b>	<b>62</b>	<b>(89)</b>	<b>(59%)</b>
<b>Net Income from G&amp;P Associates<sup>1</sup></b>	<b>34</b>	<b>50</b>	<b>16</b>	<b>47%</b>

<sup>1</sup> The regulated infrastructure business ceased to be fully consolidated as of the end of October 2016.

### Operations

Sales of natural gas were 3,733 mm<sup>3</sup>, up 279 mm<sup>3</sup> compared to the first half of 2016, which reflected an increase in volumes sold to direct clients, mainly in the electrical segment.

Volumes sold in the conventional segment also increased 11%, following the performance of the industrial segment.

Volumes sold in the trading segment decreased 8% to 1,532 mm<sup>3</sup>, due to lower LNG volumes sold.

Sales of electricity were 2,520 GWh, a 99 GWh increase compared to the previous year, which had been impacted by an outage of the cogeneration in the Matosinhos refinery.

### Results

Ebitda was €68 m during the first half of 2017, down €119 m YoY, mainly following lower results from the natural gas activity and the deconsolidation of GGND.

Ebitda for the natural gas segment decreased €70 m YoY to €51 m, due to the lower contribution of LNG trading and the gas marketing activity in Iberia, and considering the negative sourcing impact in the beginning of the year.

Ebitda for the power business was €17 m, compared to €1 m in the first half of 2016, which

had been impacted by the outage of the cogeneration unit in the Matosinhos refinery and by the negative lag of the natural gas purchase price and the sale price of energy produced.

RCA Ebit decreased €101 m YoY to €55 m. IFRS Ebit was €62 m, compared to €151 m the previous year.

Results from associated companies related to the G&P business reached €50 m, up €16 m YoY, reflecting the contribution in this caption of the 77.5% stake in Galp Gás Natural Distribuição S.A (GGND).

## 7. Financial data

### 7.1. Income statement

€m (RCA, except otherwise stated)

	First Half			
	2016	2017	Var. YoY	% Var. YoY
Turnover	6,081	7,623	1,542	25%
Cost of goods sold	(4,710)	(5,840)	1,131	24%
Supply & Services	(608)	(759)	151	25%
Personnel costs	(148)	(150)	2	1%
Other operating revenues (expenses)	16	18	2	13%
<b>Ebitda RCA</b>	<b>631</b>	<b>892</b>	<b>262</b>	<b>41%</b>
<b>Ebitda IFRS</b>	<b>530</b>	<b>908</b>	<b>378</b>	<b>71%</b>
Depreciation, Amortisation and Impairments	(295)	(413)	118	40%
Provisions	(13)	(6)	(7)	(54%)
<b>Ebit RCA</b>	<b>323</b>	<b>473</b>	<b>151</b>	<b>47%</b>
<b>Ebit IFRS</b>	<b>128</b>	<b>485</b>	<b>357</b>	<b>n.m.</b>
Net income from associated companies	45	73	27	61%
Financial results	18	(22)	(40)	n.m.
Net interests	(55)	(40)	(15)	(28%)
Interest capitalised	46	51	5	11%
Exchange gain (loss)	(7)	(13)	(7)	(96%)
Mark-to-market of hedging derivatives	44	(7)	(52)	n.m.
Other financial costs/income	(9)	(12)	(3)	(27%)
<b>Net income RCA before taxes and non-controlling interests</b>	<b>386</b>	<b>524</b>	<b>138</b>	<b>36%</b>
Taxes <sup>1</sup>	(118)	(243)	125	n.m.
Non-controlling interests	(21)	(31)	10	47%
<b>Net income RCA</b>	<b>247</b>	<b>250</b>	<b>3</b>	<b>1%</b>
Non recurring items	(178)	(35)	144	81%
<b>Net income RC</b>	<b>69</b>	<b>215</b>	<b>147</b>	<b>n.m.</b>
Inventory effect	(61)	18	79	n.m.
<b>Net income IFRS</b>	<b>8</b>	<b>234</b>	<b>226</b>	<b>n.m.</b>

<sup>1</sup> Includes corporate income taxes and taxes payable on oil and gas production.

#### First half

RCA Ebitda was €892 m during the first half of 2017, a 41% increase YoY, due to the enhanced performance of E&P and R&M. IFRS Ebitda rose €378 m to €908 m.

Considering the increase in depreciation, namely in E&P and R&M, RCA Ebit was up to €473 m. IFRS Ebit was up to €485 m.

Results from associated companies increased to €73 m.

Financial results were negative €22 m, down €40 m YoY, mainly due to a €52 m change in mark-to-market of hedging derivatives, namely related to refining margin hedging.

RCA taxes reached €243 m, mainly due to higher results in the E&P business, with taxes on oil and gas production reaching €130 m.

Non-controlling interests, mainly attributable to Sinopec's stake in Petrogal Brasil, reached €31 m.

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RCA net income reached €250 m, while IFRS net income was €234 m. The inventory effect was €18 m and non-recurring items stood at €35 m.

CESE tax in Portugal had a negative impact on IFRS results of around €33 m, including €16 m related to CESE I, whose annual impact is fully

accounted for in the first quarter of the year. This provision related to CESE results from the strict applicability of accounting standards. However, in Galp's opinion, based on the opinion of renowned national legal experts, the laws regarding CESE have no legal grounds and, accordingly, such amounts are not due.

## 7.2. Capital expenditure

€m

	First Half			
	2016	2017	Var. YoY	% Var. YoY
Exploration & Production	561	366	(195)	(35%)
Exploration and appraisal activities	21	26	4	20%
Development and production activities	540	340	(200)	(37%)
Refining & Marketing	59	40	(19)	(32%)
Gas & Power	9	4	(5)	(56%)
Others	1	1	0	17%
<b>Capex</b>	<b>630</b>	<b>411</b>	<b>(219)</b>	<b>(35%)</b>

Capital expenditure during the first half of 2017 amounted to €411 m, down 35% YoY, mainly due to the progress in the execution of Lula/Iracema.

E&P activities accounted for 89% of the total, with development activities in the BM-S-11 block accounting for 72% of the investment in E&P.

The €44 m investment in downstream activities was mainly aimed at refining maintenance activities, expansion of the downstream network and customer relationship management (CRM) programmes.

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**7.3. Cash Flow****Indirect method**

€m (IFRS figures)

	First Half	
	2016	2017
Ebit	128	485
Dividends from associates	25	86
Depreciation, Depletion and Amortisation (DD&A)	383	415
Change in Working Capital	133	(71)
<b>Cash flow from operations</b>	<b>669</b>	<b>915</b>
Net capex <sup>1</sup>	(612)	(390)
Net financial expenses	(55)	(40)
SPT and Corporate taxes	(80)	(197)
Dividends paid	(175)	(215)
<b>Free cash flow</b>	<b>(253)</b>	<b>73</b>
Others <sup>2</sup>	191	(59)
<b>Change in net debt</b>	<b>61</b>	<b>(14)</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.

At the end of June, post-dividend free cash flow totalled €73 m, benefiting from robust operating results, namely in the E&P and R&M businesses, and lower investment in the period.

This was despite the €215 m dividend payment in May 2017.

## Results and consolidated information – First half 2017

August 2017

**Direct method**

€m

	First Half	
	2016	2017
<b>Cash and equivalents at the beginning of the period<sup>1</sup></b>	<b>1,045</b>	<b>923</b>
Received from customers	7,027	8,711
Paid to suppliers	(4,062)	(5,556)
Staff related costs	(182)	(169)
Dividends from associated companies	25	86
Taxes on oil products (ISP)	(1,253)	(1,352)
VAT, Royalties, PIS, Cofins, Others	(790)	(808)
<b>Total operating flows</b>	<b>764</b>	<b>912</b>
Net capex <sup>2</sup>	(652)	(367)
Net Financial Expenses	(84)	(73)
Dividends paid	(175)	(215)
SPT and Corporate taxes	(80)	(197)
Net new loans	(130)	(32)
Sinopec loan reimbursement	134	42
FX changes on cash and equivalents	32	(91)
<b>Cash and equivalents at the end of the period<sup>1</sup></b>	<b>856</b>	<b>902</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 half 2017

August 2017

### 7.4. Financial position and debt

€m (IFRS figures)

	31 December, 2016	30 June, 2017	Var. vs 31 Dec. 2016
Net fixed assets	7,721	7,458	(263)
Working capital	512	583	71
Loan to Sinopec	610	527	(83)
Other assets (liabilities)	(428)	(595)	(167)
Non-current assets/liabilities held for sale	(1)	-	1
<b>Capital employed</b>	<b>8,414</b>	<b>7,974</b>	<b>(440)</b>
Short term debt	325	808	483
Medium-Long term debt	2,578	2,068	(510)
<b>Total debt</b>	<b>2,903</b>	<b>2,876</b>	<b>(27)</b>
Cash and equivalents	1,032	1,020	(13)
<b>Net debt<sup>‡</sup></b>	<b>1,870</b>	<b>1,856</b>	<b>(14)</b>
<b>Total equity</b>	<b>6,543</b>	<b>6,118</b>	<b>(426)</b>
<b>Total equity and net debt</b>	<b>8,414</b>	<b>7,974</b>	<b>(440)</b>

On June 30, 2017, net fixed assets stood at €7,458 m, down €263 m compared to the end of 2016 as both the US Dollar and the Brazilian Real depreciated against the Euro during the period.

Work-in-progress, mainly related to the E&P business, was €2,460 m at the end of the period.

#### Financial debt

€m (except otherwise stated)

	31 December, 2016	30 June, 2017	Var. vs 31 Dec.2016
Bonds	1,683	1,663	19
Bank loans and other debt	1,220	1,212	8
Cash and equivalents	(1,032)	(1,020)	(13)
<b>Net debt</b>	<b>1,870</b>	<b>1,856</b>	<b>14</b>
<b>Net debt including loan to Sinopec<sup>1</sup></b>	<b>1,260</b>	<b>1,329</b>	<b>(68)</b>
Average life (years)	2.6	2.3	0.3
Average debt interest rate	3.5%	3.5%	0.0 p.p.
Net debt to Ebitda RCA <sup>2</sup>	1.0x	0.9x	-

Net debt of €1,329 m adjusted for the €527 m loan to Sinopec. <sup>2</sup> As at 30 June 2017, ratio considers net debt including loan to Sinopec as cash, plus €165 m corresponding Sinopec MLT Shareholder Loan to Petrogal Brasil, and LTM RCA Ebitda of €1,673 m

On June 30, 2017, net debt stood at €1,856 m, in line with net debt at the end of 2016.

Considering the €527 m balance of the Sinopec loan as cash, net debt at the end of the period totalled €1,329 m, resulting in a net debt to Ebitda ratio of 0.9x. This ratio also considers

Sinopec's €165 m shareholder loan to Petrogal Brasil as of the end of the period.

The average interest rate was 3.48% during the period.

At the end of June, around 49% of total debt was on a fixed-rate basis. Debt had an average

## Results and consolidated information – First half 2017

August 2017

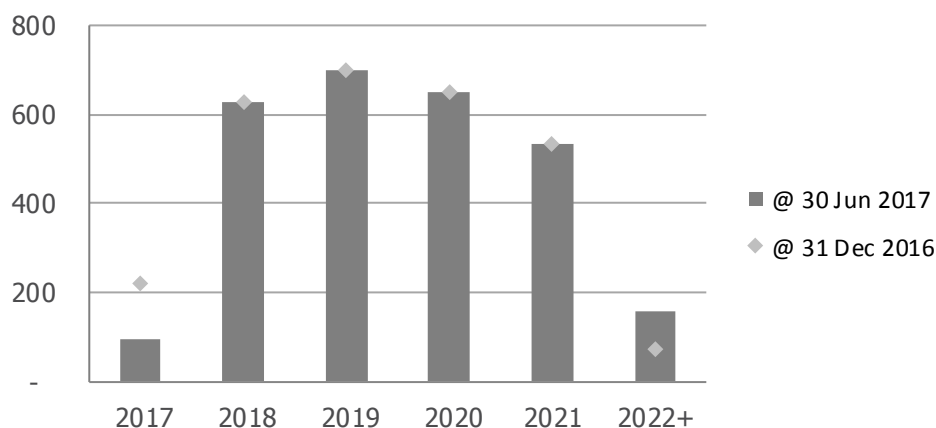
maturity of 2.28 years, and medium and long-term debt accounted for 72% of total debt.

amount, around 70% was contractually guaranteed.

At the end of the first half, Galp had unused credit lines of approximately €1.3 bn. Of this

**Debt maturity profile**

€m

**7.5. RCA turnover by segment**

€ m

	First Half			
	2016	2017	Var. YoY	% Var. YoY
<b>RCA Turnover</b>	<b>6,081</b>	<b>7,623</b>	<b>1,542</b>	<b>25%</b>
Exploration & Production <sup>1</sup>	276	615	339	n.m.
Refining & Marketing	4,809	5,768	959	20%
Gas & Power	1,221	1,327	106	9%
Other	59	62	3	5%
Consolidation adjustments	(284)	(149)	135	(47%)

<sup>1</sup> Does not include change in production. RCA turnover in the E&P segment, including change in production, amounted to €653 m during the first half of 2017.



## Results and consolidated information – First half 2017

August 2017

**7.6. Reconciliation of IFRS and replacement cost adjusted figures**

€ m

First Half 2016					EBITDA	First Half 2017				
Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA		Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
<b>530</b>	<b>79</b>	<b>609</b>	<b>22</b>	<b>631</b>	<b>Galp</b>	<b>908</b>	<b>(18)</b>	<b>890</b>	<b>3</b>	<b>892</b>
124	-	124	11	135	<b>E&amp;P</b>	391	-	391	(0)	391
207	71	278	13	291	<b>R&amp;M</b>	430	(12)	418	3	420
181	8	189	(2)	187	<b>G&amp;P</b>	74	(6)	68	-	68
17	-	17	1	18	<b>Others</b>	12	-	12	(0)	12

€m

First Half 2016					EBIT	First Half 2017				
Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA		Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
<b>128</b>	<b>79</b>	<b>207</b>	<b>116</b>	<b>323</b>	<b>Galp</b>	<b>485</b>	<b>(18)</b>	<b>467</b>	<b>6</b>	<b>473</b>
(93)	-	(93)	95	2	<b>E&amp;P</b>	168	-	168	2	169
56	71	126	23	149	<b>R&amp;M</b>	245	(12)	233	6	239
151	8	159	(3)	156	<b>G&amp;P</b>	62	(6)	56	(1)	55
15	-	15	1	16	<b>Others</b>	10	-	10	(0)	10

**Non-recurring items**

€m

		Fist Half	
		2016	2017
<b>Non-recurring items impacting Ebitda</b>		<b>22.0</b>	<b>2.6</b>
Accidents caused by natural events and insurance compensation		(2.2)	0.0
Gains/losses on disposal of assets		(0.7)	(0.7)
Asset write-offs		0.6	0.0
Employee restructuring charges		9.7	-
Compensation early termination agreement for service and equipment		10.0	-
Litigation costs		4.5	3.2
<b>Non-recurring items impacting non-cash costs</b>		<b>93.7</b>	<b>3.6</b>
Provisions for environmental charges and others		5.5	1.1
Asset impairments		88.2	2.5
<b>Non-recurring items impacting financial results</b>		<b>19.4</b>	<b>(14.1)</b>
Gains/losses on financial investments		19.4	(14.1)
<b>Non-recurring items impacting taxes</b>		<b>43.2</b>	<b>42.4</b>
Income taxes on non-recurring items		(7.8)	(1.5)
Energy sector contribution tax		51.0	43.9
<b>Non-controlling interests</b>		<b>(0.2)</b>	<b>0.2</b>
<b>Total non-recurring items</b>		<b>178.1</b>	<b>34.6</b>

## 8. Basis of presentation

Galp's consolidated financial statements have been prepared in accordance with IFRS, and subject to limited review. The financial information in the consolidated income statement is reported for the periods ended on 30 June 2017 and 2016. The financial information in the consolidated financial position is reported on 30 June 2017 and on 31 December 2016.

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

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

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

### Recent changes

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

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

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

## 9. Appendices

### 9.1. Governing bodies

The composition of the governing bodies of Galp Energia, SGPS, S.A. as of 30 June 2017 is as follows:

#### Board of Directors

##### Chairman:

Paula Fernanda Ramos Amorim

##### Vice-Chairman:

Miguel Athayde Marques

##### Vice-Chairman:

Carlos Nuno Gomes da Silva

##### Members:

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Amorim

Raquel Rute da Costa David Vunge

Carlos Costa Pina

Francisco Vahia de Castro Teixeira Rêgo

Jorge Manuel Seabra de Freitas

Carlos da Silva Costa

Pedro Carmona de Oliveira Ricardo

Tiago Câmara Pestana

Rui Paulo da Costa Cunha e Silva Gonçalves

Luis Todo Bom

Diogo Mendonça Tavares

Joaquim José Borges Gouveia

#### Executive Committee

##### Chairman:

Carlos Gomes da Silva (CEO)

##### Members:

Filipe Crisóstomo Silva (CFO)

Thore E. Kristiansen

Carlos da Silva Costa

Tiago Câmara Pestana

Pedro Carmona de Oliveira Ricardo

Carlos Costa Pina

#### Audit Board

##### Chairman:

Daniel Bessa Fernandes Coelho

##### Members:

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

##### Alternate:

Amável Alberto Freixo Calhau

#### Statutory Auditors

##### Standing:

PricewaterhouseCoopers & Associados –  
Sociedade de Revisores Oficiais de Contas, Lda.  
Represented by António Joaquim Brochado  
Correia, or Ana Maria Ávila de Oliveira Lopes  
Bertão

##### Alternate:

José Manuel Henriques Bernardo

## Results and consolidated information – First half 2017

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**General Shareholders Meeting Board****Chairman:**

Daniel Proença de Carvalho

**Vice-Chairman:**

Victor Manuel Pereira Dias

**Secretary:**

Maria Helena Claro Goldschmidt

**Company Secretary****Standing:**

Rui de Oliveira Neves

**Alternate:**

Maria Helena Claro Goldschmidt

**Remunerations Committee****Chairman:**

Amorim Energia, B.V.

**Members:**

Jorge Armindo Carvalho Teixeira

Joaquim Alberto Hierro Lopes



## 9.2. Mandatory notices and statements

### Shareholders with qualifying holdings on 30 June 2017

(in accordance with article 20 of the Portuguese Security Code (CVM))

Shareholders	No. shares	% voting rights
<b>Amorim Energia, B.V.</b>		
Holding	276,472,161	33.34%
Other attributable situations	-	-
Total attributed	276,472,161	33.34%
<b>Parpública - Participações Públicas (SGPS), S.A.</b>		
Holding	58,079,514	7.00%
Other attributable situations	-	-
Total attributed	58,079,514	7.00%
<b>BlackRock, Inc.</b>		
Holding	20,307,726	2.45%
Other attributable situations	-	-
Total attributed	20,307,726	2.45%
<b>Henderson Group plc</b>		
Holding	19,465,726	2.34%
Other attributable situations	-	-
Total attributed	19,465,726	2.34%
<b>Standard Life Investments (Holdings) Limited<sup>1</sup></b>		
Holding	-	-
Other attributable situations	24,142,849	2.91%
Total attributed	24,142,849	2.91%
<b>Standard Life Investments Limited<sup>1</sup></b>		
Holding	n.a.	2.70%
Other attributable situations	-	-
Total attributed	n.a.	2.70%
<b>Templeton Global Advisors Limited</b>		
Holding	16,870,865	2.03%
Other attributable situations	-	-
Total attributed	16,870,865	2.03%

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

During the first half of 2017, no qualifying holdings were reported.

Amorim Energia is based in Netherlands, and its shareholders are Power, Oil & Gas Investments, B.V. (35%), Amorim Investimentos Energéticos,

SGPS, S.A. (20%) and Esperaza Holding, B.V. (45%). The first two companies are controlled, directly or indirectly, by the group Américo Amorim and the last controlled by Sonangol, E.P. Angola's state-run company in the oil sector.

## Results and consolidated information – First half 2017

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Parpública is a state-owned company, which manages financial holdings held by the Portuguese State.

BlackRock, Inc. is a multinational investment management company founded in 1988, based in New York and listed in the New York Stock Exchange (NYSE).

Henderson Group plc is a multinational investment management company founded in 1934, based in London and listed in the London Stock Exchange.

Standard Life Investments (Holdings) Limited is an investment management company with

headquarters in Edinburgh, United Kingdom, and founded in 2006.

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

### **Treasury shares**

During the first half of 2017, Galp did not acquire or sell any treasury shares and did not hold treasury shares at the end of the period.

## Results and consolidated information – First half 2017

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**Share ownership on 30 June 2017 by current members of the Board of Directors and the audit bodies of Galp Energia, SGPS, S.A.**

Under the terms of article 477, nr. 5 of the Commercial Companies' Code, it is stated that, on 30 June 2017, the members of Galp Energia, SGPS, S.A.'s Board of Directors and audit bodies held the following stakes in the company's share capital:

Members of the Board of Directors	Total shares as of 31.12.2016	Acquisition From 1 January to 30 June 2017		Disposal From 1 January to 30 June 2017		Total shares as of 30.06.2017
	Date	No. of shares	Value (€/share)	Date	No. of shares	Value (€/share)
Paula Amorim*	-					-
Miguel Athayde Marques	1,800					1,800
Carlos Gomes da Silva	2,410					2,410
Filipe Crisóstomo Silva	10,000					10,000
Thore Ernst Kristiansen	-					-
Sérgio Gabrielli de Azevedo	-					-
Abdul Magid Osman	-					-
Marta Amorim *	19,263					19,263
Raquel Rute da Costa David Vunge	-					-
Carlos Costa Pina	-					-
Francisco Vahia de Castro Teixeira Rêgo*	17,680					17,680
Jorge Manuel Seabra de Freitas*	-					-
José Carlos da Silva Costa	275					275
Pedro Carmona de Oliveira Ricardo	5,230					5,230
João Tiago Cunha Belém da Câmara Pestana	-					-
Rui Paulo Gonçalves*	-					-
Luís Manuel Todo Bom	-					-
Diogo Mendonça Tavares	2,940					2,940
Joaquim José Borges Gouveia	-					-
<b>Members of the Audit Board</b>						
Daniel Bessa Fernandes Coelho	-					-
Gracinda Augusta Figueiras Raposo	-					-
Pedro Antunes de Almeida	5					5
Amável Alberto Freixo Calhau	-					-
<b>Statutory Auditors</b>						
PricewaterhouseCoopers & Associados, Lda	-					-
José Manuel Henriques Bernardo	-					-

<sup>1</sup>For the effects of art. 447, nr. 2, line d) of the Commercial Companies' Code, it is further declared that Amorim Energia B.V., in which the mentioned director also exercises the administrative functions, is the holder of 317,934,693 Galp shares.

On 30 June 2017, none of the members of the administrative and audit bodies held any bonds issued by the Company.

On 30 June 2017, the chairman of the Audit Board owned Bonds Galp Energia, SGPS. S.A., with 4.125% rate and maturity at 25.01.2019, without performing any transaction during the first half of 2017.

## Results and consolidated information – First half 2017

August 2017

### **Main transactions between related parties during the first half of 2017**

Article no. 246, paragraph 3 c) of the CVM.

During the first half of 2017, there were no relevant transactions between Galp's related parties that had a significant effect on its financial situation or respective performance, nor that had an impact on the information included in the annual report concerning the financial year 2016, which were susceptible to have a significant effect on its financial position or on its respective performance over the first six months of the financial year 2017.



### 9.3. Statement of compliance of information presented

#### Statement of compliance of the Board of Directors

According to article 246, paragraph 1. c) of the CVM, each of the Board of Directors of Galp indicated below declares that, to best of their knowledge, the information presented in the financial statements concerning the first half of the financial year 2017 was produced in conformity with the applicable accounting requirements and gives a true and fair view of Galp's assets and liabilities financial position and results as well as the companies included in the

consolidation as a whole, and the report and accounts for the first half of 2017 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

**Lisbon, 28 July 2017**

#### The Board of Directors

##### Chairman:

Paula Fernanda Ramos Amorim

Carlos Manuel Costa Pina

Francisco Vahia de Castro Teixeira Rêgo

##### Vice-Chairman:

Miguel Athayde Marques

Jorge Manuel Seabra de Freitas

Carlos da Silva Costa

##### Vice-Chairman:

Carlos Gomes da Silva

Pedro Carmona de Oliveira Ricardo

##### Members:

Filipe Crisóstomo Silva

Tiago Câmara Pestana

Rui Paulo da Costa Cunha e Silva Gonçalves

Thore E. Kristiansen

Luis Todo Bom

Sérgio Gabrielli de Azevedo

Diogo Mendonça Rodrigues Tavares

Abdul Magid Osman

Joaquim José Borges Gouveia

Marta Amorim

Raquel Rute da Costa David Vunge

## **Statement of compliance of the Audit Board**

According to article 246, paragraph 1. c) of the CVM, each of the members of the Audit Board of Galp mentioned below declares that, to the best of their knowledge, the information presented in the financial statements concerning the first half of the financial year 2017 was produced in conformity with the applicable accounting requirements and gives a true and fair view of Galp's assets and liabilities, financial position and results as well as the companies included in the consolidation as a whole, and the report and accounts for the first half of 2017 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

**Lisbon, 28 July 2017**

### **Chairman:**

Daniel Bessa Fernandes Coelho

### **Members:**

Gracinda Augusta Figueiras Raposo

Pedro Antunes de Almeida

## 9.4. IFRS Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Consolidated Statement of Financial Position as of 30 June 2017 and 31 December 2016

(Amounts stated in thousand Euros - €K)

Assets	Notes	June 2017	December 2016
<b>Non-current assets:</b>			
Tangible assets	12	5,692,669	5,910,111
Goodwill	11	84,802	86,758
Intangible assets	12	258,315	267,551
Investments in associates and joint ventures	4	1,390,918	1,431,598
Financial assets available for sale	4	2,737	2,735
Trade receivables	15	505	1,081
Other receivables	14	245,022	245,535
Deferred tax assets	9	339,388	334,984
Other financial investments	17 and 27	31,496	26,402
<b>Total non-current assets:</b>		<b>8,045,852</b>	<b>8,306,755</b>
<b>Current assets:</b>			
Inventories	16	894,020	868,924
Trade receivables	15	958,946	1,041,070
Loans to Sinopec	14	527,399	610,003
Other receivables	14	457,107	555,814
Other financial investments	17 and 27	11,926	18,953
Cash and cash equivalents	18	1,019,786	1,033,498
		<b>3,869,184</b>	<b>4,128,262</b>
Non current assets held for sale	3.2	-	4,128
<b>Total current assets:</b>		<b>3,869,184</b>	<b>4,132,390</b>
<b>Total assets:</b>		<b>11,915,036</b>	<b>12,439,145</b>
<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>June 2017</b>	<b>December 2016</b>
<b>Equity:</b>			
Share capital	19	829,251	829,251
Share premium		82,006	82,006
Reserves	20	2,733,222	3,095,103
Retained earnings		775,890	795,014
Consolidated net income for the period	10	233,663	179,097
<b>Total equity attributable to shareholders:</b>		<b>4,654,032</b>	<b>4,980,471</b>
Non-controlling interests	21	1,463,579	1,562,936
<b>Total equity:</b>		<b>6,117,611</b>	<b>6,543,407</b>
<b>Liabilities:</b>			
<b>Non-current liabilities:</b>			
Bank loans	22	970,591	911,873
Bonds	22	1,097,017	1,665,656
Other payables	24	296,834	305,076
Post-employment and other employee benefits liabilities	23	347,906	359,122
Deferred tax liabilities	9	98,700	65,813
Other financial instruments	27	10,489	1,222
Provisions	25	558,388	429,487
<b>Total non-current liabilities:</b>		<b>3,379,925</b>	<b>3,738,249</b>
<b>Current liabilities:</b>			
Bank loans and overdrafts	22	241,611	308,308
Bonds	22	566,345	16,855
Trade payables	26	725,638	850,412
Other payables	24	810,992	884,008
Other financial instruments	27	17,545	17,056
Current income tax payable	9	55,369	75,440
		<b>2,417,500</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>2,417,500</b>	<b>2,157,489</b>
<b>Total liabilities:</b>		<b>5,797,425</b>	<b>5,895,738</b>
<b>Total equity and liabilities:</b>		<b>11,915,036</b>	<b>12,439,145</b>

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

# Results and consolidated information – First half 2017

## August 2017

### CONSOLIDATED INCOME STATEMENT

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

Consolidated Income Statement for the six month period ended 30 June 2017 and 2016

(Amounts stated in thousand Euros - €K)

	Notes	June 2017	June 2016 restated	
<b>Operating income:</b>				
Sales	5	7,313,768	5,751,310	(a)
Services rendered	5	308,826	329,201	
Other operating income	5	56,387	52,225	
<b>Total operating income:</b>		<b>7,678,981</b>	<b>6,132,736</b>	(a)
<b>Operating costs:</b>				
Cost of sales	6	5,822,253	4,788,334	
External supplies and services	6	762,107	622,860	(a)
Employee costs	6	149,679	157,861	
Amortisation, depreciation and impairment losses on fixed assets	6	415,259	382,699	
Provisions and impairment losses on receivables	6	7,233	19,007	
Other operating costs	6	37,401	33,823	
<b>Total operating costs:</b>		<b>7,193,932</b>	<b>6,004,584</b>	(a)
<b>Operating income:</b>		<b>485,049</b>	<b>128,152</b>	
Financial income	8	17,038	12,649	
Financial costs	8	(18,141)	(31,722)	
Exchange (losses) gains		(13,411)	(6,853)	
Income from financial investments and impairment losses on Goodwill	4 and 11	86,678	25,772	
Income from financial instruments	27	(7,438)	44,315	
<b>Income before taxes:</b>		<b>549,775</b>	<b>172,313</b>	
Income tax	9	(241,133)	(92,550)	
Energy sector extraordinary contribution	9	(43,927)	(51,023)	
<b>Consolidated net income for the period</b>		<b>264,715</b>	<b>28,740</b>	
<b>Income attributable to:</b>				
<b>Non-controlling interests</b>	21	<b>31,052</b>	<b>20,765</b>	
<b>Galp Energia SGPS, S.A. Shareholders</b>	10	<b>233,663</b>	<b>7,975</b>	
<b>Earnings per share (in Euros)</b>	10	<b>0.28</b>	<b>0.01</b>	

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

The accompanying notes form an integral part of the consolidated income statement for the six month period ended 30 June 2017

# Results and consolidated information – First half 2017

August 2017

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

Consolidated Statement of Comprehensive Income for the six month period ended 30 June 2017 and 30 June 2016 and for the year ended 31 December 2016

(Amounts stated in thousand Euros - €K)

		June 2017		June 2016		December 2016	
	Notes	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 [A]</b>	<b>10</b>	<b>233,663</b>	<b>31,052</b>	<b>7,975</b>	<b>20,765</b>	<b>179,097</b>	<b>28,598</b>
<b>Other comprehensive income for the period which will not be recycled in the future through net income of the period [B]:</b>		<b>9,004</b>	<b>1</b>	<b>22,044</b>	<b>(2)</b>	<b>(2,011)</b>	<b>(12)</b>
<b>Actuarial Gains and losses - pension fund:</b>		<b>9,004</b>	<b>1</b>	<b>22,044</b>	<b>(2)</b>	<b>(2,011)</b>	<b>(12)</b>
Actuarial Gains and losses - pension fund (Group Companies)	23	10,427	1	26,797	(2)	2,773	(12)
Tax related to actuarial gains and losses - pension fund (Group Companies)	9 and 23	(2,021)	-	(4,753)	-	(293)	-
Actuarial Gains and losses - pension fund (Associates/joint ventures)	23	759	-	-	-	(5,629)	-
Tax related to actuarial gains and losses - pension fund (Associates/joint ventures)	23	(161)	-	-	-	1,138	-
<b>Other comprehensive income for the period which will be recycled in the future through net income of the period [C]:</b>		<b>(362,762)</b>	<b>(126,017)</b>	<b>153,488</b>	<b>67,648</b>	<b>409,604</b>	<b>150,361</b>
<b>Currency exchange differences:</b>		<b>(362,841)</b>	<b>(126,017)</b>	<b>154,173</b>	<b>67,648</b>	<b>404,078</b>	<b>150,361</b>
Currency exchange differences (Group companies)	20	(232,935)	(110,713)	7,790	(1,195)	240,686	98,471
Currency exchange differences (Associates/ joint ventures)	4 and 20	(92,240)	-	(13,769)	-	41,502	-
Currency exchange differences - Goodwill	11 and 20	(1,956)	-	(480)	-	815	-
Currency exchange differences - Financial allocation ("quasi capital")	20	(54,105)	(23,188)	243,383	104,307	183,447	78,621
Deferred tax related to components of Currency exchange differences - Financial allocations ("quasi capital")	9 and 20	18,395	7,884	(82,751)	(35,464)	(62,372)	(26,731)
<b>Hedging reserves:</b>		<b>79</b>	<b>-</b>	<b>(685)</b>	<b>-</b>	<b>5,526</b>	<b>-</b>
Increases / (decreases) in hedging reserves (Group companies)	27 and 20	657	-	(322)	-	7,353	-
Deferred tax related to hedging reserves components (Group companies)	9 and 20	(148)	-	72	-	(1,654)	-
Increases / (decreases) in hedging reserves (Associates/joint ventures)	27 and 20	(468)	-	(435)	-	(223)	-
Deferred tax related to hedging reserves components (Associates/joint ventures)	20	38	-	-	-	50	-
<b>Other increases/decreases [D]</b>		<b>-</b>	<b>(11)</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>10</b>
Other increases/decreases	21	-	(11)	-	10	-	10
<b>Other Comprehensive income for the period net of taxes [E] = [B]+[C]+[D]</b>		<b>(353,758)</b>	<b>(126,027)</b>	<b>175,532</b>	<b>67,656</b>	<b>407,593</b>	<b>150,359</b>
<b>Comprehensive income for the period attributable to shareholders</b>		<b>(120,095)</b>		<b>183,507</b>		<b>586,690</b>	
<b>Comprehensive income for the period attributable to non-controlling interests</b>	<b>21</b>		<b>(94,975)</b>		<b>88,421</b>		<b>178,957</b>
<b>Total Comprehensive income for the period [A]+[E]</b>		<b>(120,095)</b>	<b>(94,975)</b>	<b>183,507</b>	<b>88,421</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 six month period ended 30 June 2017

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

(Amounts stated in thousand Euros - €K)

Changes in the period	Notes	Share Capital (Note 19)	Share Premium	Translation reserves (Note 20)	Other reserves (Note 20)	Hedging reserves (Note 20)	Retained earnings - actuarial Gains and losses - pension fund (Note 23)	Retained earnings	Consolidated net income for the period	Sub-Total	Non-controlling interests (Note 21)	Total
<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	-	-	-	-	-	-	-	7,975	7,975	20,765	<b>28,740</b>
Other gains and losses recognised in Equity		-	-	154,173	-	(685)	22,044	-	-	175,532	67,656	<b>243,188</b>
<b>Comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>154,173</b>	<b>-</b>	<b>(685)</b>	<b>22,044</b>	<b>-</b>	<b>7,975</b>	<b>183,507</b>	<b>88,421</b>	<b>271,928</b>
Dividends distributed / Interim dividends		-	-	-	-	-	-	(171,953)	-	(171,953)	(3,251)	<b>(175,204)</b>
Increase in share capital of subsidiaries		-	-	-	-	-	-	-	-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-	-	-	122,566	(122,566)	-	-	-
<b>Balance as of 30 June 2016</b>		<b>829,251</b>	<b>82,006</b>	<b>153,940</b>	<b>2,684,293</b>	<b>(2,351)</b>	<b>(98,358)</b>	<b>1,126,876</b>	<b>7,975</b>	<b>4,783,632</b>	<b>1,501,216</b>	<b>6,284,848</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		-	-	-	-	-	-	-	179,097	179,097	28,598	<b>207,695</b>
Other gains and losses recognised in Equity		-	-	404,078	-	5,526	(2,011)	-	-	407,593	150,359	<b>557,952</b>
<b>Comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>404,078</b>	<b>-</b>	<b>5,526</b>	<b>(2,011)</b>	<b>-</b>	<b>179,097</b>	<b>586,690</b>	<b>178,957</b>	<b>765,647</b>
Dividends distributed / Interim dividends		-	-	-	-	-	-	(378,297)	-	(378,297)	(12,547)	<b>(390,844)</b>
Changes in the consolidation perimeter		-	-	-	3,061	44	4,536	(7,641)	-	-	(19,520)	<b>(19,520)</b>
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	-	-	-	-	-	-	-	233,663	233,663	31,052	<b>264,715</b>
Other gains and losses recognised in Equity		-	-	(362,841)	-	79	9,004	-	-	(353,758)	(126,027)	<b>(479,785)</b>
<b>Comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(362,841)</b>	<b>-</b>	<b>79</b>	<b>9,004</b>	<b>-</b>	<b>233,663</b>	<b>(120,095)</b>	<b>(94,975)</b>	<b>(215,070)</b>
Dividends distributed / Interim dividends	30	-	-	-	-	-	-	(206,344)	-	(206,344)	(4,382)	<b>(210,726)</b>
Increase/Decrease in share capital of Joint ventures	4	-	-	-	-	881	-	(881)	-	-	-	-
Increase of reserves by appropriation of profit		-	-	-	-	-	-	179,097	(179,097)	-	-	-
<b>Balance as of 30 June 2017</b>		<b>829,251</b>	<b>82,006</b>	<b>41,004</b>	<b>2,687,354</b>	<b>4,864</b>	<b>(108,873)</b>	<b>884,763</b>	<b>233,663</b>	<b>4,654,032</b>	<b>1,463,579</b>	<b>6,117,611</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOW****Galp Energia, SGPS, S.A. and subsidiaries****Consolidated Statement of Cash Flow for the six month period ended 30 June 2017 and 30 June 2016 and for the year ended 31 December 2016****(Amounts stated in thousand Euros - €K)**

	Notes	June 2017	June 2016	December 2016
<b>Operating activities:</b>				
Cash received from customers		8,710,561	7,026,618	15,156,153
Cash (payments) to suppliers		(5,556,268)	(4,061,993)	(9,093,921)
(Payments) relating to Tax on oil products ("ISP")		(1,351,726)	(1,253,038)	(2,752,218)
(Payments) relating to VAT		(746,728)	(667,970)	(1,412,350)
(Payments) relating to Royalties, levies, "PIS" and "COFINS" and Others		(56,522)	(30,314)	(78,823)
<b>Operating gross margin</b>		<b>999,317</b>	<b>1,013,303</b>	<b>1,818,841</b>
Salaries, contributions to the pension fund and other benefits (payments)		(94,839)	(99,385)	(214,432)
Withholding income taxes (payments)		(41,125)	(45,907)	(83,165)
Social Security contributions		(32,838)	(36,721)	(75,074)
<b>Payments relating to employees</b>		<b>(168,802)</b>	<b>(182,013)</b>	<b>(372,671)</b>
Other receipts/(payments) relating to the operational activity		(4,693)	(91,292)	(80,078)
<b>Cash flows from operations</b>		<b>825,822</b>	<b>739,998</b>	<b>1,366,092</b>
(Payments)/receipts of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(197,326)	(79,792)	(172,408)
<b>Cash flows from operating activities (1)</b>		<b>628,496</b>	<b>660,206</b>	<b>1,193,684</b>
<b>Investing activities:</b>				
Cash receipts from disposal of tangible and intangible assets		299	587	946
Cash (payments) for the acquisition of tangible and intangible assets		(321,378)	(531,721)	(1,042,556)
Cash receipts relating to financial investments	3.3	805	13,000	164,210
Cash (payments) relating to financial investments	3.3	(67,251)	(133,728)	(189,604)
<b>Net investment</b>		<b>(387,525)</b>	<b>(651,862)</b>	<b>(1,067,004)</b>
Cash receipts from loans granted		63,883	133,843	133,843
Cash (payments) relating to loans granted		(1,129)	(559)	(6,818)
Cash receipts from interests and similar income		8,159	8,992	17,581
Cash receipts relating to dividends	4	86,228	24,815	70,115
<b>Cash flows from investing activities (2)</b>		<b>(230,384)</b>	<b>(484,771)</b>	<b>(852,283)</b>
<b>Financing activities:</b>				
Cash receipts from loans obtained		747,098	1,096,689	2,536,836
Cash (payments) relating to loans obtained		(780,884)	(1,226,058)	(2,568,791)
Cash receipts/(payments) from interests and similar costs		(80,784)	(92,508)	(137,277)
Dividends paid		(215,238)	(175,193)	(387,409)
Other financing activities		1,312	326	395
<b>Cash flows from financing activities (3)</b>		<b>(328,496)</b>	<b>(396,744)</b>	<b>(556,246)</b>
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		69,616	(221,309)	(214,845)
Effect of foreign exchange rate changes in cash and cash equivalents		(90,582)	32,365	130,630
Cash changes by changes in the consolidation perimeter		-	-	(38,441)
Cash and cash equivalents at the beginning of the year		923,243	1,044,851	1,044,851
Cash and cash equivalents related to non-current assets held for sale	3	-	(34,242)	1,048
<b>Cash and cash equivalents at the end of the period</b>	<b>18</b>	<b>902,277</b>	<b>821,665</b>	<b>923,243</b>

The accompanying notes form an integral part of the consolidated statement of cash flow for the six month period ended 30 June 2017

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## 1. Introduction

### 1.1. Parent Company:

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

The Company shareholder structure as of 30 June 2017 is stated in Note 19.

The Company is listed on the Euronext Lisbon stock exchange.

### 1.2. The Group:

As of 30 June 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.

#### ***1.2.1. Upstream activities***

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

#### ***1.2.2. Midstream and Downstream activities***

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

#### ***1.2.3. Natural gas activity and energy production and supply***

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

Galp natural gas business encompasses a set of activities, including the 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:

#### **1.2.3.1. Distribution Network Operators**

Activity of Purchase and Sale of natural gas under the management of long-term supply take or pay (ToP) contracts entered before the publication of the Policy 2003/55 / EC of 26 June, developed by the Natural Gas National Distribution Network (NGNDN)

To cover the planned natural gas requirements in Portugal, a natural gas purchase contract of 2.3 bcm per year was signed, for a period of 23 years, with Sonatrach, a Company owned by the Algerian State. The commencement of this contract and the first deliveries of natural gas started in January 1997, simultaneously with the connection of the Europe - Maghreb gas pipeline to the transport network in Portugal.

Additionally, three contracts were signed for a period of 20 years, with NLNG, a Nigerian Company, to acquire a total of 3.5 bcm of LNG per year. The supply under these contracts started in 2000, 2003 and 2006, respectively.

Natural Gas and LNG acquisition contracts:

<b>Contracts</b>	<b>Country</b>	<b>Quantity (mm<sup>3</sup>/year)</b>	<b>Duration (years)</b>	<b>Start</b>
NLNG I	Nigeria	420	20	2000
NLNG II	Nigeria	1000	20	2003
NLNG +	Nigeria	2000	20	2006
Sonatrach	Algeria	2300	23	1997

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The purchase price of natural gas under long-term sourcing 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 sourcing 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 sourcing and supply 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 portuguese system;
- Natural gas purchase and sale function in organised markets or through bilateral contracts (not applicable to Galp for the period under review).

### **1.2.3.2. Commercialisation of last resort retailers**

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

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

The Group Power business includes the generation of energy through the portfolio of cogeneration plants in Portugal and the sale of electricity to end customers. This business is complementary to the natural gas business, by means of natural gas auto consumptions in cogeneration plants and combined electricity and gas supply.

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

Geographic markets for developed activities are as follows:

- Natural gas sourcing;
- Natural gas distribution: Portugal;
- Natural gas and electricity marketing: 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 30 June 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 Energia is executing Contango operations. Thus, the stock acquired under these transactions is valued at fair value though 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 Energia refer to the consolidated financial statements of the Company as of 31 December 2016.

### 2.1. Changes in accounting policies

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

The Company believes that this change better reflects the nature of the operation and has retrospectively reflected the impact on their corresponding figures. As of 30 June 2016 the amount

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reclassified is of €14,867 k. The financial statements were restated as at 30 June 2017, being the impacts in the income statement described in the table below:

## Income Statement:

			(€ k)	
	Notes	June 2016	Reclassification	June 2016 restated
<b>Operating income:</b>				
Sales	5	5,766,177	(14,867)	5,751,310
Services rendered	5	329,201	-	329,201
Other operating income	5	52,225	-	52,225
<b>Total operating income:</b>		<b>6,147,603</b>	<b>(14,867)</b>	<b>6,132,736</b>
<b>Operating costs:</b>				
Cost of sales	6	4,788,334	-	4,788,334
External supplies and services	6	637,727	(14,867)	622,860
Employee costs	6	157,861	-	157,861
Amortisation, depreciation and impairment losses on fixed assets	6	382,699	-	382,699
Provisions and impairment losses on receivables	6	19,007	-	19,007
Other operating costs	6	33,823	-	33,823
<b>Total operating costs:</b>		<b>6,019,451</b>	<b>(14,867)</b>	<b>6,004,584</b>
<b>Operating income:</b>		<b>128,152</b>	<b>-</b>	<b>128,152</b>
Financial income	8	12,649	-	12,649
Financial costs	8	(31,722)	-	(31,722)
Exchange (losses) gains		(6,853)	-	(6,853)
Income from financial investments and impairment losses on Goodwill	4 and 11	25,772	-	25,772
Income from financial instruments	27	44,315	-	44,315
<b>Income before taxes:</b>		<b>172,313</b>	<b>-</b>	<b>172,313</b>
Income tax	9	(92,550)	-	(92,550)
Energy sector extraordinary contribution	9	(51,023)	-	(51,023)
<b>Consolidated net income for the period</b>		<b>28,740</b>	<b>-</b>	<b>28,740</b>
<b>Income attributable to:</b>				
<b>Non-controlling interests</b>	<b>21</b>	<b>20,765</b>	<b>-</b>	<b>20,765</b>
<b>Galp Energia SGPS, S.A. Shareholders</b>	<b>10</b>	<b>7,975</b>	<b>-</b>	<b>7,975</b>
<b>Earnings per share (in Euros)</b>	<b>10</b>	<b>0.01</b>	<b>-</b>	<b>0.01</b>

### 3. Consolidated companies

#### 3.1. Consolidation perimeter

During the period ended 30 June 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 €3,628 k, based on the agreed initial price plus adjustments, as established in the SPA.

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

(€ k)

40 | 99



**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 €67,251 k presented in the caption Payments of financial investments from the consolidated statement of cash flow – Investment activities presents the following detail:

(k €)		
Investing activities:	Notes	June 2017
<b>Cash receipts relating to financial investments related to:</b>		<b>805</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>Cash payments relating to financial investments related to:</b>		<b>(67,251)</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 Energia Rovuma B.V.</b>		
Subscription and realization of capital in Coral FLNG, S.A.	4.1 (e)	(144)
<b>Interest held by the subsidiary Galpgeste - Gestão de Áreas de Serviço, S.A.</b>		
Capital increase in Caiageste - Gestão de Áreas de Serviço, Lda.	4.1 (f)	(35)
<b>Interest held by the subsidiary Galp Sinopec Brazil Services, B.V.</b>		
Capital increase in Tupi, B.V.	4.1 (a)	(55,127)
<b>Interest held by the subsidiary Galp Bioenergy B.V.</b>		
Capital increase in Belém Bioenergia Brasil, S.A.	4.1 (b)	(9,597)

## 4. Financial investments

### 4.1. Investments in joint ventures

During the period ended 30 June 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 Âncora Wind – Energia Eólica, S.A.. The control of Âncora 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 from Hedging Reserves:

		(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 Âncora 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.	35.00%	14,314
50% of the joint venture Parque Eólico da Penha da Gardunha, Lda. holding:	50.00%	
33% of the joint venture Ventinveste, S.A.	33.00%	6,748
<b>Income from financial investments registered in Galp Group</b>		<b>21,062</b>
<b>Hedging reserves</b>		<b>(881)</b>
<b>Retained earnings</b>		<b>881</b>

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#### b) Established company

On 19 April 2017, a joint venture was created, called Coral FLNG, SA, whose activity is: contract the detailed project and its construction, develop, install, start, finance, hold, charge, use, manage and maintain the Coral South floating natural gas facilities, including any onshore or offshore auxiliary facilities, in order to provide processing, liquefaction, storage and offloading services to Area 4 Concessionaires in line with the Concession Contract for Research and Production of Area 4 and all its appendixes, Supplemental Agreement of Coral South and its appendixes and Development Plan for Coral 441 approved by the Government of the Republic of Mozambique on 23 February 2016.

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

The changes in the caption "Investments in joint ventures" for the period ended 30 June 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	Actuarial Gains and Losses	Dividends (Note 4.5)	Transfers / Adjustments (*)	Ending balance
Net value of financial investments		1,321,451	65,036	40,110	(86,510)	451	598	(51,175)	(882)	1,289,079
Investments		1,322,983	65,001	40,123	(86,510)	451	598	(51,175)	(2,380)	1,289,091
Tupi B.V. (a)		1,026,728	55,127	16,328	(82,730)	-	-	-	-	1,015,453
Belem Bioenergia Brasil, S.A. (b)		38,000	9,597	(6,842)	(3,755)	-	-	-	-	37,000
C.L.C. - Companhia Logística de Combustíveis, S.A.		7,045	-	2,028	-	-	-	(3,145)	-	5,928
Galp Disa Aviacion, S.A.		6,766	-	1,173	-	-	-	-	-	7,939
Parque Eólico da Penha da Gardunha, Lda.		1,572	-	6,080	-	(71)	-	-	(283)	7,298
Moçamgalp Agroenergias de Moçambique, S.A.		712	-	-	(21)	-	-	-	-	691
Asa - Abastecimento e Serviços de Aviação, Lda.		36	-	16	-	-	-	(14)	-	38
Galp Gás Natural Distribuição, S.A.		241,633	-	7,319	-	(115)	598	(48,016)	-	201,419
Ventinveste, S.A. (c)		-	(805)	14,457	-	637	-	-	(2,097)	12,192
Galpek, Lda (d)		491	938	(436)	-	-	-	-	-	993
Coral FLNG, S.A. (e)		-	144	-	(4)	-	-	-	-	140
Provisions for investments in joint ventures (Note 25)		(1,532)	35	(13)	-	-	-	-	1,498	(12)
Ventinveste, S.A.		(1,498)	-	-	-	-	-	-	1,498	-
Caiageste - Gestão de Áreas de Serviço, Lda. (f)		(34)	35	(13)	-	-	-	-	-	(12)

(a) €55,127 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

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(b) €9,597 k corresponds to the capital increase in Belém Bioenergia Brasil, SA. The control of the entity Belém Bioenergia do Brasil, SA is shared between Galp Bioenergy BV and Petrobras Biocombustíveis SA, each holding 50% of its share capital.

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

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

(e) €144 k corresponds to the capital increase made by the subsidiary Galp Energia Rovuma B.V. in the joint venture Coral FLNG, S.A ..

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

(\*) €882 k registered in Transfers/adjustments includes €881 k related to Hedging reserves, from the disposal of the Âncora Wind – Energia Eólica, S.A. Group, which 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 Âncora Wind – Energia Eólica, S.A. and the impact of the equity method as follows:

	(k €)		
	Income/Loss	Impact related to the disposal of Ancora Wind – Energia Eólica, S.A.	Impact of the equity method adjustment
	<b>20,537</b>	<b>21,062</b>	<b>(525)</b>
Parque Eólico da Penha da Gardunha, Lda.	6,080	6,748	(668)
Ventinveste, S.A.	14,457	14,314	143

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### 4.2. Investments in associates

The changes in the caption “Investments in associates” for the period ended 30 June 2017 was as follows:

	(k €)					
2017:						
	Initial balance	Gains / Losses (Note 4.4)	Translation adjustment	Dividends (Note 4.5)	Transfers / Adjustments	Ending balance
<b>Companies</b>						
<b>Net value of financial investments</b>	<b>106,142</b>	<b>42,558</b>	<b>(5,730)</b>	<b>(43,607)</b>	<b>5</b>	<b>99,368</b>
<b>Investments</b>	<b>108,615</b>	<b>42,544</b>	<b>(5,730)</b>	<b>(43,607)</b>	<b>5</b>	<b>101,827</b>
EMPL - Europe Magreb Pipeline, Ltd	62,922	29,379	(5,731)	(33,316)	-	53,254
Gasoduto Al-Andaluz, S.A.	15,120	2,679	-	(2,216)	-	15,583
Gasoduto Extremadura, S.A.	11,483	3,968	-	(3,486)	-	11,965
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	12,991	4,274	(253)	(4,405)	-	12,607
Metragaz, S.A.	1,425	167	(47)	-	-	1,545
Terparque - Armazenagem de Combustíveis, Lda.	493	24	-	(118)	-	399
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	1,243	210	-	-	-	1,453
IPG Galp Beira Terminal Lda	459	1,634	110	-	-	2,203
Sodigás-Sociedade Industrial de Gases, S.A.R.L.	524	74	(3)	(66)	5	534
Galp IPG Matola Terminal Lda	1,955	135	194	-	-	2,284
<b>Provision for investment in associates (Note 25)</b>	<b>(2,473)</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,459)</b>
Energim - Sociedade de Produção de Electricidade e Calor, S.A.	(2,416)	-	-	-	-	(2,416)
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	(57)	14	-	-	-	(43)

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

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

### 4.3. Financial assets held for sale

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

#### 4.4. Income from financial investments

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

	(k €)	
	June 2017	June 2016
	<b>86,678</b>	<b>25,772</b>
<b>Effect of applying the equity method:</b>		
Associates (Note 4.2)	42,558	21,473
Joint ventures (Note 4.1)	40,110	4,299
<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 Gambia, Limited (Note 3.1 a))	4,064	-
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>Others</b>	<b>1</b>	<b>-</b>

#### 4.5. Dividends from financial investments

The total amount of €94,782 k related to dividends, corresponding to the amounts approved in the General Meeting of the respective companies, was reflected in the caption "Investments in associates and joint ventures" (Note 4.1 and 4.2). The amount received of dividends in the period ended 30 June 2017 was €86,228 k.

The difference between the amount received and the amount recognized in the caption "Investments in associates and joint ventures" of €8,554 k relates to: i) €9,656 k related to dividends attributed not yet settled, being recognized in "Other receivables - dividends receivable from related parties (Note 14); (ii) 465 k relating to unfavourable exchange rate differences that occur at the time of payment and which were reflected in the foreign exchange gains (losses) caption in the income statement; (iii) €1,567 k of dividends received from assets held for sale.

#### 4.6. Joint operations

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

## 5. Operating income

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

	(k €)	
	June 2017	June 2016 restated
<b>Captions</b>		
<b>Operating income:</b>	<b>7,678,981</b>	<b>6,132,736 (a)</b>
<b>Sales:</b>	<b>7,313,768</b>	<b>5,751,310 (a)</b>
goods	3,105,538	2,505,571
products	4,217,563	3,251,149 (a)
Exchange differences	(9,333)	(5,410)
<b>Services rendered</b>	<b>308,826</b>	<b>329,201</b>
Services rendered	309,084	329,240
Exchange differences	(258)	(39)
<b>Other operating income</b>	<b>56,387</b>	<b>52,225</b>
Supplementary income	44,660	30,616
Revenues arising from the construction of assets under IFRIC12	-	8,504
Operational government grants	150	-
Capitalized own costs	10	(75)
Investment government grants (Note 13)	489	4,948
Gains on fixed and intangible assets	801	748
Exchange differences	209	(243)
Others	10,068	7,727

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

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

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

In Galp Group, the construction contracts under IFRIC12 are related to natural gas regulated infrastructures, activity developed by the subsidiaries of the joint venture Galp Gás Natural Distribuição, S.A. (GGND). In the year ended 31 December 2016, GGND 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.

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

	(k €)	
Captions	June 2017	June 2016
<b>Margin</b>	-	-
Costs arising from the construction of assets under IFRIC12 (Note 6)	-	(8,504)
Revenues arising from the construction of assets under IFRIC12	-	8,504



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## 6. Operating costs

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

	(k €)	
Caption	June 2017	June 2016 restated
<b>Operating costs:</b>	<b>7,193,932</b>	<b>6,004,584 (a)</b>
<b>Cost of sales:</b>	<b>5,822,253</b>	<b>4,788,334</b>
Raw and subsidiary materials	2,815,249	1,988,515
Goods	1,690,465	1,411,082
Tax on Oil Products	1,373,943	1,341,265
Variation in production	(19,379)	10,661
Impairment in inventories (Note 16)	8,623	(15,612)
Financial derivatives (Note 27)	(28,470)	52,411
Exchange differences	(18,178)	12
<b>External supplies and services:</b>	<b>762,107</b>	<b>622,860 (a)</b>
Subcontracts - network use	237,327	192,491
Subcontracts	2,620	2,186
Transport of goods	59,391	62,305
Storage and filling	23,758	25,054
Rental costs	59,453	46,433
Blocks production costs	125,297	90,527
Maintenance and repairs	27,054	26,647
Insurance	23,725	24,696
Royalties	59,819	24,670
IT services	16,070	12,350
Commissions	5,712	5,394
Advertising	3,572	6,205
Electricity, water, steam and communications	32,060	30,093
Technical assistance and inspection	1,050	1,363
Port services and fees	5,011	4,125
Other specialised services	36,619	32,199
Other external supplies and services	13,218	11,750
Exchange differences	3,123	(3,877)
Other costs	27,228	28,249 (a)
<b>Employee costs:</b>	<b>149,679</b>	<b>157,861</b>
Statutory board salaries (Note 29)	2,520	864
Employee salaries	101,882	108,327
Social charges	24,958	27,123
Retirement benefits - pensions and insurance	14,542	16,109
Other insurances	4,097	4,642
Capitalisation of employee costs	(3,785)	(2,565)
Exchange differences	465	(244)
Other costs	5,000	3,605
<b>Amortisation, depreciation and impairment:</b>	<b>415,259</b>	<b>382,699</b>
Depreciation and impairment of tangible assets (Note 12)	401,027	347,380
Amortisation and impairment of intangible assets (Note 12)	14,232	14,741
Amortisation and impairment of concession arrangements (Note 12)	-	20,578
<b>Provision and impairment losses on receivables:</b>	<b>7,233</b>	<b>19,007</b>
Provisions and reversals (Note 25)	(1,044)	6,440
Impairment losses on trade receivables (Note 15)	9,059	12,565
Impairment losses (gains) on other receivables (Note 14)	(782)	2
<b>Other operating costs:</b>	<b>37,401</b>	<b>33,823</b>
Other taxes	8,219	7,835
Costs arising from the construction of assets under IFRIC12 (Note 5)	-	8,504
Loss on tangible and intangible assets	4,446	672
Donations	485	264
Fines and other penalties	-	-
CO2 Licenses (Note 35)	3,559	3,434
Exchange differences	559	(84)
Other operating costs	20,133	13,198

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

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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;
- Transportation network use;
- Global system use.

The amount of €59,819 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 30 June 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>												
<b>Sales and Services Rendered</b>	<b>614,955</b>	<b>276,129</b>	<b>5,767,947</b>	<b>4,808,716</b>	<b>1,326,689</b>	<b>1,220,877</b>	<b>62,399</b>	<b>59,265</b>	<b>(149,396)</b>	<b>(284,476)</b>	<b>7,622,594</b>	<b>6,080,511</b>
Inter-segmental	-	168,407	864	1,055	99,809	68,135	48,723	46,879	(149,396)	(284,476)	-	-
External	614,955	107,722	5,767,083	4,807,661	1,226,880	1,152,742	13,676	12,386	-	-	7,622,594	6,080,511
<b>Cost of Sales</b>	<b>37,611</b>	<b>8,001</b>	<b>(4,956,535)</b>	<b>(4,226,254)</b>	<b>(957,157)</b>	<b>(783,244)</b>	<b>34</b>	<b>-</b>	<b>53,794</b>	<b>213,163</b>	<b>(5,822,253)</b>	<b>(4,788,334)</b>
Cost of goods sold and materials consumed	(32,306)	1,620	(4,889,417)	(4,200,838)	(973,734)	(791,618)	34	-	53,794	213,163	(5,841,629)	(4,777,673)
Variation in Production	69,917	6,381	(67,118)	(25,416)	16,577	8,374	-	-	-	-	19,376	(10,661)
<b>EBITDA (1)</b>	<b>391,247</b>	<b>124,001</b>	<b>429,944</b>	<b>207,328</b>	<b>73,863</b>	<b>181,342</b>	<b>12,489</b>	<b>17,188</b>	<b>(2)</b>	<b>(1)</b>	<b>907,541</b>	<b>529,858</b>
<b>Non payable expenses</b>												
<b>Amortisation, depreciation and impairments</b>	<b>(221,917)</b>	<b>(212,092)</b>	<b>(182,609)</b>	<b>(139,386)</b>	<b>(8,562)</b>	<b>(28,954)</b>	<b>(2,171)</b>	<b>(2,267)</b>	<b>-</b>	<b>-</b>	<b>(415,259)</b>	<b>(382,699)</b>
Depreciation and Amortisation	(200,458)	(133,025)	(162,620)	(129,718)	(8,561)	(29,512)	(2,171)	(2,267)	-	-	(373,811)	(294,522)
Impairments	(21,458)	(79,067)	(19,990)	(9,668)	-	558	-	-	-	-	(41,448)	(88,177)
<b>Provisions and Impairments</b>	<b>(1,728)</b>	<b>(5,113)</b>	<b>(1,836)</b>	<b>(12,405)</b>	<b>(3,669)</b>	<b>(1,489)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,233)</b>	<b>(19,007)</b>
Provisions	-	(5,150)	(1,268)	(1,949)	(119)	(341)	-	-	-	-	(1,385)	(7,440)
Impairments	(1,728)	37	(3,823)	(13,073)	(7,178)	(3,596)	-	-	-	-	(12,729)	(16,632)
Provisions - Reversals	-	-	2,429	297	-	701	-	-	-	-	2,429	998
Impairments - Reversals	-	-	824	2,320	3,628	1,747	-	-	-	-	4,452	4,067
<b>EBIT IAS/IFRS</b>	<b>167,602</b>	<b>(93,204)</b>	<b>245,499</b>	<b>55,537</b>	<b>61,632</b>	<b>150,899</b>	<b>10,318</b>	<b>14,921</b>	<b>(2)</b>	<b>(1)</b>	<b>485,049</b>	<b>128,152</b>
<b>Income from financial investments</b>	<b>16,330</b>	<b>10,588</b>	<b>6,298</b>	<b>(5,591)</b>	<b>64,049</b>	<b>20,774</b>	<b>(1)</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>86,678</b>	<b>25,772</b>
<b>Other financial income</b>	<b>41,385</b>	<b>47,544</b>	<b>(67,848)</b>	<b>14,973</b>	<b>(2,216)</b>	<b>(22,089)</b>	<b>6,727</b>	<b>(22,039)</b>	<b>-</b>	<b>-</b>	<b>(21,952)</b>	<b>18,389</b>
Interest expense	35,503	35,262	(51,100)	(24,986)	(918)	(16,700)	(46,542)	(55,386)	49,847	-	(13,210)	(61,810)
Interest income	14,968	11,139	1,458	2,193	563	961	48,135	33,719	(49,887)	-	15,237	48,012
O. Financial charges	(9,086)	1,143	(18,206)	37,766	(1,860)	(6,350)	5,134	(372)	41	-	(23,979)	32,187
<b>Income tax</b>	<b>(169,752)</b>	<b>(42,799)</b>	<b>(61,403)</b>	<b>(24,203)</b>	<b>(8,231)</b>	<b>(29,922)</b>	<b>(1,747)</b>	<b>4,374</b>	<b>-</b>	<b>-</b>	<b>(241,133)</b>	<b>(92,550)</b>
<b>Energy sector extraordinary contribution</b>	<b>-</b>	<b>-</b>	<b>(25,933)</b>	<b>(27,446)</b>	<b>(17,994)</b>	<b>(23,577)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,927)</b>	<b>(51,023)</b>
<b>Non-controlling interests</b>	<b>(28,167)</b>	<b>(17,926)</b>	<b>(2,805)</b>	<b>(1,921)</b>	<b>(80)</b>	<b>(918)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,052)</b>	<b>(20,765)</b>
<b>Consolidated net income for the period</b>	<b>27,398</b>	<b>(95,797)</b>	<b>93,808</b>	<b>11,349</b>	<b>97,160</b>	<b>95,167</b>	<b>15,297</b>	<b>(2,744)</b>	<b>-</b>	<b>-</b>	<b>233,663</b>	<b>7,975</b>

As of 30 June 2017 and 31 December 2016

**OTHER INFORMATION**

**Segment Assets (2)**

Financial investments (3)	1,016,257	1,027,440	73,716	72,307	303,312	334,215	370	371	-	-	1,393,655	1,434,333
Non current assets held for sale	-	-	-	4,128	-	-	-	-	-	-	-	4,128
Other Assets	6,271,559	5,754,950	3,771,139	4,768,888	1,078,438	1,330,823	2,582,183	2,607,160	(3,181,938)	(3,461,137)	10,521,381	11,000,684
<b>Total Consolidated Assets</b>	<b>7,287,816</b>	<b>6,782,390</b>	<b>3,844,855</b>	<b>4,845,323</b>	<b>1,381,750</b>	<b>1,665,038</b>	<b>2,582,553</b>	<b>2,607,531</b>	<b>(3,181,938)</b>	<b>(3,461,137)</b>	<b>11,915,036</b>	<b>12,439,145</b>
Liabilities associated with non current assets held for sale	-	-	-	5,410	-	-	-	-	-	-	-	5,410
Other Liabilities	1,095,284	938,974	4,081,513	4,347,969	838,864	862,748	2,963,703	3,201,773	(3,181,938)	(3,461,137)	5,797,425	5,890,328
<b>Total Consolidated Liabilities</b>	<b>1,095,284</b>	<b>938,974</b>	<b>4,081,513</b>	<b>4,353,379</b>	<b>838,864</b>	<b>862,748</b>	<b>2,963,703</b>	<b>3,201,773</b>	<b>(3,181,938)</b>	<b>(3,461,137)</b>	<b>5,797,425</b>	<b>5,895,738</b>
<b>Investment in Tangible and Intangible Assets</b>	<b>357,372</b>	<b>494,806</b>	<b>28,640</b>	<b>42,747</b>	<b>4,139</b>	<b>9,371</b>	<b>856</b>	<b>731</b>	<b>-</b>	<b>-</b>	<b>391,007</b>	<b>547,656</b>

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

(2) Net Amount

(3) at the Equity Method

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### Inter-segmental Sales and Services Rendered

	(k €)			
Segment	Refining & Marketing	Gas & Power	Other	TOTAL
	<b>864</b>	<b>99,809</b>	<b>48,723</b>	<b>149,396</b>
Gas & Power	614	-	10,521	11,135
Refining & Marketing	-	99,806	30,909	130,715
Exploration & Production	72	-	7,293	7,365
Other	178	3	-	181

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

- Refining & Marketing: vehicles supply for all Group companies;
- Gas & Power: Sale of natural gas for the production process of the refineries of Matosinhos and Sines (refining and distribution of oil products);
- Exploration & Production: sale of crude to the Refining & Distribution segment;
- Others: back-office and management services.

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

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

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

In conclusion, market prices are determined not only by analysing the functions performed, the assets used and the risks incurred by one entity, but by also considering the contribution of these elements to the Company's profitability. This analysis assesses whether the profitability indicators of the companies

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involved fall within the calculated ranges based on an evaluation of a panel of functionally comparable but independent companies, thus allowing the prices to be fixed in order to comply with the arm's length principle.

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

(k €)						
	Sales and Services Rendered		Tangible and Intangible Assets		Financial investments	
	2017	2016 (a)	2017	2016	2017	2016
	<b>7,622,594</b>	<b>6,080,511</b>	<b>6,035,786</b>	<b>6,264,420</b>	<b>1,393,655</b>	<b>1,434,333</b>
AFRICA	212,103	180,972	957,683	1,221,909	19,083	17,174
LATIN AMERICA	79,448	89,081	2,373,875	2,400,080	-	-
EUROPE	<b>7,331,043</b>	<b>5,810,458</b>	<b>2,704,228</b>	<b>2,642,431</b>	<b>1,374,572</b>	<b>1,417,159</b>
PORTUGAL	5,259,946	3,856,302	2,116,010	2,269,177	312,215	343,839
OTHER EUROPEAN COUNTRIES	2,071,097	1,954,156	588,217	373,254	1,062,357	1,073,320

(a) Restated amounts

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

(k €)						
Captions from Segment Reporting			Captions from Income Statement			
	2017	2016		2017	2016	
<b>Income</b>						
Sales and services rendered	7,622,594	6,080,511	Sales	7,313,768	5,751,310	
			Services Rendered	308,826	329,201	
Cost of Sales	(5,822,253)	(4,788,334)	Cost of Sales	(5,822,253)	(4,788,334)	
			Other operating income	56,387	52,225	
			External supplies and services	(762,107)	(622,860)	
			Employee costs	(149,679)	(157,861)	
			Other operating costs	(37,401)	(33,823)	
<b>EBITDA IAS/IFRS (1)</b>	<b>907,541</b>	<b>529,858</b>	<b>Operating income before amortization/depreciation and provisions</b>	<b>907,541</b>	<b>529,858</b>	
<b>Non payable expenses</b>						
Amortization and Adjustments	(415,259)	(382,699)	Amortisation, depreciation and impairment losses on fixed assets	(415,259)	(382,699)	
Provisions (net)	(7,233)	(19,007)	Provisions and impairment losses on receivables	(7,233)	(19,007)	
<b>EBIT IAS/IFRS</b>	<b>485,049</b>	<b>128,152</b>	<b>Operating Income</b>	<b>485,049</b>	<b>128,152</b>	
Income from financial investments	86,678	25,772	Income from financial investments and impairment losses on Goodwill	86,678	25,772	
Other Financial Income	(21,952)	18,389				
			Financial income	17,038	12,649	
			Financial costs	(18,141)	(31,722)	
			Exchange (losses) gains	(13,411)	(6,853)	
			Income from financial instruments	(7,438)	44,315	
Income tax	(241,133)	(92,550)	Income tax	(241,133)	(92,550)	
Energy sector extraordinary contribution	(43,927)	(51,023)	Energy sector extraordinary contribution	(43,927)	(51,023)	
Non-controlling interests	(31,052)	(20,765)	Non-controlling interests	(31,052)	(20,765)	
<b>Net income for the period</b>	<b>233,663</b>	<b>7,975</b>	<b>Net income for the period</b>	<b>233,663</b>	<b>7,975</b>	

## 8. Financial income and costs

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

	(k €)	
Captions	June 2017	June 2016
<b>Financial income and costs</b>	<b>(1,103)</b>	<b>(19,073)</b>
<b>Financial income:</b>	<b>17,038</b>	<b>12,649</b>
Interest on bank deposits	11,482	8,266
Interest and other income with related companies	3,755	3,075
Other financial income	1,801	1,308
<b>Financial costs:</b>	<b>(18,141)</b>	<b>(31,722)</b>
Interest on bank loans, bonds, overdrafts and others	(48,998)	(56,803)
Interest with related parties	(5,233)	(4,203)
Interests capitalised in fixed assets (Note 12)	50,981	45,753
Net interest on retirement benefits and other benefits	(3,815)	(4,996)
Charges relating to loans and bonds	(6,145)	(6,427)
Other financial costs	(4,931)	(5,046)

During the period ended 30 June 2017, the Group capitalised under the caption "Fixed assets in progress", the amount of €50,981 k, regarding interests on loans obtained to finance capital expenditure on tangible and intangible assets during their construction phase.

## 9. Income taxes and energy sector extraordinary contribution

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

The Group companies headquartered in Portugal in which the Group has an interest equal or greater than 75%, if such participation ensures more than 50% of voting rights, are taxed in accordance with the special regime for the taxation of groups of companies, with taxable income being determined in Galp Energia, SGPS, S.A.. The average tax rate applied to companies based in Portugal was 25%.

Spanish tax resident companies, in which the percentage held by the Group exceeds 75% have, from 2005 onwards, been taxed on a consolidated basis. Currently, the fiscal consolidation is performed by Galp Energia España S.A.. The average tax rate applied to companies based in Spain was 25%.

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

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

(k €)		
Captions	June 2017	June 2016
	<b>285,060</b>	<b>143,573</b>
<b>Income tax</b>	<b>241,133</b>	<b>92,550</b>
Current income tax	69,811	82,511
"IRP" - Oil income Tax	9,139	5,276
SPT - Special Participation Tax	134,091	40,790
(Excess)/Insufficiency of income tax for the preceding year	(483)	(1,108)
Deferred tax	29,094	(34,915)
Exchange differences	(519)	(4)
<b>Energy sector extraordinary contribution</b>	<b>43,927</b>	<b>51,023</b>

### 9.1. Energy sector extraordinary contribution

As of 30 June 2017 and 31 December 2016, the energy sector extraordinary contribution is as follows:

Statement of financial position						(k €)
		June 2017		December 2016		
Captions	Note	Current	Non-Current	Current	Non-Current	
<b>Assets</b>						
Other receivables						
Deferred costs	14	27,277	98,558	21,740	85,923	
<b>Liabilities</b>						
Provisions	25	-	(265,973)	-	(214,436)	

Income statement				(k €)
	Note	June 2017	June 2016	
<b>Extraordinary contribution on the energy sector</b>		<b>43,927</b>	<b>51,023</b>	
Energy sector extraordinary contribution "CESE I" (Portugal)	25	16,326	26,666	
Energy sector extraordinary contribution "CESE II" (Portugal)	25	17,039	12,357	
"Fondo Nacional de Eficiência Energética (FNEE)", related to the entities of the Group based in Spain		10,562	12,000	

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### 9.2. Current income tax

As of 30 June 2017 and 31 December 2016, the Group has recorded in current income tax payable the amount of €55,369 k and €75,440 k respectively as follows:

	(k €)	
	2017	2016
	(55,369)	(75,440)
<b>Galp Gás Natural Distribuição Group</b>	<b>9,466</b>	<b>15,397</b>
Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	4,167	9,925
Lusitaniagás - Companhia de Gás do Centro, S.A.	1,897	3,094
Galp Gás Natural Distribuição, S.A.	2,352	1,349
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	640	-
Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	209	545
Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	104	210
Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	89	212
Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	8	62
<b>State and Other Public Entities</b>	<b>(64,835)</b>	<b>(90,837)</b>

### 9.3. Deferred taxes

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

	(k €)				
	Deferred Taxes June 2017 - Assets				
	Initial balance	Impact in profit & loss	Impact in equity	Impact of currency translation	Ending balance
<b>Captions</b>	<b>334,984</b>	<b>9,035</b>	<b>24,110</b>	<b>(28,741)</b>	<b>339,388</b>
Adjustments to accruals and deferrals	5,366	(195)	-	(121)	5,050
Adjustments to tangible and intangible assets	27,632	(9,318)	-	(1,242)	17,072
Adjustments to inventories	657	38	-	-	695
Overlifting adjustments	1,595	(859)	-	(78)	658
Retirement benefits and other benefits	86,902	(175)	(2,021)	-	84,706
Double economical taxation	2,752	-	-	-	2,752
Financial instruments	45	1,037	(148)	-	934
Tax losses carried forward	96,353	19,106	-	(5,467)	109,992
Regulated revenue	7,398	(3)	-	-	7,395
Non deductible provisions	47,157	16,369	-	(2,565)	60,961
Potential foreign exchange differences Brazil	21,366	(31,564)	26,279	(16,081)	-
Others	37,761	14,599	-	(3,187)	49,173



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(k €)

Captions	Deferred Taxes June 2017 - Liabilities			
	Initial balance	Impact in profit & loss	Impact of currency translation	Ending balance
	(65,813)	(38,129)	5,242	(98,700)
Adjustments to accruals and deferrals	(507)	7	(48)	(548)
Adjustments to tangible and intangible assets	(27,069)	(3,483)	2,393	(28,159)
Adjustments to tangible and intangible assets Fair Value	(8,598)	1,011	-	(7,587)
Adjustments in Inventories	(82)	(99)	-	(181)
Underlifting Adjustments	(89)	-	7	(82)
Dividends	(14,171)	(254)	-	(14,425)
Financial instruments	(1,446)	(1,036)	-	(2,482)
Regulated revenue	(11,845)	24	-	(11,821)
Accounting revaluations	(1,021)	(66)	4	(1,083)
Potential foreign exchange differences Brazil	-	(34,207)	2,883	(31,324)
Others	(985)	(26)	3	(1,008)

Changes in deferred taxes reflected in Equity, correspond to:

- The amount of €2,021 k of deferred tax changes related to the actuarial gains and losses;
- €148 k for changes in deferred taxes related to hedge reserves components; and
- €26,279 k including €18,395 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 €7,884 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 30 June 2017 and 2016 are as follows:

		(k €)	
	Note	June 2017	June 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)		233,663	7,975
<b>Number of shares</b>			
Weighted average number of shares for purposes of calculation earnings per share	19	829,250,635	829,250,635
<b>Basic and diluted earnings per share (amounts in Euros):</b>		<b>0.28</b>	<b>0.01</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 30 June 2017 was as follows:

June 2017						(k €)		
Subsidiaries	Acquisition year	Acquisition cost	Equity proportion at the acquisition date		Goodwill movement			
			%	Amount	December 2016	Currency exchange differences (b)	June 2017	
					86,758	(1,956)	84,802	
Petróleos de Portugal - Petrogal, S.A.								
Galp Comercialização Portugal, S.A.	(a)	2008	146,000	100.00%	69,027	50,556	- 50,556	
Galp Swaziland (PTY) Limited		2008	18,117	100.00%	651	21,601	(1,649) 19,952	
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	(307) 3,714	
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	

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.

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 30 June 2017:

	(k €)						
	Gross acquisition cost	Impairments	Total gross assets	Gross accumulated Depreciation/ amortisation	Impairment accumulated Depreciation/ amortisation	Total accumulated depreciation/ amortisation	Net assets
<b>June 2017</b>							
<b>Tangible Assets:</b>	<b>12,735,050</b>	<b>(394,508)</b>	<b>12,340,542</b>	<b>(6,691,791)</b>	<b>43,918</b>	<b>(6,647,873)</b>	<b>5,692,669</b>
Land and natural resources	284,341	(14,265)	270,076	(1,882)	23	(1,859)	268,217
Buildings and other constructions	935,642	(14,729)	920,913	(705,869)	6,051	(699,818)	221,095
Machinery and equipment	8,309,343	(42,512)	8,266,831	(5,552,646)	34,450	(5,518,196)	2,748,635
Transport equipment	29,686	-	29,686	(27,532)	-	(27,532)	2,154
Tools and utensils	4,735	(61)	4,674	(4,317)	61	(4,256)	418
Administrative equipment	180,155	(1,506)	178,649	(170,687)	1,456	(169,231)	9,418
Reusable containers	161,549	(1)	161,548	(145,880)	1	(145,879)	15,669
Other tangible assets	91,732	(2,393)	89,339	(82,978)	1,876	(81,102)	8,237
Tangible assets in progress	2,737,860	(319,041)	2,418,819	-	-	-	2,418,819
Advances to suppliers of tangible assets	7	-	7	-	-	-	7
<b>Intangible assets</b>	<b>671,098</b>	<b>(54,215)</b>	<b>616,883</b>	<b>(361,365)</b>	<b>2,797</b>	<b>(358,568)</b>	<b>258,315</b>
Research and development costs	285	(5)	280	(285)	5	(280)	-
Industrial property and other rights	605,805	(43,046)	562,759	(349,694)	2,561	(347,133)	215,626
Reconversion of consumption to natural gas	551	-	551	(451)	-	(451)	100
Goodwill	19,668	(7,810)	11,858	(10,437)	231	(10,206)	1,652
Other intangible Assets	498	-	498	(498)	-	(498)	-
Intangible assets in progress	44,291	(3,354)	40,937	-	-	-	40,937

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

Tangible and intangible assets as of 31 December 2016:

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

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### 12.2. Movement in tangible and intangible assets:

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

							(k €)
June 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>							
Opening balance	12,717,307	(379,887)	12,337,420	(6,476,545)	49,236	(6,427,309)	5,910,111
Additions	465,916	(41,448)	424,468	-	-	-	424,468
Depreciation	-	-	-	(377,028)	17,449	(359,579)	(359,579)
Write-offs/Disposals	(7,020)	2,927	(4,093)	3,805	-	3,805	(288)
Adjustments	80	-	80	101	-	101	181
Transfers	(2,468)	39	(2,429)	5	-	5	(2,424)
Exchange differences	(438,765)	23,861	(414,904)	135,321	(217)	135,104	(279,800)
Closing balance	12,735,050	(394,508)	12,340,542	(6,714,341)	66,468	(6,647,873)	5,692,669
<b>Intangible Assets:</b>							
Opening balance	670,024	(57,202)	612,822	(348,068)	2,797	(345,271)	267,551
Additions	6,771	-	6,771	-	-	-	6,771
Amortisation	-	-	-	(14,232)	-	(14,232)	(14,232)
Write-offs/Disposals	(816)	47	(769)	643	-	643	(126)
Transfers	2,469	(39)	2,430	(5)	-	(5)	2,425
Exchange differences	(7,350)	2,979	(4,371)	297	-	297	(4,074)
Closing balance	671,098	(54,215)	616,883	(361,365)	2,797	(358,568)	258,315

The additions in the period ended 30 June 2017 include capitalised interest in the amount of €50,981 k (Note 8).

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

							(k €)
December 2016	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>							
Opening balance	11,467,567	(289,024)	11,178,543	(6,010,120)	47,301	(5,962,819)	5,215,724
Additions	1,106,434	(199,709)	906,725	-	-	-	906,725
Depreciation	-	-	-	(572,286)	2,325	(569,961)	(569,961)
Write-offs/Disposals	(234,206)	124,092	(110,114)	96,761	(390)	96,371	(13,743)
Adjustments	(134,723)	-	(134,723)	87,161	-	87,161	(47,562)
Transfers	3,679	-	3,679	-	-	-	3,679
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	12,717,307	(379,887)	12,337,420	(6,476,545)	49,236	(6,427,309)	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
Amortisation	-	-	-	(64,057)	-	(64,057)	(64,057)
Write-offs/Disposals	(11,250)	7,435	(3,815)	1,996	-	1,996	(1,819)
Adjustments	-	-	-	(68)	-	(68)	(68)
Transfers	(3,679)	-	(3,679)	-	-	-	(3,679)
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

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Main events occurring during the period ended 30 June 2017:

The increases noted in tangible and intangible assets captions, amounting to €472,687 k, mainly include:

#### Exploration & Production segment

- €32,487 k regarding exploration and development investments in blocks in Brazil;
- €111,563 k regarding exploration investments in other geographic areas.

#### Gas & Power segment

- €4,145 k regarding development of information systems.

#### Refining & Marketing segment

- €28,635 k related to industrial investments made in the refineries, parks and in the retail network.

#### Others segment

- €857 k related to investments made by service provider at corporate level.

In the period ended 30 June 2017 were sold and written-off tangible and intangible assets in the net amount of €414 k including:

- €2,821 k related to write-off of equipment, expenses and mineral rights in blocks in Brazil, without economic viability, which were fully impaired; and
- €567 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.

### 12.3. Impairment on tangible and intangible assets

In the period ended 30 June 2017, the amount of €379,458 k, net of tangible and intangible impairments presented the following movement:

	(k €)				
	Initial balance	Increase / Decrease	Utilisation	Adjustments	Ending balance
	385,056	23,999	(2,974)	(26,623)	379,458
Tangible Assets	330,651	23,999	(2,927)	(23,683)	328,040
Intangible Assets	54,405	-	(47)	(2,940)	51,418

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The amount of €379,458 k in the period ended 30 June 2017 consists essentially of:

- €116,873 k for impairment losses on non-operated and operated blocks and other assets in Brazil and Angola;
- €72,959 k for impairment losses in blocks in Namibia;
- €39,670 k for impairment losses in the retail network in Portugal and Spain;
- €30,193 k for impairment losses in exploration in Peniche and Aljubarrota, in Portugal.

The net increases of €23,999 k essentially relate to the impairment of the research offshore Peniche in the amount of €21,440 k.

The utilisation in the amount of €2,974 k corresponds essentially to blocks in Brazil.

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

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

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

	(k €)								
	June 2017			June 2016			December 2016		
	Tangible	Intangible	Total	Tangible	Intangible	Total	Tangible	Intangible	Total
<b>Amortisation, depreciation and impairments (Note 6)</b>	<b>401,027</b>	<b>14,232</b>	<b>415,259</b>	<b>347,380</b>	<b>35,319</b>	<b>382,699</b>	<b>769,670</b>	<b>65,188</b>	<b>834,858</b>
Amortisation / Depreciation for the period	377,028	14,232	391,260	259,202	14,741	273,943	572,286	29,742	602,028
Amortisation for the year - Service Concession Arrangements	-	-	-	-	20,578	20,578	-	34,315	34,315
Impairments	23,999	-	23,999	88,178	-	88,178	197,384	1,131	198,515

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

The split of tangible and intangible assets in progress (including advances to suppliers on tangible and intangible assets net of impairment losses) in the period ended 30 June 2017 and in the year ended 31 December 2016 is as follows:

	(k €)					
	June 2017			December 2016		
Captions	Assets in progress	Impairments	Net amount	Assets in progress	Impairments	Net amount
<b>Assets in progress</b>	<b>2,782,158</b>	<b>(322,395)</b>	<b>2,459,763</b>	<b>2,977,154</b>	<b>(327,607)</b>	<b>2,649,547</b>
Exploration of oil in Brazil	1,339,223	(24,406)	1,314,817	1,567,863	(29,897)	1,537,966
Exploration of oil in Angola	843,571	(212,818)	630,753	834,593	(230,338)	604,255
Exploration in Mozambique	309,200	(6,808)	302,392	315,122	(7,365)	307,757
Other projects	290,164	(78,363)	211,801	259,576	(60,007)	199,569

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### 13. Government Grants

As of 30 June 2017 and 31 December 2016 the amounts to be recognised as government grants in future years amount to €7,004 k and €7,492 k, respectively (Note 24)

During the periods ended 30 June 2017 and 30 June 2016 government grants of €489 k and €4.948 k, respectively, were recognised in the income statement (Note 5).

### 14. Other receivables

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

Captions	Note	(k €)			
		June 2017		December 2016	
		Current	Non-current	Current	Non-current
		984,506	245,022	1,165,817	245,535
		992,724	247,775	1,174,172	248,288
<b>State and Other Public Entities:</b>		<b>30,616</b>	<b>18,407</b>	<b>78,076</b>	-
Value Added Tax - Reimbursement requested		3,429	-	4,376	-
"ISP" - Tax on Oil Products		227	-	237	-
Social Security		51	-	28	-
Others		26,909	18,407	73,435	-
<b>Other receivables</b>		<b>115,936</b>	-	<b>192,123</b>	-
Non operated blocks		76,597	-	143,663	-
Underlifting		22,332	-	19,333	-
Suppliers debtor balances		7,490	-	16,619	-
Operated blocks		4,418	-	5,459	-
Advances to suppliers		5,074	-	7,024	-
Advances to tangible and intangible suppliers		25	-	25	-
<b>Related Parties</b>		<b>543,190</b>	<b>12,067</b>	<b>614,672</b>	<b>38,375</b>
Dividends (Note 4.5)	4.5	9,656	-	-	-
Loans granted to Sinopec Group		527,399	-	610,003	-
Loans to associates, joint ventures and other related parties		-	12,067	-	38,375
Other receivables - associates, joint ventures and other related parties		6,135	-	4,669	-
<b>Other accounts receivables</b>		<b>56,076</b>	<b>31,161</b>	<b>62,438</b>	<b>35,844</b>
Means of payment		4,887	-	6,618	-
Personnel		2,099	-	1,797	-
Guarantees		1,851	8,663	1,285	11,663
"ISP" - Tax on Oil Products - Congeners credit		1,768	-	685	-
Loans to costumers		535	796	531	839
Subsoil levies		-	-	182	-
Investment subsidies		1	-	1	-
Loans granted		-	41	-	40
Other receivables		44,935	21,661	51,339	23,302
<b>Accrued income:</b>		<b>171,112</b>	<b>61,774</b>	<b>163,098</b>	<b>62,415</b>
Sales and services rendered not yet invoiced Natural Gas		68,305	-	56,582	-
Sales and services rendered not yet invoiced Electricity		29,219	-	45,070	-
Sales and services rendered not yet invoiced		28,763	-	21,672	-
Adjustment to tariff deviation - "pass through" - ERSE regulation		19,775	-	21,006	-
Accrued management and structure costs		3,989	-	3,019	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation		2,595	119	1,682	776
Commercial discount on purchases		774	-	1,042	-
Compensation for the uniform tariff		150	-	882	-
Sale of finished goods to be invoiced by the service stations		894	-	820	-
Accrued interest		523	-	360	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation		-	61,639	-	61,639
Other accrued income		16,125	16	10,963	-
<b>Deferred charges:</b>		<b>75,794</b>	<b>124,366</b>	<b>63,765</b>	<b>111,654</b>
Energy sector extraordinary contribution		27,277	98,558	21,740	85,923
Catalyser charges		11,660	-	13,983	-
Deferred charges - external supplies and services		7,456	-	6,025	-
Prepaid rent		3,608	-	4,942	-
Prepaid rent relating to service stations concession contracts		3,311	25,286	2,928	25,277
Interest and other financial costs		2,326	-	1,978	-
Prepaid insurance		13,464	-	1,044	-
Retirement benefits	23	-	273	-	271
Other deferred costs		6,692	249	11,125	183
<b>Impairment of other receivables</b>		<b>(8,218)</b>	<b>(2,753)</b>	<b>(8,355)</b>	<b>(2,753)</b>

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

(k €)									
Other receivables	Initial balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Changes in the consolidation perimeter	Assets held for sale	Ending balance
<b>June 2017</b>	<b>11,108</b>	<b>2,330</b>	<b>(3,112)</b>	<b>(1,714)</b>	<b>2,472</b>	<b>(113)</b>	-	-	<b>10,971</b>
Other receivables - Current	8,355	2,330	(3,112)	(1,714)	2,472	(113)	-	-	8,218
Other receivables - Non-Current	2,753	-	-	-	-	-	-	-	2,753
<b>June 2016</b>	<b>10,849</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37</b>	-	<b>(3)</b>	<b>10,885</b>
Other receivables - Current	8,096	2	-	-	-	37	-	(3)	8,132
Other receivables - Non-Current	2,753	-	-	-	-	-	-	-	2,753
<b>December 2016</b>	<b>10,849</b>	<b>306</b>	<b>(37)</b>	<b>(104)</b>	<b>-</b>	<b>97</b>	<b>(3)</b>	<b>-</b>	<b>11,108</b>
Other receivables - Current	8,096	306	(37)	(104)	-	97	(3)	-	8,355
Other receivables - Non-Current	2,753	-	-	-	-	-	-	-	2,753

The increase and decrease in the caption "Impairment of other receivables" in the net amount of €(782) k is included in the caption "Provisions and impairment losses on receivables" (Note 6).

The caption "Loans granted" includes the amount of €527,399 k (US\$601,867 k) relating to a loan granted by the Group to Tip Top Energy, SARL (Company from Sinopec Group) on 28 March 2012, renewable every three months until September 2017, remunerated at a three-month LIBOR interest rate plus a spread and registered as a current asset. In the period ended 30 June 2017, interest related to loans granted related to related companies amounted to €3,594 k.

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

	USD	Exchange rate 30/06/2017	(€ k)
<b>Other receivables</b>	<b>601,867,488</b>	<b>1.1412</b>	<b>527,399</b>
Loan 28/03/2012	1,228,626,253	1.1412	1,076,609
Capitalised interests	73,261,698	1.1412	64,197
Interest repayment	(61,012,963)	1.1412	(53,464)
Partial repayments	(639,007,500)	1.1412	(559,943)

The amount of €22,332 k recorded under the caption "Other receivables - Underlifting" represents the amounts to be received by the Group for the lifting of barrels of crude oil below the production quota (underlifting) and is valued at the lower of the market price on the date of sale and the market price on 30 June 2017.

The amount of €76,597 k presented in the caption "Other receivable – Non-operated Blocks", includes the amount of €56,846 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.



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The caption “Means of payment” amounting to €4,887 k refers to amounts receivable for sales made with Visa/debit cards, which as of 30 June 2017 were pending receipt.

The amount of €6,135 k recorded in the current and non-current caption “Other receivables—associates, joint ventures, affiliates and related entities” refers to amounts receivable from non-consolidated companies.

The caption “Guarantees” amounting to €10,514 k includes the non-current balance of €8,663 k from payments on account and negotiated guarantees to support transactions and operations in the Spanish and French electricity markets.

The amount of €7,490 k recognised in the caption “Suppliers debtor balances” is mainly related to credit notes issued by suppliers and to be received in the following periods.

The caption accrued income – sales and services rendered not yet invoiced - Natural gas, in the amount of €68,305 k, essentially refers to the billing of natural gas consumption in June to be issued to customers in July.

The caption accrued income - sales and services rendered not yet invoiced - Electricity, in the amount of €29,219 k, essentially refers to the billing of electricity consumption in June to be issued to customers in July.

The caption “Accrued income - sale of finished goods to be invoiced by the service stations” amounting to €894 k relates to consumptions up until 30 June 2017 through the Galp Frota loyalty card scheme and which will be invoiced in the following months.

Expenses recorded in deferred charges amounting to €28,597 k, relate to prepayments of rents regarding service station leases and are registered as a cost over the respective concession period, which varies between 17 and 32 years.

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

Galp holds collateral guarantees on receivables, namely bank guarantees and security deposits, which as of 30 June 2017, amount to approximately €104,516 k.

**15. Trade receivables**

The caption “Trade receivables” as of 30 June 2017 and 31 December 2016 includes the following detail:

(€ k)				
Captions	June 2017		December 2016	
	Current	Non-Current	Current	Non-Current
	<b>958,946</b>	<b>505</b>	<b>1,041,070</b>	<b>1,081</b>
<b>Trade receivables</b>	<b>1,148,763</b>	<b>505</b>	<b>1,224,047</b>	<b>1,081</b>
Trade receivables - current accounts	951,332	505	1,034,498	1,081
Trade receivables - doubtful accounts	196,606	-	187,818	-
Trade receivables - notes receivable	825	-	1,731	-
<b>Impairment on trade receivables</b>	<b>(189,817)</b>	<b>-</b>	<b>(182,977)</b>	<b>-</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 30 June 2017 and the year ended 31 December 2016, respectively, relates to debts payment agreements from customers with maturities over one year.

The movements in the caption “Impairment of trade receivables” for the periods ended 30 June 2017, 2016 and 31 December 2016 were as follows:

(€ k)									
Trade receivables impairment	Initial balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Assets held for sale	Changes in consolidation perimeter	Ending balance
June 2017	182,977	10,399	(1,340)	(21)	(2,472)	274	-	-	189,817
June 2016	199,428	16,632	(4,067)	(221)	-	(385)	(1,124)	-	210,263
December 2016	199,428	46,988	(26,050)	(35,538)	-	(541)	(142)	(1,168)	182,977

Increase and decrease in trade receivables impairment in the net amount of €9,059 k was recognised in the caption “Provisions and impairment losses on receivables” (Note 6).

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

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

## 16. Inventories

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

	(€ k)	
	June 2017	December 2016
<b>Captions</b>	<b>894,020</b>	<b>868,924</b>
<b>Raw, subsidiary and consumable materials:</b>	<b>340,801</b>	<b>250,077</b>
	<b>359,695</b>	<b>261,778</b>
Crude oil	214,335	142,111
Other raw materials	70,338	60,260
Raw material in transit	75,022	59,407
<b>Impairment on raw, subsidiary and consumable materials</b>	<b>(18,894)</b>	<b>(11,701)</b>
<b>Finished and semi-finished products:</b>	<b>355,446</b>	<b>407,655</b>
	<b>356,881</b>	<b>407,687</b>
Finished products	153,649	209,141
Semi-finished products	197,849	195,879
Finished products in transit	5,383	2,667
<b>Impairment on finished and semi-finished products</b>	<b>(1,435)</b>	<b>(32)</b>
<b>Work in progress</b>	<b>41</b>	<b>43</b>
Work in progress	41	43
<b>Goods</b>	<b>197,732</b>	<b>211,149</b>
	<b>199,152</b>	<b>212,596</b>
Goods	196,789	212,342
Goods in transit	2,363	254
<b>Impairment on goods</b>	<b>(1,420)</b>	<b>(1,447)</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 30 June 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 €13,874 k and €34,644 k respectively (Note 24).

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

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

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(€ k)

Captions	Initial balance	Increases	Decreases	Utilisation	Adjustments	Changes in consolidation perimeter	Assets held for sale	Ending balance
<b>June 2017</b>	<b>13,180</b>	<b>8,753</b>	<b>(130)</b>	<b>(32)</b>	<b>(22)</b>	<b>-</b>	<b>-</b>	<b>21,749</b>
Impairment on raw, subsidiary and consumable materials	11,701	7,273	(80)	-	-	-	-	18,894
Impairment on finished and semi-finished products	32	1,427	-	-	(24)	-	-	1,435
Impairment on goods	1,447	53	(50)	(32)	2	-	-	1,420
<b>June 2016</b>	<b>29,249</b>	<b>2,815</b>	<b>(18,427)</b>	<b>-</b>	<b>74</b>	<b>-</b>	<b>(155)</b>	<b>13,556</b>
Impairment on raw, subsidiary and consumable materials	11,639	2,349	(2,468)	-	-	-	(155)	11,365
Impairment on finished and semi-finished products	3,677	433	(3,508)	-	(47)	-	-	555
Impairment on goods	13,933	33	(12,451)	-	121	-	-	1,636
<b>December 2016</b>	<b>29,249</b>	<b>1,245</b>	<b>(17,265)</b>	<b>(63)</b>	<b>169</b>	<b>(155)</b>	<b>-</b>	<b>13,180</b>
Impairment on raw, subsidiary and consumable materials	11,639	412	(195)	-	-	(155)	-	11,701
Impairment on finished and semi-finished products	3,677	641	(4,254)	-	(32)	-	-	32
Impairment on goods	13,933	192	(12,816)	(63)	201	-	-	1,447

The net balance of increases and decreases, amounting to €8,623 k was recorded against the caption "Cost of sales - Impairment in inventories" (Note 6) in the income statement. This decrease is mainly related to the evolution of market prices.

## 17. Other financial investments

Other financial investments as at 30 June 2017 and 31 December 2016 are detailed as follows:

(€ k)

Captions	June 2017		December 2016	
	Current	Non-Current	Current	Non-Current
<b>Other Financial Investments</b>	<b>11,926</b>	<b>31,496</b>	<b>18,953</b>	<b>26,402</b>
<b>Financial derivatives at fair value through profit and loss (Note 27)</b>	<b>11,926</b>	<b>9,183</b>	<b>18,953</b>	<b>2,246</b>
Swaps and Options over Commodities	11,875	9,183	18,922	2,246
Interest rates swaps	-	-	-	-
Currency swaps	51	-	31	-
Others	-	-	-	-
<b>Bank deposits (Note 18)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Term deposits	-	-	-	-
Cash deposits	-	-	-	-
<b>Other Financial Assets</b>	<b>-</b>	<b>22,313</b>	<b>-</b>	<b>24,156</b>
Others	-	22,313	-	24,156

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

**18. Cash and equivalents**

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

	(€ k)		
Captions	June 2017	December 2016	June 2016
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>902,277</b>	<b>923,243</b>	<b>821,665</b>
<b>Cash and cash equivalents</b>	<b>1,019,786</b>	<b>1,033,498</b>	<b>938,156</b>
Cash	8,189	5,066	4,856
Cash Deposits	468,415	218,564	264,251
Term deposits	44,015	33,427	24,819
Other negotiable securities	76,702	68,604	101,181
Other treasury investments	422,465	707,837	543,049
<b>Bank overdrafts</b>	<b>(117,509)</b>	<b>(110,255)</b>	<b>(116,491)</b>
Bank overdrafts (Note 22)	(117,509)	(110,255)	(116,491)

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

	(€ k)		
Captions	June 2017	December 2016	June 2016
<b>Other negotiable securities</b>	<b>76,702</b>	<b>68,604</b>	<b>101,181</b>
<b>Futures with high liquidity</b>	<b>5,462</b>	<b>4,001</b>	<b>4,266</b>
Brent Futures	201	9	(1,779)
Electricity Futures	4,031	3,407	4,399
Co2 Futures	1,230	585	1,646
<b>Other securities</b>	<b>71,240</b>	<b>64,603</b>	<b>96,915</b>
Futures with physical delivery of Natural Gas	4,188	1,164	-
Bank deposits certificates	67,049	63,436	96,912
Shares	3	3	3

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

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

	(€ k)		
Companies	June 2017	December 2016	June 2016
<b>Other treasury investments</b>	<b>422,465</b>	<b>707,837</b>	<b>543,049</b>
Galp Energia E&P, B.V.	263,379	572,589	342,332
Galp Sinopec Brazil Services B.V.	135,822	92,970	180,148
Petróleos de Portugal - Petrogal, S.A.	-	20,586	-
Petrogal Brasil, S.A.	15,395	11,304	4,368
Galp Energia Brasil S.A.	2,455	601	-
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	2,000	4,000	2,000
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	1,900	4,000	3,100
Galp Energia Overseas Block 14 B.V. - Sucursal de Angola	1,433	-	-
Galp Exploração Serviços do Brasil, Lda.	81	364	2,448
Galp Energia España, S.A.	-	1,423	-
Petróleos de Portugal - Petrogal, S.A. Sucursal en España	-	-	5,500
Galp Gás Natural, S.A.	-	-	3,153

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 equivalents, in its various geographies.

## 19. Share capital

### Capital structure

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

The 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 30 June 2017 and 31 December 2016 was as follows:

#### June 2017

	Number of shares	% of Capital	% of Voting rights
<b>Total</b>	<b>829,250,635</b>	<b>100%</b>	<b>100%</b>
Amorim Energia, BV	276,472,161	33.34%	33.34%
Parpública - Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free float	494,698,960	59.66%	59.66%

#### December 2016

	Number of shares	% of Capital	% of Voting rights
<b>Total</b>	<b>829,250,635</b>	<b>100%</b>	<b>100%</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%
Free-float	494,698,960	59.66%	59.66%

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## 20. Reserves

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

(€ k)

Captions	June 2017	December 2016	June 2016
<b>Reserves</b>	<b>2,733,222</b>	<b>3,095,103</b>	<b>2,835,882</b>
<b>Translation reserves:</b>	<b>41,004</b>	<b>403,845</b>	<b>153,940</b>
<b>Reserves - financial allocations ("quasi capital")</b>	<b>(184,421)</b>	<b>(148,711)</b>	<b>(109,154)</b>
Reserves - financial allocations ("quasi capital")	(297,181)	(243,076)	(183,140)
Reserves - Tax on financial allocations ("quasi capital") (Note 9)	112,760	94,365	73,986
<b>Reserves - Translation of financial statements</b>	<b>222,191</b>	<b>547,366</b>	<b>259,199</b>
<b>Reserves - Goodwill currency update (Note 11)</b>	<b>3,234</b>	<b>5,190</b>	<b>3,895</b>
<b>Hedging reserves:</b>	<b>4,864</b>	<b>3,904</b>	<b>(2,351)</b>
Reserves - financial derivatives (Note 27)	6,324	5,254	(2,677)
Reserves - Deferred tax on financial derivatives (Note 9)	(1,460)	(1,350)	326
<b>Other reserves:</b>	<b>2,687,354</b>	<b>2,687,354</b>	<b>2,684,293</b>
Legal reserves	165,850	165,850	165,850
Free distribution reserves	27,977	27,977	27,977
Special reserves	20	20	(443)
Reserves - Capital increase in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services B.V.	2,493,088	2,493,088	2,493,088
Reserves - Increase of 10.7532% in 2012 and 0.3438% in 2013 in the participation in the share capital of the subsidiary Lusitaniagás - Companhia de Gas do Centro, S.A.	-	-	(2,027)
Reserves - Increase of 33.05427% in 2015 in the participation in the share capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	-	-	(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)



**Translation reserves:**

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

- i) €222,191 k relating to positive exchange differences resulting from the translation of financial statements in foreign currency to Euros;
- ii) €184,421 k relating to negative foreign exchange rate differences on the financial contributions from Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A., Petrogal Brazil, B.V., Galp Sinopec Brazil Services B.V. and Winland International Petroleum, SARL (W.I.P.) to Petrogal Brasil, S.A. stated in Euros and US Dollars, remunerated and not remunerated, and for which there is no intention of reimbursement, and as such are similar to share capital ("quasi capital"), thus being considered an integral part of the net investment in that foreign operational unit in accordance with IAS 21;
- iii) €3,234 k regarding positive exchange rate differences resulting from the translation of Goodwill.

**Hedging Reserves:**

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

In the period ended 30 June 2017, the amount of €6,324 k (Note 27) is related with fair value of financial derivatives – cash flow hedges and €1,460 k relates to the respective tax impact, and presents the following detail:

	(€ k)				
	June 2017	December 2016	June 2016	Changes in the period	
				(June 2017 - December 2016)	(June 2016 - December 2015)
<b>Hedging reserves</b>	<b>4,864</b>	<b>3,904</b>	<b>(2,351)</b>	<b>960</b>	<b>(685)</b>
<b>Reserves - financial derivatives (Note 27)</b>	<b>6,324</b>	<b>5,254</b>	<b>(2,677)</b>	<b>1,070</b>	<b>(757)</b>
Group companies	6,881	6,224	(1,450)	657	(321)
Financial investments in associates and joint ventures	(1,438)	(970)	(1,227)	(468)	(436)
Hedging reserve, arising from the sale of the Ancora Wind - Energia Eólica, S.A., was transferred to the Retained earnings caption	881	-	-	881	-
<b>Reserves - Deferred tax on financial derivatives</b>	<b>(1,460)</b>	<b>(1,350)</b>	<b>326</b>	<b>(110)</b>	<b>72</b>
Group companies (Note 9)	(1,548)	(1,400)	326	(148)	72
Financial investments in associates and joint ventures	88	50	-	38	-

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### Other reserves:

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

## 21. Non-controlling interests

As of 30 June 2017, the caption “Non-controlling interests” included in equity refers to the following subsidiaries:

June 2017										(€ k)
	% Non-controlling interest December 2016	December 2016	Assigned dividends (b)	Prior year income	Translation reserves (c)	Retained earnings - actuarial gains and losses	Net income for the period	June 2017	% Non-controlling interest June 2017	Net dividends to other shareholders (b)
Non-controlling interests		1,562,936	(4,382)	(11)	(126,017)	1	31,052	1,463,579		(8,894)
Galp Sinopec Brazil Services B.V.	30.00%	1,309,700	-	-	(100,734)	-	15,178	1,224,144	30.00%	-
Petrogal Brasil, S.A.	30.00%	230,046	-	-	(25,283)	-	12,989	217,752	30.00%	(4,972)
Empresa Nacional de Combustíveis - Enacol, S.A.R.L	51.71%	19,353	(2,342)	(11)	-	-	1,640	18,640	51.71%	(2,342)
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	20.00%	3,340	(460)	-	-	-	382	3,262	20.00%	-
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	25.00%	1,338	(830)	-	-	-	274	782	25.00%	(830)
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	32.35%	983	(103)	(2)	-	1	113	992	32.35%	(103)
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	25.00%	797	(647)	-	-	-	340	490	25.00%	(647)
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda.	(a) 35.00%	(177)	-	2	-	-	55	(120)	35.00%	-
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	(a) 35.00%	(2,444)	-	-	-	-	81	(2,363)	35.00%	-

- (a) The subsidiaries Petrogás Guiné Bissau, Lda. and Carriço Cogeração, S.A. present negative equity. Accordingly, the Group only recognised accumulated losses in the proportion of the capital held in that subsidiaries, reason why the non-controlling interest's presents a debtor balance.
- (b) From the amount of €4,382 k of dividends attributed: i) €3,922 k were settled in the period ended 30 June 2017; ii) €391 k are recorded in Other payable-related companies-dividends payable (Note 24); and iii) €69 k were recorded in withholding tax.

In addition the subsidiary Petrogal Brasil, S.A. paid €4,972 k related to the dividends attributed in the year ended 31 December 2016 to the minority shareholder Winland International Petroleum, SARL (W.I.P.).

Thus, in the period ended 30 June 2017, dividends were paid in the amount of €8,894 k to minority shareholders (Note 30).

- (c) Changes in non-controlling interests in the caption “Translation reserves” have the following detail:

- i. €100,734 k related to the negative exchange differences arising from the translation of financial statements of the subsidiary Galp Sinopec Brazil Services B.V. in United States Dollars (US\$) to Euros (Eur);
- ii. €25,283 k related to the negative exchange differences from the subsidiary Petrogal Brasil, S.A. of which:
  - €9,979 k are related to negative exchange differences resulting from the translation of the financial statements of the subsidiary Petrogal Brasil, S.A. in Brazilian Reais (BRL) to Euros (EUR);
  - €15,304 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.

## 22. Loans

### Detail of loans

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

(€ k)				
	June 2017		December 2016	
	Current	Non-current	Current	Non-current
	<b>807,956</b>	<b>2,067,608</b>	<b>325,163</b>	<b>2,577,529</b>
	<b>241,611</b>	<b>970,591</b>	<b>308,308</b>	<b>911,873</b>
<b>Bank loans:</b>	<b>241,611</b>	<b>970,221</b>	<b>308,308</b>	<b>911,489</b>
Origination Fees	(1,155)	(880)	(1,134)	(1,260)
	<b>242,766</b>	<b>971,101</b>	<b>309,442</b>	<b>912,749</b>
Loans	125,100	971,101	198,556	912,749
Bank overdrafts (Note 18)	117,509	-	110,255	-
Discounted notes	157	-	631	-
<b>Other loans obtained:</b>	-	<b>370</b>	-	<b>384</b>
Origination Fees	-	-	-	-
	-	<b>370</b>	-	<b>384</b>
IAPMEI/SIDER	-	370	-	384
<b>Bonds and Notes:</b>	<b>566,345</b>	<b>1,097,017</b>	<b>16,855</b>	<b>1,665,656</b>
Origination Fees	(3,655)	(2,983)	(5,645)	(4,344)
	<b>570,000</b>	<b>1,100,000</b>	<b>22,500</b>	<b>1,670,000</b>
Bonds	570,000	100,000	22,500	670,000
Notes	-	1,000,000	-	1,000,000

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

(€ k)			
Maturity	Loans		
	Total	Current	Non-Current
	<b>2,766,571</b>	<b>695,100</b>	<b>2,071,471</b>
2017	95,825	95,825	-
2018	628,681	599,275	29,406
2019	698,988	-	698,988
2020	649,358	-	649,358
2021	535,091	-	535,091
2022	113,599	-	113,599
2023	20,029	-	20,029
2024 and subsequent years	25,000	-	25,000

As of 30 June 2017 and 31 December 2016, the total amount of loans obtained, excluding bank overdrafts and discounted notes, are expressed in the following currencies:

Currency	June 2017		December 2016	
	Total initial amount	Due amount (€k)	Total initial amount	Due amount (€k)
		<b>2,766,571</b>		<b>2,804,189</b>
United States Dollars	USD	100,000	126,000	59,767
Euro	EUR	2,976,414	3,580,353	2,744,422
Meticais	MZN	110,622	-	-

The average interest rate of the loans, including costs associated with overdrafts, incurred by the Group, in 2017 and 2016, amounted to 3.48% and 3.52% respectively.

#### Description of the main loans

#### Commercial paper issuance

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

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

## Revolving Credit Facility

As of 30 June 2017, the Group has contracted Revolving Credit Facilities, with an underwriting commitment totalling €387,627 k and with approximately 2 years of maturity. This amount was fully available as of 30 June 2017.

## Bank loans

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

(€ k)				
Entity	Due amount	Interest rate	Maturity	Reimbursement
	<b>237,627</b>			
UniCredit Bank Austria	150,000	Euribor 6M + spread	April 20	April 20
Banco Itaú	87,627	Libor 6M + spread	June 22	June 22

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

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

(€ k)				
Entity	Due amount	Interest rate	Maturity	Reimbursement
	<b>346,973</b>			
EIB (Matosinhos 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 upgrade)	162,000	Revisable fixed rate	February '25	Semi-annual instalments beginning in August '12
EIB (Instalment B - refinery upgrade)	108,000	Fixed rate	February '25	Semi-annual instalments beginning in August '12

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

The Galp group has bank loans contracted, which in some cases have covenants which, if triggered by banks, lead to early repayment (Note 33).

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### Bonds

Detailed information for bonds as of 30 June 2017:

(€ k)				
Emission	Due amount	Interest rate	Maturity	Reimbursement
<b>670,000</b>				
GALP ENERGIA/2012-2018 FRN	260,000	Euribor 3M + spread	February '18	February '18
GALP ENERGIA/2013 - 2018	110,000	Euribor 3M + Spread	March '18	March '18
GALP ENERGIA/2013-2018 €200 M.	200,000	Euribor 6M + spread	April '18	April '18
GALP ENERGIA/2012-2020	100,000	Euribor 6M + spread	June '20	June '20

### Notes issuance

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

Detail by issuance, as of 30 June 2017:

(€ k)				
Emission	Overdue amount	Interest rate	Maturity	Reimbursement
<b>1,000,000</b>				
Galp 4.125%	500,000	Fixed rate 4.125%	January 2019	January 2019
Galp 3.000%	500,000	Fixed rate 3.000%	January 2021	January 2021

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

**23. Post employment benefits**

On 30 June 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)	
	June 2017	December 2016
<b>Total</b>	<b>277,946</b>	<b>282,755</b>
Bonds	170,404	171,354
Shares	56,564	51,108
Other Investments	9,778	10,279
Real Estate	3,041	2,628
Liquidity	7,914	17,141
Property	30,245	30,245

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

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

	June 2017			December 2016		
Captions	Asset (Note 14)	Liability	Equity	Asset (Note 14)	Liability	Equity
	273	(347,906)	131,294	271	(359,122)	142,480
<b>Post employment benefits:</b>						
Relating to the Pension Fund	273	(5,152)	41,278	271	(7,031)	44,345
Retired Employees	-	(733)	1,452	-	(750)	1,452
Pre-retirement	-	(56,560)	9,107	-	(56,518)	9,107
Early retirement	-	(61,456)	7,744	-	(63,026)	7,744
Retirement bonus	-	(6,896)	341	-	(7,029)	341
Voluntary social insurance	-	(2,055)	3,892	-	(2,257)	3,892
<b>Other benefits:</b>						
Healthcare	-	(199,712)	67,223	-	(208,283)	75,342
Life insurance	-	(2,781)	238	-	(2,816)	238
Defined contribution plan minimum benefit	-	(12,561)	19	-	(11,412)	19

The movement in equity for the period ended 30 June 2017 was as follows:

	(€ k)		
	December 2016	Gains/losses	June 2017
<b>Retained earnings - actuarial gains and losses-PEB's and OB's</b>	<b>117,877</b>	<b>(9,004)</b>	<b>108,873</b>
Actuarial gains and losses - Post-employment benefits and other benefits (Group companies)	117,875	(10,427)	107,448
Actuarial gains and losses - Post-employment benefits and other benefits (Associates/Joint ventures)	24,605	(759)	23,846
Tax related to the actuarial gains and losses component (Group Companies)	(19,047)	2,021	(17,026)
Tax related to the actuarial gains and losses component (Associates/Joint ventures)	(5,556)	161	(5,395)

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

## 24. Other payables

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

(€ k)					
Captions	Note	June 2017		December 2016	
		Current	Non-Current	Current	Non-Current
<b>State and other public entities:</b>		<b>810,992</b>	<b>296,834</b>	<b>884,008</b>	<b>305,076</b>
Value Added Tax payables		211,955	-	194,719	-
"ISP" - Tax on oil products		113,843	-	115,853	-
Personnel and Corporate Income Tax Withheld		8,323	-	9,937	-
Social Security contributions		7,554	-	5,572	-
Other taxes		26,434	8	23,780	2
<b>Other payables</b>		<b>120,598</b>	<b>83,077</b>	<b>196,925</b>	<b>83,998</b>
Tangible and intangible assets suppliers		66,258	83,077	97,076	83,998
Advances on sales	16	13,874	-	34,644	-
Overlifting		34,607	-	59,752	-
Operated Blocks		-	-	122	-
Non operated Blocks		1,830	-	1,902	-
Trade receivables credit balances		2,767	-	3,165	-
Trade receivables advance payments		1,262	-	264	-
<b>Related parties</b>		<b>1,311</b>	<b>166,096</b>	<b>6,343</b>	<b>179,720</b>
Other payables - Associates, joint ventures and other related companies		461	-	435	-
Dividends payable	21	391	-	5,449	-
Loans - Associates, joint ventures and other related companies		365	-	365	-
Other payables - Other shareholders		94	-	94	-
Loans - Other shareholders		-	166,096	-	179,720
<b>Other accounts payables</b>		<b>32,847</b>	<b>4,087</b>	<b>37,856</b>	<b>4,010</b>
Personnel		5,587	-	6,815	-
"ISP" - Other operators debit		6,467	-	4,553	-
Guarantee deposits and guarantees received		2,495	3,576	2,457	3,292
Advances related to disposal of financial investments	3.1	-	-	5,327	-
Other creditors		18,298	511	18,704	718
<b>Accrued costs:</b>		<b>253,192</b>	<b>27,540</b>	<b>270,770</b>	<b>30,968</b>
External supplies and services		150,059	-	116,510	-
Holiday , holiday subsidy and corresponding contributions		21,372	-	25,698	-
Productivity bonuses		11,247	2,399	26,579	3,704
Accrued interest		24,611	-	49,208	-
Accrued insurance premiums		4,746	-	1,656	-
Adjustment to tariff deviation - regulated revenue - "ERSE" regulation		7,860	7,801	5,338	9,092
Adjustment to tariff deviation - other activities - "ERSE" regulation		5,725	-	4,944	-
Discounts, bonuses and rappel related to sales		5,509	-	3,985	-
Accrued personnel costs - other		1,337	-	1,489	-
Financial costs		1,058	-	1,013	-
Fastgalp prizes		391	-	118	-
Adjustment to tariff deviation - energy tariff - "ERSE" regulation		-	17,340	-	18,172
Other accrued costs		19,277	-	34,232	-
<b>Deferred income:</b>		<b>34,935</b>	<b>16,026</b>	<b>22,253</b>	<b>6,378</b>
Services rendered		29,596	-	7,177	-
Investment government grants	13	1,148	5,856	1,156	6,336
Others		4,191	10,170	13,920	42

The caption "Advances on sales" amounting to €13,874 k is related with Group liabilities with competitors for strategic reserves (Note 16).

The amount of €34,607 k presented in the caption "Other payables - Overlifting" represents the Group's liability in respect of excess crude oil lifted considering its production quota.

The amount of €6,467 k recorded in the caption "ISP – Other operators debit" is related to the fact that the bonded warehouse is confined to Galp. Therefore, it is Galp's responsibility to collect the "ISP" (tax on oil products) from counterparties (partners/competitors) and to deliver it over to the State.



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The amount of €2,495 k recorded in the caption “Guarantee deposits and guarantees received” includes €2,160 k relating to Petrogal’s liability as of 30 June 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 €166,096 k recorded in the caption “Loans – other shareholders” refers to the following:

Winland International Petroleum, SARL granted loans amounting to €164,891 k (US\$188,173,000) under the form of shareholders loans to the subsidiary Petrogal Brasil, S.A.. These loans bear interest at market rates and have a maturity of 10 years. In the period ended 30 June 2017 the amount of €5,217 k is recognised under the caption “Interests”, 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 €7,004 k (Note 13).

The caption “Non-current tangible and intangible assets suppliers” essentially refers to land use 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 30 June 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>June 2017</b>	<b>429,487</b>	<b>144,578</b>	<b>(2,443)</b>	<b>(1,703)</b>	-	<b>(11,531)</b>	-	<b>558,388</b>
Lawsuits	20,343	1,385	(677)	(1,271)	-	(977)	-	18,803
Financial investments (Note 4)	4,005	13	(14)	-	-	(1,533)	-	2,471
Taxes	31,154	5,355	-	(254)	-	(2,020)	-	34,235
Environmental matters	3,454	-	-	(46)	-	-	-	3,408
Abandonment of blocks	139,060	86,288	-	-	-	(6,955)	-	218,393
Other risks and charges	231,471	51,537	(1,752)	(132)	-	(46)	-	281,078
<b>June 2016</b>	<b>428,762</b>	<b>58,339</b>	<b>(5,019)</b>	<b>(126)</b>	-	<b>(496)</b>	-	<b>450,162</b>
Lawsuits	29,179	343	(3,772)	(126)	(55)	3,575	-	28,691
Financial investments (Note 4)	4,115	28	(1,101)	-	-	437	-	3,479
Taxes	33,405	2,599	-	-	-	(800)	-	35,204
Environmental matters	2,208	-	-	-	-	-	-	2,208
Abandonment of blocks	128,795	25,791	-	-	-	(3,540)	-	151,046
Other risks and charges	231,060	29,578	(146)	-	55	(168)	-	229,534
<b>December 2016</b>	<b>428,762</b>	<b>92,513</b>	<b>(52,414)</b>	<b>(15,849)</b>	-	<b>8,209</b>	<b>(31,734)</b>	<b>429,487</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

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

(€ k)								
	Operating Costs Provisions (Note 6)	Tangible assets	Financial income/costs	Energy sector extraordinary contribution	Deferred costs CESE	Income tax	Financial investments	Total
<b>June 2017</b>	<b>(1,044)</b>	<b>81,677</b>	<b>4,610</b>	<b>33,365</b>	<b>18,172</b>	<b>5,355</b>	-	<b>142,135</b>
Other risks and charges	(1,044)	-	-	-	-	-	-	(1,044)
Abandonment of blocks	-	81,677	4,611	-	-	-	-	86,288
Estimate for additional payments of oil Income Tax "IRP"	-	-	-	-	-	5,355	-	5,355
Financial investments (Note 4)	-	-	(1)	-	-	-	-	(1)
CESE I	-	-	-	16,326	-	-	-	16,326
CESE II	-	-	-	17,039	18,172	-	-	35,211
<b>June 2016</b>	<b>6,440</b>	<b>18,286</b>	<b>887</b>	<b>27,337</b>	-	<b>370</b>	-	<b>53,320</b>
Other risks and charges	895	-	-	-	-	-	-	895
Abandonment of blocks	5,545	18,286	1,960	-	-	-	-	25,791
Estimate for additional payments of oil Income Tax "IRP" and Special Participation	-	-	-	-	-	370	-	370
Financial investments	-	-	(1,073)	-	-	-	-	(1,073)
CESE I	-	-	-	26,666	-	-	-	26,666
CESE II	-	-	-	671	-	-	-	671
<b>December 2016</b>	<b>(10,422)</b>	<b>16,266</b>	<b>3,304</b>	<b>32,676</b>	-	<b>(9,201)</b>	<b>7,476</b>	<b>40,099</b>
Other risks and charges	2,777	-	-	-	-	-	-	2,777
Abandonment of blocks	(13,199)	16,266	3,600	-	-	-	-	6,667
Estimate for additional payments of oil Income Tax "IRP" and Special Participation	-	-	-	-	-	(9,201)	-	(9,201)
Financial investments	-	-	(296)	-	-	-	-	(296)
Future liability - disposal of Galp Gás Natural Distribuição, SGPS, S.A.	-	-	-	-	-	-	7,476	7,476
CESE I	-	-	-	28,402	-	-	-	28,402
CESE II	-	-	-	4,274	-	-	-	4,274

### Lawsuits

The provision for current lawsuits amounts to €18,803 k and includes mainly: an amount of €3,900 k relating to a liability for fines imposed by the Competition Authority relating to contracts with distributors in the LPG business; the amount of €815 k related to liabilities for the offsetting of subsoil levies and an amount of €10,170 k related to the provision of the estimate for payment of an additional amount of the special participation tax in Brazil. The amount of €(977) k included in the heading Adjustments corresponds to translation differences arising from the translation from the functional currency to the Group reporting currency (EUR) of 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 €34,235 k includes mainly:

- i. €25,940 k of additional liquidations of Oil Income Tax ("IRP"); and
- ii. €7,394 k concerning a tax contingency, related with a correction to the 2001 and 2002 corporate income tax of the subsidiary Petrogal.

In the period ended 30 June 2017, the provision for additional liquidation of oil Income Tax ("IRP") in Angola was increased in the amount of €5,355 k.

### Environmental issues

The amount of €3,408 k presented in the caption "Environmental provisions" is related to the costs associated with the soil decontamination of certain facilities occupied by the Group, where a decision has already been taken to carry out the decontamination due to legal obligation.

### Abandonment of blocks

The amount of €218,393 k recorded in provisions for the abandonment of blocks is destined to cover all costs to be incurred with the dismantling of assets and soil decontamination at the end of the useful life of those areas. The changes in provisions for the abandonment of blocks in the period ended were as follows:

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(€ k)

	Initial balance	Increases	NPV interests increase	Decreases	Utilisation	Exchange differences (Cta's) (a)	Exchange differences (P/L) (b)	Ending balance
	139,060	81,677	4,612	-	-	(10,961)	4,005	218,393
<b>Blocks in Brazil</b>	<b>79,431</b>	<b>81,677</b>	<b>3,890</b>	<b>-</b>	<b>-</b>	<b>(6,961)</b>	<b>4,557</b>	<b>162,594</b>
Lula and Gas pipeline	50,713	41,467	2,424	-	-	(4,444)	2,885	93,045
Rabo Branco	343	-	5	-	-	(30)	(32)	286
Iracema	28,375	40,210	1,461	-	-	(2,487)	1,704	69,263
<b>Blocks in Angola</b>	<b>59,629</b>	<b>-</b>	<b>722</b>	<b>-</b>	<b>-</b>	<b>(4,000)</b>	<b>(552)</b>	<b>55,799</b>
Block 1	7,237	-	-	-	-	-	(552)	6,685
Block 14 - Kuito	12,562	-	173	-	-	(959)	-	11,776
Block 14 - BBLT	(2,648)	-	(36)	-	-	202	-	(2,482)
Block 14 - TL	40,468	-	557	-	-	(3,090)	-	37,935
Block 14 - K	2,010	-	28	-	-	(153)	-	1,885

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

## Other risks and charges

As at 30 June 2017 the caption "Provisions – other risks and charges", amounting to €281,078 k, mainly comprises:

- €7,476 k for the provision related to potential compensation to the buyer of 22.5% of the share capital of GGND, namely the clause that provides price correction, if the subsidiaries of the Group Galp Gás Natural Distribuição S.A make any payment related to CESE I;
- €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;
- €68,668 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.

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As this law is being challenged, the Group decided to record the total value of the liability amounting to €68,668 k under the "Provisions" caption. The total value of the liability on 31 December 2016 amounted to €52,342 k. In the period ended 30 June 2017, the provision was reinforced by €16,326 k, and recognised in the income statement under the caption "Energy sector extraordinary contribution";

- iv. €197,305 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 €52,052 k in May of each of the years 2015, 2016 and 2017, respectively. In the period ended 30 June 2017, through the Order No. 92-A/2017 of 2 March, the assumption for the economic value of the take or pay contracts was modified, which caused the CESE increase in the amount of €32,303 k. This increase is not applied retrospectively, being applied in the current year. For the increase presented, interest for delayed payments of €2,908 were also noted.

As it is challenging the Law, Galp has accounted for the total value of the liability amounting to €197,305 k under the "Provisions" caption and the respective cost is being deferred under the caption "Other receivables - Deferred costs" over the useful life of the contracts. In the period ended 30 June 2017, the Group recognised in the income statement under the caption "Energy sector extraordinary contribution" the amount of €17,039 k and the current and non-current captions "Other receivables - Deferred costs" amount to €27,277 k and €98,558 k, respectively (Note 14).

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

## 26. Trade payables

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

	(€ k)	
Captions	June 2017	December 2016
<b>Trade payables</b>	<b>725,638</b>	<b>850,412</b>
Trade payables - current accounts	306,656	363,288
Trade payables - pending invoices	418,982	487,124

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

## 27. Other financial instruments – financial derivatives

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

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

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

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

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.

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

(€ k)										
Fair value	30 June 2017					31 December 2016				
	Assets		Liabilities		Equity (Note 20)	Assets		Liabilities		Equity (Note 20)
	Current	Non-Current	Current	Non-Current		Current	Non-Current	Current	Non-Current	
<b>Financial derivatives</b>	<b>17,388</b>	<b>9,183</b>	<b>(17,545)</b>	<b>(10,489)</b>	<b>6,881</b>	<b>22,954</b>	<b>2,246</b>	<b>(17,056)</b>	<b>(1,222)</b>	<b>6,224</b>
<b>Interest rate derivatives</b>	-	-	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-	-	-
<b>Commodities Financial Derivatives</b>	<b>17,337</b>	<b>9,183</b>	<b>(17,318)</b>	<b>(10,489)</b>	<b>6,881</b>	<b>22,923</b>	<b>2,246</b>	<b>(16,055)</b>	<b>(1,222)</b>	<b>6,224</b>
Swaps (Note 17)	11,875	9,183	(17,318)	(10,489)	(504)	18,922	2,246	(16,055)	(1,222)	1,169
Options	-	-	-	-	7,385	-	-	-	-	-
Futures (Note 18)	5,462	-	-	-	-	4,001	-	-	-	5,055
<b>Currency Financial Derivatives</b>	<b>51</b>	<b>-</b>	<b>(227)</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>(1,001)</b>	<b>-</b>	<b>-</b>
Non-deliverable Forwards	51	-	(227)	-	-	-	-	(1,001)	-	-
Forwards	-	-	-	-	-	31	-	-	-	-
Currency Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-

The MTM (Mark-to-Market) of the derivative financial liabilities amounts to €28,034 k. Of this amount, €17,545 k are classified as current liabilities and thus take place within 1 year. The amount recorded as Non-Current Liabilities, in the amount of €10,489 k, is settled up to the year 2022.

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

unid: €k								
	30 June 2017				30 June 2016			
	Income statement			Equity (Note 20)	Income statement			Equity (Note 20)
	Potential (MTM)	Real	MTM+Real		Potential (MTM)	Real	MTM+Real	
<b>Gains and losses on financial instruments</b>	<b>5,274</b>	<b>12,149</b>	<b>17,423</b>	<b>657</b>	<b>41,959</b>	<b>(55,187)</b>	<b>(13,228)</b>	<b>(322)</b>
<b>Interest Rate Derivatives</b>	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-
<b>Commodities Financial Derivatives</b>	<b>1,158</b>	<b>16,595</b>	<b>17,753</b>	<b>657</b>	<b>44,399</b>	<b>(52,495)</b>	<b>(8,096)</b>	<b>(322)</b>
Swaps	(13,246)	3,099	(10,147)	(1,673)	52,164	(11,464)	40,700	(590)
Swaps - Fair value hedge	16,770	-	16,770	-	(7,671)	-	(7,671)	-
Options	-	-	-	-	-	-	-	-
Futures	(2,366)	13,496	11,130	2,330	(94)	(41,031)	(41,125)	268
<b>Currency Financial Derivatives</b>	<b>4,116</b>	<b>(4,446)</b>	<b>(330)</b>	<b>-</b>	<b>(2,440)</b>	<b>(2,692)</b>	<b>(5,132)</b>	<b>-</b>
Non-deliverable Forwards	825	(2,859)	(2,034)	-	(2,543)	(4,589)	(7,132)	-
Forwards	3,291	(1,587)	1,704	-	103	1,897	2,000	-
Currency Interest Rate Swaps	-	-	-	-	-	-	-	-

The income from financial instruments in the negative amount of €7,438 k includes the potential MTM (Mark-to-Market) of derivatives on commodities as shown below:

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	(k €)	
	June 2017	June 2016
<b>Income on Financial Instruments</b>	<b>(7,438)</b>	<b>44,314</b>
<b>Commodities Financial Derivatives</b>	<b>(8,070)</b>	<b>44,314</b>
Swaps	(5,704)	44,510
Swaps - Fair value hedge	-	-
Options	-	-
Futures	(2,366)	(196)
<b>Currency Financial Derivatives</b>	<b>-</b>	<b>-</b>
Currency Interest Rate Swaps (interest)	-	-
<b>Other operations</b>	<b>632</b>	<b>-</b>
Other trading operations	632	-
Other operations	-	-

The realised amount of financial derivatives recognised in the caption “Cost of Sales” amounts to positive €28,470 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 €)	
	June 2017	June 2016
<b>Fair Value changes in Equity</b>	<b>189</b>	<b>(1,119)</b>
Group companies (Note 20)	657	(322)
Non-controlling interests	-	-
Associates and joint ventures (Note 20)	(468)	(797)



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

		(k €)			
		30 June 2017		31 December 2016	
		Maturity		Maturity	
		< 1 year	> 1 year	< 1 year	> 1 year
<b>Nominal value of outstanding financial derivatives</b>		<b>3,131</b>	<b>150,944</b>	<b>81,810</b>	<b>(5,780)</b>
<b>Interest Rate Derivatives</b>					
Swaps	Buy	-	-	-	-
	Sell	-	-	-	-
<b>Commodities Financial Derivatives</b>					
Swaps	Buy	105,045	220,323	129,438	13,650
	Sell	109,932	78,489	141,708	21,274
Options	Buy	-	-	-	-
	Sell	-	-	-	-
Futures	Buy	60,193	10,585	75,696	1,844
	Sell	7,179	1,475	5,681	-
<b>Currency Financial Derivatives</b>					
Non-deliverable Forwards	Buy	31,320	-	27,363	-
	Sell	-	-	-	-
Swaps	Buy	-	-	41,054	-
	Sell	76,316	-	44,352	-
Forwards	Buy	-	-	-	-
	Sell	-	-	-	-
Currency Interest Rate Swaps	Buy	-	-	-	-
	Sell	-	-	-	-

Note: Equivalent nominal value in thousand Euro

Galp has financial derivatives over commodities recognised as fair value hedge (fair value hedge and cash-flow hedge). These financial derivatives have been contracted for the reduction of risks associated with contracts signed with customers and suppliers. Accordingly, the income statement shows, under the MTM (Mark-to-market) caption, the positive amount of €16,770 k, through the caption "Other financial instruments", related to the fair value hedge and in Equity, under the caption "Hedging reserves", the positive amount of €657 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 €8,950 k, and was recognised under the heading "Cost of Sales", 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 "Income from financial instruments". As these futures are exchange-traded, subject to a Clearing House, gains and losses are continuously recorded in the income statement.

## 28. Related Parties

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

## 29. Remuneration of the Board

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

(k €)						
June 2017						
	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
<b>Remuneration of the Board</b>	<b>2,648</b>	<b>394</b>	<b>138</b>	<b>(596)</b>	<b>20</b>	<b>2,604</b>
<b>Board members of Galp Energia SGPS</b>	<b>1,935</b>	<b>394</b>	<b>138</b>	<b>(596)</b>	<b>20</b>	<b>1,891</b>
Executive management	1,658	394	138	(596)	20	1,614
Non-executive management	234	-	-	-	-	234
Audit board	39	-	-	-	-	39
General Assembly	4	-	-	-	-	4
<b>Board members of subsidiaries</b>	<b>713</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>713</b>
Executive management	713	-	-	-	-	713
General Assembly	-	-	-	-	-	-

(k €)						
June 2016						
	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
<b>Remuneration of the Board</b>	<b>2,458</b>	<b>368</b>	<b>139</b>	<b>(2,046)</b>	<b>30</b>	<b>949</b>
<b>Board members of Galp Energia SGPS</b>	<b>1,847</b>	<b>368</b>	<b>139</b>	<b>(2,011)</b>	<b>30</b>	<b>373</b>
Executive management	1,528	368	139	(2,011)	30	54
Non-executive management	273	-	-	-	-	273
Audit board	46	-	-	-	-	46
General Assembly	-	-	-	-	-	-
<b>Board members of subsidiaries</b>	<b>611</b>	<b>-</b>	<b>-</b>	<b>(35)</b>	<b>-</b>	<b>576</b>
Executive management	604	-	-	(35)	-	569
General Assembly	7	-	-	-	-	7

Of the amounts of €2,604 and €949 k, recorded in the periods ended 30 June 2017 and 2016, respectively, €2,520 k and €864 k were recorded as employee costs (Note 6) and €84 k and €85 k were recorded as external supplies and services.

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

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

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

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

### 30. Dividends

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

During the six-month period ended 30 June 2017, dividends amounting to €8,894 k were settled in the sphere of the subsidiaries of the Galp Energia group to minority shareholders (Note 21. b)).

As a result of the above, during the period ended 30 June 2017, the Group paid dividends totalling €215,238 k.

### **31. Oil and gas reserves (unaudited)**

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

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

### **32. Financial risk management**

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

### **33. Contingent assets and liabilities**

During the period ended 30 June 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 €3,559 k as of 30 June 2017 (Note 6).

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 half 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 July 2017.

### **38. Explanation added for translation**

These financial statements are a translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union (Note 2) some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

## 9.5. Review Report on the Consolidated Financial Statements

### Limited Review Report Prepared by Auditor Registered with the Securities Market Commission (CMVM) on the Consolidated Half Year Information

(Free translation from the original in Portuguese)

#### Introduction

We have reviewed the accompanying consolidated financial statements of Galp Energia S.G.P.S., S.A. (the Company), which comprise the consolidated statement of financial position as at June 30, 2017 (which shows total assets of Euro 11,915,036 thousand and total shareholder's equity of Euro 6,117,611 thousand including a net profit attributable to the shareholders of 233,663 thousand), the consolidated statements of income by nature, comprehensive income, changes in equity and cash flows for the half year then ended, and the accompanying explanatory notes to these consolidated financial statements, which include a summary of the significant accounting policies.

#### Management's responsibility

It is the responsibility of the Management to prepare consolidated financial statements which present, true and fairly, the consolidated financial position, the consolidated financial performance and cash flows of the Entity, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, as well as to create and maintain appropriate systems of internal control to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. We conducted our review in accordance with international standards on review of financial statements and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an opinion on these consolidated financial statements.

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### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present, true and fairly, in all material respects, the consolidated financial position of Galp Energia S.G.P.S., S.A. as at June 30, 2017, and its consolidated financial performance and cash flows for the half year then ended in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

July 31, 2017

PricewaterhouseCoopers & Associados

- Sociedade de Revisores Oficiais de Contas, Lda.

registered in the Comissão de Valores Mobiliários with no. 20161485

represented by:

António Joaquim Brochado Correia, R.O.C.

## 10. Definitions

### Benchmark refining margin

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

### Rotterdam hydrocracking margin

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

### Rotterdam cracking margin

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

### Rotterdam base oils margin

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

### Rotterdam aromatics margin

5.5% Rotterdam aromatics margin: -60% EuroBob NWE FOB Bg, -40% Naphtha NWE FOB Bg, +37% Naphtha NWE FOB Bg, +16.5% EuroBob NWE FOB Bg, +6.5% Benzene Rotterdam FOB Bg, +18.5% Toluene Rotterdam FOB Bg, +16.6% Paraxylene Rotterdam FOB Bg, +4.9% Ortoxylylene 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.



**ABBREVIATIONS**

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

**bbl:** barrel of oil

**BBLT:** Benguela-Belize-Lobito-Tomboco

**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 Freights

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

**COOEC:** Offshore Oil Engineering Co. Ltd.

**CTA:** Cumulative Translation Adjustment

**D&P:** Development & Production

**E&P:** Exploration & Production

**Ebit** Earnings before interest and taxes

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

**EUR/€:** Euro

**FLNG:** floating liquefied natural gas unit

**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

**IAS:** International Accounting Standards

**IFRS:** International Financial Reporting Standards

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

**ISP:** Tax on oil products

**k:** thousand

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

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

**LNG:** liquid natural gas

**LSFO:** low sulphur fuel oil

**m:** million

**mmbbl:** millions of barrels

**mmboe:** 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.m.:** not meaningful

**NWE:** Northwestern Europe

**OPEC:** Organisation of Petroleum Exporting Countries

**R&M:** Refining & Marketing

**RC:** Replacement Cost

**RCA:** Replacement Cost Adjusted

**T:** tonnes

**TL:** Tômbua-Lândana

**USA:** United States of America

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

**VAT:** value-added tax

**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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