



RESULTS AND
CONSOLIDATED
INFORMATION
FIRST HALF
2018

Investor Relations

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1. 1H18 highlights

- **Cash Flow from Operations reached €849 m**, up 26% YoY. **Free Cash Flow of €427 m** and post-dividend Free Cash Flow of €175 m, after considering €252 m paid in dividends.
- **Consolidated RCA Ebitda increased 28% YoY to €1.1 bn**, driven by a higher contribution from the E&P business.
 - **E&P: RCA Ebitda increased €354 m YoY to €704 m**, supported by **increased production and higher oil and natural gas prices**. **Average working interest (WI) production increased 19% YoY** to 106.1 kboepd, following the progressive development of the Lula field.
 - **R&M: RCA Ebitda decreased €120 m YoY to €295 m**, due to the lag effects in marketing pricing formulas deriving from the increase in commodity in prices and by refining FX. **Galp's refining margin was \$4.8/boe**, compared to \$5.5/boe in the same period of 2017, impacted by the gasoline and fuel oil cracks.
 - **G&P: RCA Ebitda increased €4 m YoY to €68 m**, supported by a better performance from the power activity, despite the lower contribution from the LNG trading activity.
- **Group RCA Ebit amounted to €735 m**, reflecting the Ebitda evolution. IFRS Ebit was €890 m, with the inventory effect accounting for €125 m.
- **RCA net income was €387 m, up €156 m YoY**, while IFRS net income increased to €462 m.
- **Capex totalled €364 m**, of which 80% was allocated to E&P activities.
- At the end of June, **net debt stood at €1,737 m**, with net debt to Ebitda at 0.9x.
- During May, Galp signed a **20-year LNG Sales and Purchase Agreement (SPA)** with **Venture Global LNG for 1 mtpa** from the Calcasieu Pass LNG export facility in the U.S., which is expected to start operations in 2022.
- In July, the consortium for the development of Area 4 **submitted to the Mozambican government the Plan of Development for the first phase of the Rovuma LNG project**, which will develop the large Mamba fields. The first phase will comprise two LNG trains which will produce 7.6 mtpa each.
- On July 27, Galp announced the **start of production of Kaombo project** in block 32, in Angola.

Considering the operating performance during the first half of 2018 and the higher oil prices, the **Ebitda guidance for the full year 2018 is now expected to be over €2.1 billion (bn)**. **Capex guidance is maintained at €1.0 - €1.1 bn**, now including the signature bonuses from the exploration blocks acquired in the recent bidding rounds in Brazil.

Financial data

€m (IFRS, except otherwise stated)

	First Half			
	2017	2018	Var. YoY	% Var. YoY
RCA Ebitda	844	1,083	239	28%
Exploration & Production	350	704	354	101%
Refining & Marketing	415	295	(120)	(29%)
Gas & Power	64	68	4	6%
RCA Ebit	457	735	278	61%
Exploration & Production	154	538	384	n.m.
Refining & Marketing	237	126	(111)	(47%)
Gas & Power	54	58	4	7%
RCA Net income	231	387	156	68%
IFRS Net income	215	462	247	n.m.
Non-recurring items	(35)	(28)	7	(20%)
Inventory effect	19	103	84	n.m.
Cash flow from operations	676	849	173	26%
Capex	372	364	(8)	(2%)
Post-dividend free cash flow	70	175	105	n.m.
Net debt	1,895	1,737	(158)	(8%)
Net debt to RCA Ebitda	1.1x	0.9x	-	-

Operational data

	First Half			
	2017	2018	Var. YoY	% Var. YoY
Average working interest production (kboepd)	88.9	106.1	17.2	19%
Average net entitlement production (kboepd)	87.2	104.7	17.5	20%
Oil and gas average sale price (USD/boe)	43.9	60.9	17.1	39%
Raw materials processed (mmboe)	56.1	53.4	(2.7)	(5%)
Galp refining margin (USD/boe)	5.5	4.8	(0.7)	(12%)
Oil sales to direct clients (mton)	4.4	4.3	(0.1)	(2%)
NG sales to direct clients (mm ³)	2,201	2,358	157	7%
NG/LNG trading sales (mm ³)	1,532	1,508	(24)	(2%)

Market indicators

	First Half			
	2017	2018	Var. YoY	% Var. YoY
Average exchange rate EUR:USD	1.08	1.21	0.13	12%
Average exchange rate EUR:BRL	3.45	4.14	0.70	20%
Dated Brent price (USD/bbl)	51.7	70.6	18.9	36%
Heavy-light crude price spread ¹ (USD/bbl)	(1.5)	(1.9)	(0.4)	24%
Iberian MIBGAS natural gas price (EUR/MWh)	21.5	22.2	0.8	4%
Dutch TTF natural gas price (EUR/MWh)	17.1	21.2	4.2	25%
Japan/Korea Marker LNG price (USD/mmbtu)	6.3	9.1	2.8	45%
Benchmark refining margin (USD/bbl)	3.9	2.1	(1.8)	(45%)
Iberian oil market (mton)	30.9	32.3	1.4	4.4%
Iberian natural gas market (mm ³)	17,367	17,977	610	3.5%

Source: Platts for commodities prices; MIBGAS for Iberian natural gas price; APETRO and CORES for Iberian oil market; Galp and Enagás for Iberian natural gas market.

¹ Urals NEW dated for heavy crude; dated Brent for light crude.



2. Exploration & Production

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

	First Half			
	2017	2018	Var. YoY	% Var. YoY
Average working interest production¹ (kboepd)	88.9	106.1	17.2	19%
Oil production (kbpd)	77.4	93.1	15.7	20%
Average net entitlement production¹ (kboepd)	87.2	104.7	17.5	20%
Angola	6.6	5.4	(1.1)	(17%)
Brazil	80.6	99.3	18.7	23%
Oil and gas average sale price (USD/boe)	43.9	60.9	17.1	39%
Royalties² (USD/boe)	4.1	5.8	1.6	40%
Production costs (USD/boe)	8.6	8.4	(0.2)	(2%)
DD&A³ (USD/boe)	13.5	10.6	(2.9)	(21%)
RCA Ebitda⁴	350	704	354	101%
Depreciation, Amortisation and Impairments ³	198	166	(32)	(16%)
Exploration expenditures written-off ⁴	-	-	-	n.m.
Provisions	(2)	-	2	n.m.
RCA Ebit	154	538	384	n.m.
IFRS Ebit	152	538	386	n.m.
Net Income from E&P Associates	16	23	7	44%

¹ Includes natural gas exported; excludes natural gas used or reinjected.

² Based on total NE production.

³ Includes abandonment provisions and excludes exploration expenditures written-off.

⁴ Effective from 1 January 2018, G&G and G&A costs, mainly related to the exploration activity, started to be accounted as operating costs of the period in which they occur, and ceased to be capitalised. The Successful Efforts Method (SEM) was applied retrospectively and the 2017 figures were restated for comparison purposes.

Operations

During the first half of 2018, average working interest production of oil and natural gas was 106.1 kboepd, of which 88% corresponded to oil production.

Production increased 19% YoY supported by the ongoing development of the Lula field in block BM-S-11 in Brazil, driven mainly by the ramp-up of FPSOs #6 and #7, with the latter reaching oil plateau production in April, 11 months after starting-up.

Regarding Iara, in block BM-S-11A, the Extended Well Test (EWT) in the Sururu area started in February and contributed with 1.3 kbpd to the average production in the period.

In block BM-S-8, the drilling of the Guanxuma prospect started in April. Exploration works are still ongoing to assess volumes and commercial potential.

In Angola, WI production was down 18% YoY to 6.8 kbpd, due to the natural decline of the fields in block 14. Net entitlement production decreased 17% YoY.

On July 27, Galp announced the start of production of the Kaombo project in block 32 in Angola, through the Kaombo North FPSO.

Regarding the development of Area 4 in Mozambique, the consortium submitted to the Mozambican government the development plan for the first phase of the Rovuma LNG project, which will develop the large Mamba fields. The first phase will comprise two LNG trains, which will produce 7.6 mtpa each, with Final Investment Decision expected in 2019, and first LNG in 2024.

Results

In the first half of 2018, RCA Ebitda amounted to €704 m, up €354 m YoY, benefiting from increased production and average sale prices.

Production costs increased €6 m YoY to €131 m, due to the higher number of operating units in Brazil. In unit terms and on a net entitlement basis, production costs declined to \$8.4/boe.

Amortisations, depreciation charges and abandonment provisions amounted to €166 m, down €32 m YoY, benefiting from the reserves revision at the end of 2017, namely in Brazil, and from the weaker BRL. On a net entitlement basis, unit depreciation charges were \$10.6/boe, down \$2.9/boe YoY.

Ebit increased to €538 m.

The contribution of associated companies was €23 m during the first half of 2018.

3. Refining & Marketing

€m (RCA, except otherwise stated)

	First Half			
	2017	2018	Var. YoY	% Var. YoY
Galp refining margin (USD/boe)	5.5	4.8	(0.7)	(12%)
Refining cost (USD/boe)	1.7	2.3	0.6	37%
Impact of refining margin hedging¹ (USD/boe)	(0.2)	0.4	0.5	n.m.
Raw materials processed (mmboe)	56.1	53.4	(2.7)	(5%)
Crude processed (mmbbl)	49.6	49.8	0.2	0%
Total oil products sales (mton)	9.1	8.9	(0.2)	(2%)
Sales to direct clients (mton)	4.4	4.3	(0.1)	(2%)
RCA Ebitda	415	295	(120)	(29%)
Depreciation, Amortisation and Impairments ²	179	169	(10)	(6%)
Provisions	(1)	-	1	n.m.
RCA Ebit	237	126	(111)	(47%)
IFRS Ebit	243	274	31	13%
Net Income from R&M Associates	6	1	(5)	(83%)

¹ Impact on Ebitda.

² Excludes impairments on accounts receivables, which started to be accounted at Ebitda in 2018.

Operations

Raw materials processed were 53.4 mmboe, 5% lower YoY, impacted by the planned maintenance of the hydrocracker (HC) in Sines during the first quarter. Crude oil accounted for 93% of raw materials processed, of which 85% corresponded to medium and heavy crudes.

Middle distillates accounted for 46% of production, gasoline for 23% and fuel oil to 16%. Consumption and losses accounted for 7% of raw materials processed.

Volumes sold to direct clients were 4.3 mton, with volumes sold in Africa accounting for 10%.

Results

Ebitda RCA for the R&M business decreased €120 m YoY to €295 m, impacted by the lag in marketing pricing formulas as a result of the increase in commodity prices and by FX adjustments in refining.

Galp's refining margin stood at \$4.8/boe, compared to \$5.5/boe during the first half of 2017, negatively impacted by the gasoline and fuel oil cracks.

Refining costs stood at €100 m, up €14 m YoY, mainly due to the maintenance of the HC in the first quarter of 2018. In unit terms, refining costs were \$2.3/boe.

Refining margin hedging operations contributed with €15 m during the semester, compared to a loss of €9 m the previous year.

The marketing activity maintained its positive contribution to results.

RCA Ebit stood at €126 m and IFRS Ebit increased to €274 m. The inventory effect was €118 m.

Non-recurring items amounted to €30 m and were mainly related to a litigation compensation.

4. Gas & Power

€m (RCA, except otherwise stated)

	First Half			
	2017	2018	Var. YoY	% Var. YoY
NG/LNG total sales volumes (mm³)	3,733	3,866	134	4%
Sales to direct clients (mm ³)	2,201	2,358	157	7%
Trading (mm ³)	1,532	1,508	(24)	(2%)
Sales of electricity (GWh)	2,520	2,768	248	10%
Sales of electricity to the grid (GWh)	844	713	(130)	(15%)
RCA Ebitda	64	68	4	6%
Supply & Trading	47	44	(3)	(6%)
Power	17	24	7	41%
Depreciation, Amortisation and Impairments ¹	9	10	1	11%
Provisions	1	-	(1)	n.m.
RCA Ebit	54	58	4	7%
Supply & Trading	45	41	(4)	(9%)
Power	9	17	8	89%
IFRS Ebit	62	65	3	5%
Net Income from G&P Associates	50	49	(1)	(2%)

¹ Excludes impairments on accounts receivables, which started to be accounted at Ebitda in 2018.

Operations

Sales of NG/LNG increased 4% YoY to 3,866 mm³, supported by the increase in sales to direct clients, namely in the industrial segment.

Trading volumes decreased 2% YoY, with the increase in sales in the European hubs not offsetting the fewer LNG trading opportunities.

Sales of electricity increased 10% YoY to 2,768 GWh, on the back of the higher contribution from the marketing activity.

During May, Galp signed a 20-year LNG SPA with Venture Global LNG for 1 mtpa from the Calcasieu Pass LNG export facility in the U.S., which is expected to start operations in 2022.

Results

Ebitda RCA rose €4 m YoY to €68 m, due to the higher results from the power activity.

Ebitda for the power activity increased €7 m YoY to €24 m, supported by the time lag of the natural gas purchase price and the sale price of the energy produced by the Group's cogeneration units.

Ebitda for the supply and trading segment was down YoY to €44 m, due to the lower contribution of LNG trading activity.

RCA Ebit was €58 m, while IFRS Ebit was €65 m.

Results from associated companies stood at €49 m, of which €17 m related to Galp Gás Natural Distribuição, S.A. (GGND).

5. Financial data

5.1. Income statement

€m (RCA, except otherwise stated)

	First Half			
	2017	2018	Var. YoY	% Var. YoY
Turnover	7,622	8,437	815	11%
Cost of goods sold	(5,839)	(6,344)	505	9%
Supply & Services	(806)	(904)	98	12%
Personnel costs	(147)	(154)	7	5%
Other operating revenues (expenses)	22	54	32	n.m.
Impairments on accounts receivable	(8)	(6)	(2)	(25%)
RCA Ebitda	844	1,083	239	28%
IFRS Ebitda	859	1,238	379	44%
Depreciation, Amortisation and Impairments	(389)	(348)	(41)	(11%)
Provisions	2	-	(2)	n.m.
RCA Ebit	457	735	278	61%
IFRS Ebit	469	890	421	90%
Net income from associates	73	74	1	1%
Financial results	(26)	28	54	n.m.
Net interests	(40)	(25)	(15)	(38%)
Capitalised interest	45	26	(19)	(42%)
Exchange gain (loss)	(14)	(18)	(4)	(29%)
Mark-to-market of hedging derivatives	(7)	50	57	n.m.
Other financial costs/income	(10)	(5)	5	50%
RCA Net income before taxes and non-controlling interests	503	835	332	66%
Taxes	(243)	(371)	128	53%
Taxes on oil and natural gas production ¹	(130)	(212)	82	63%
Non-controlling interests	(29)	(77)	48	n.m.
RCA Net income	231	387	156	68%
Non-recurring items	(35)	(28)	(7)	(20%)
RC Net income	196	359	163	83%
Inventory effect	19	103	84	n.m.
IFRS Net income	215	462	247	n.m.

¹ Includes SPT payable in Brazil and IRP payable in Angola.

RCA Ebitda increased €239 m to €1,083 m, driven by a higher upstream production and increased oil and natural gas prices, and despite the lower USD.

RCA Ebit went up €278 m to €735 m, while IFRS Ebit increased to €890 m.

Results from associated companies stood at €74 m.

Financial results were positive by €28 m, including a €50 m positive impact from the mark-to-market of hedging derivatives. Net

interest were down YoY by €15 m, following the lower debt and interest rates.

RCA taxes increased €128 m YoY to €371 m, mainly due to higher taxes related to the production of oil and natural gas.

Non-controlling interests of €77 m were mainly attributable to Sinopec's 30% stake in Petrogal Brasil.

RCA net income totalled €387 m, while IFRS net income was €462 m.

5.2. Capital expenditure

€m (RCA)

	First Half			
	2017	2018	Var. YoY	% Var. YoY
Exploration & Production	327	293	(34)	(10%)
Exploration and appraisal activities	-	75	75	n.m.
Development and production activities	327	218	(109)	(33%)
Refining & Marketing	40	64	24	60%
Gas & Power	4	7	3	75%
Others	1	-	(1)	n.m.
Capex	372	364	(8)	(2%)

Capex totalled €364 m during the first half, of which 80% allocated to the E&P business.

Investment in development and production activities were mainly allocated to block BM-S-11 and block 32. It is also worth highlighting the investment in the Coral South project in Mozambique.

Capex of €75 m in exploration and appraisal activities was mainly related to the payment of the 3% stake acquisition in BM-S-8, in Brazil, announced in October 2017.

Investment in downstream activities (R&M and G&P) reached €71 m and was mostly allocated to the maintenance and improvement of refining energy efficiency, as well as to the renewal of the retail network.

5.3. Cash Flow

Indirect method

€m (IFRS figures)

	First Half	
	2017	2018
Ebit	469	890
Depreciation, Amortisation and Impairments	391	348
Corporate income taxes and oil and gas production taxes	(197)	(255)
Dividends from associates	86	67
Change in Working Capital	(73)	(201)
Cash flow from operations	676	849
Net financial expenses	(40)	(54)
Net capex ¹	(351)	(368)
Free cash flow	285	427
Dividends paid	(215)	(252)
Post-dividend free cash flow	70	175
Others ²	(56)	(27)
Change in net debt	(14)	(148)

¹ 2017 figures include, among others, the payment of Carcará North signature bonus of c.€150 m and the proceeds of €22 m from the sale of the 25% indirect stake in Âncora project. ² Includes CTAs (Cumulative Translation Adjustment) and partial reimbursement of the loan granted to Sinopec.

During the first half, the robust performance across all business segments contributed to Cash Flow From Operations (CFFO) reaching €849 m, despite the €201 m build in working capital, which resulted from the increase in commodity prices during the period.

Dividends paid during the first half amounted to €252 m, mainly related to the 2017 final dividend. Despite net capex of €368 m and dividends paid during the period, free cash flow was positive by €175 m.

Direct method

€m (IFRS figures)

	First Half	
	2017	2018
Cash and equivalents at the beginning of the period¹	923	1,096
Received from customers	8,711	9,338
Paid to suppliers	(5,595)	(5,961)
Staff related costs	(169)	(172)
Dividends from associates	86	67
Taxes on oil products (ISP)	(1,352)	(1,336)
VAT, Royalties, PIS, Cofins, Others	(808)	(832)
Corporate income taxes and oil and gas production taxes	(197)	(255)
Cash flow from operations	676	849
Net capex ²	(328)	(368)
Net Financial Expenses	(73)	(54)
Dividends paid	(215)	(252)
Post-dividend free cash flow	60	175
Net new loans	(32)	74
Sinopec loan reimbursement	42	26
FX changes on cash and equivalents	(91)	(40)
Cash and equivalents at the end of the period¹	1,578	1,331

¹ Cash and equivalents differ from the Balance Sheet amounts due to IAS 7 classification rules. The difference refers to overdrafts which are considered as debt in the Balance Sheet and as a deduction to cash in the Cash Flow Statement. ² 2017 figures include, among others, the payment of Carcará North signature bonus of c.€150 m and the proceeds of €22 m from the sale of the 25% indirect stake in Ancora project.

5.4. Financial position and debt

€m (IFRS figures)

	31 Dec., 2017	30 Jun., 2018	Var. vs 31 Dec., 2017
Net fixed assets	7,231	7,095	(136)
Working capital	584	785	201
Loan to Sinopec	459	451	(8)
Other assets (liabilities)	(613)	(601)	12
Capital employed	7,661	7,730	69
Short term debt	551	708	157
Medium-Long term debt	2,532	2,514	(18)
Total debt	3,083	3,222	139
Cash and equivalents	1,198	1,485	287
Net debt	1,885	1,737	(148)
Total equity	5,776	5,993	217
Total equity and net debt	7,661	7,730	69

On June 30, 2018 net fixed assets were €7,095 m, €136 m below the end of 2017 figure, mainly due to the depreciation of the U.S. Dollar and the Brazilian Real.

Work-in-progress, mainly related to the E&P business, stood at €2,192 m at the end of the period.

Financial debt

€m (except otherwise stated)

	31 Dec., 2017	30 Jun., 2018	Var. vs 31 Dec., 2017
Bonds	1,987	2,042	55
Bank loans and other debt	1,096	1,180	84
Cash and equivalents	(1,198)	(1,485)	(287)
Net debt	1,885	1,737	(148)
Average life (years)	2.5	2.9	0.4
Average funding cost	3.46%	2.75%	(0.71 p.p.)
Debt at floating rate	40.3%	43.8%	3.4 p.p.
Net debt to Ebitda RCA	1.1x	0.9x	-

Net debt at the end of the first half amounted to €1,737 m, or €148 m below the end of 2017 figure. Net debt to Ebitda RCA stood at 0.9x.

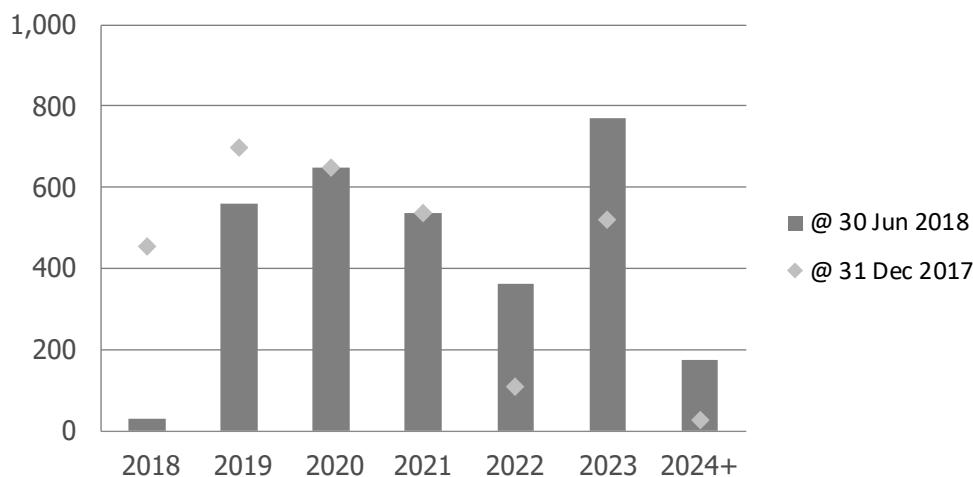
During the first half of 2018, Galp issued new medium and long term debt amounting to €650 m. Average life of debt increased to

2.9 years, and medium and long term debt accounted for 78% of total debt. The average funding cost during the first half stood at 2.75%.

At the end of the first half, Galp had unused credit lines of approximately €1.0 bn, of which c.65% was contractually guaranteed.

Debt maturity profile

€m



5.5. Reconciliation of IFRS and replacement cost adjusted figures

€m

First Half 2017					EBITDA	First Half 2018				
Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA		Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
859	(18)	841	3	844	Galp	1,238	(125)	1,113	(30)	1,083
350	-	350	-	350	E&P	704	-	704	-	704
424	(12)	412	3	415	R&M	443	(118)	325	(30)	295
70	(6)	64	-	64	G&P	75	(7)	68	-	68
15	-	15	-	15	Others	16	-	16	-	16

€m

First Half 2017					EBIT	First Half 2018				
Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA		Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
469	(18)	451	6	457	Galp	890	(125)	765	(30)	735
152	-	152	2	154	E&P	538	-	538	-	538
243	(12)	231	6	237	R&M	274	(118)	156	(30)	126
62	(6)	56	(2)	54	G&P	65	(7)	58	-	58
12	-	12	-	12	Others	13	-	13	-	13

Non-recurring items

€m

		First Half	
		2017	2018
Non-recurring items impacting Ebitda	3.0		(30.0)
Accidents caused by natural events and insurance compensation	-	-	-
Gains/losses on disposal of assets	(1.0)	-	-
Asset write-offs	-	-	-
Employee restructuring charges	-	-	1.0
Litigation costs (revenues)	4.0	-	(31.0)
Non-recurring items impacting non-cash costs	3.0		-
Provisions for environmental charges and others	1.0	-	-
Asset impairments	2.0	-	-
Non-recurring items impacting financial results	(14.0)		7.0
Gains/losses on financial investments ¹	(14.0)	7.0	-
Non-recurring items impacting taxes	43.0		51.0
Income taxes on non-recurring items	(1.0)	10.0	-
Energy sector contribution taxes	44.0	41.0	-
Non-controlling interests	-	-	-
Total non-recurring items	35.0		28.0

¹ Includes CESE impact on GGND

6. 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 2018 and 2017. The financial information in the consolidated financial position is reported on 30 June 2018 and on 31 December 2017.

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 material items considering the Group's activities.

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.

With regards to risks and uncertainties, please read chapter 6. Part I – C. III *Internal control and risk management* of Galp's Annual Report and Accounts 2017, as no material changes are expected during the following six months.

Recent changes

With effect from January 1, 2018, Galp started considering as operating costs all expenditures incurred with G&G and G&A costs in the exploration activities. Other expenses in the exploration stage, including exploratory wells, continue to be capitalised and written-off when dry.

In addition to those costs, the G&A expenses that transferred from the exploration phase to the stage of development were adjusted under equity. This new policy was applied retrospectively and the comparable figures of 2017 were restated.

Effective from 1 January 2018, impairments on account receivables are accounted for at the Ebitda level, providing a better proxy for the cash generation of each business. Figures of 2017 were restated for comparison purposes.

Starting in 2018, Galp adopted IFRS 9, changing the calculation method for impairments on receivables based on expected losses, and taking into account the credit risk assessment from the beginning. This impact was not applied to 2017 figures.

The Company also implemented IFRS 15, which did not impact materially the Group's results. However, it should be noted that under and overlifting positions in the E&P business started to be accounted as other operating costs/income. This change was not applied to 2017 figures.

7. Appendices

7.1. Governing bodies

The composition of the governing bodies of Galp Energia, SGPS, S.A. as of 30 June 2018 is as follows:

Board of Directors

Chairman:

Paula 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 Vunge

Carlos Costa Pina

Francisco Rêgo

Jorge Seabra de Freitas

José Carlos Silva

Pedro Ricardo

Tiago Câmara Pestana

Rui Paulo Gonçalves

Luis Todo Bom

Diogo Tavares

Joaquim Borges Gouveia

Executive Committee

Chairman:

Carlos Gomes da Silva (CEO)

Members:

Filipe Crisóstomo Silva (CFO)

Thore E. Kristiansen

Carlos Costa Pina

José Carlos Silva

Pedro Ricardo

Tiago Câmara Pestana

Audit Board

Chairman:

Daniel Bessa

Members:

Gracinda Raposo

Pedro Antunes de Almeida

Alternate:

Amável 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

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

7.2. Mandatory notices and statements

Shareholders with indirect or direct qualifying holdings on 30 June 2018

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

Shareholders	No. shares	% voting rights
Amorim Energia, B.V.		
Holding	276,472,161	33.34%
Other attributable situations	-	-
Total attributed	276,472,161	33.34%
Parública - Participações Públicas (SGPS), S.A.		
Holding	62,021,340 ¹	7.48%
Other attributable situations	-	-
Total attributed	62,021,340	7.48%
BlackRock, Inc.		
Holding	20,307,726	2.45%
Other attributable situations	-	-
Total attributed	20,307,726	2.45%
Janus Henderson Group plc		
Holding	19,465,726	2.34%
Other attributable situations	-	-
Total attributed	19,465,726	2.34%

¹ of which 58,079,514 subject to the privatisation process

During the first half of 2018, the following transactions regarding qualifying holdings were reported:

- Templeton Global Advisors Limited informed the Company, on 1 March, it had decreased its indirect interest in Galp's capital and corresponding voting rights from 2.03% to 1.97%, corresponding to 16,368,734 voting rights.
- Black Creek Investment Management Inc. (Black Creek) Limited informed the Company, on 5 March, it had increased its interest in Galp's capital and corresponding voting rights

from 1.99% to 2.02%. On 7 March, Black Creek informed the Company it had decreased its interest in Galp's capital and corresponding voting rights from 2.02% to 1.99%, below the 2% limit.

For more information regarding shareholding structure and entity description, access our website.

Treasury shares

During the first half of 2018, Galp did not acquire or sell any treasury shares and did not hold treasury shares at the end of the period.

Share ownership on 30 June 2018 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 2018, 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 31.12.2017	Date	Acquisition From 1 January to 30 June 2018		Date	Disposal		Total shares as of 30.06.2018
	No. of shares		Value (€/share)	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	-	2.3.2018	1,000	14.5				1,000
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	-							-
Members of the Audit Board								
Daniel Bessa Fernandes Coelho	-							-
Gracinda Augusta Figueiras Raposo	-							-
Pedro Antunes de Almeida	5							5
Amável Alberto Freixo Calhau	-							-
Statutory Auditors								
PricewaterhouseCoopers & Associados, Lda	-							-
José Manuel Henriques Bernardo	0							-

*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 276,472,161 Galp shares.

On 30 June 2018, none of the members of the administrative and audit bodies held any bonds issued by the Company.

On 30 June 2018, the chairman of the Audit Board owned 1 Galp Energia, SGPS. S.A. bond, with 4.125% rate and maturity at 25.01.2019, without performing any transaction during the first half of 2018.

Main transactions between related parties during the first half of 2018

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

During the first half of 2018, 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 2017, 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 2018.

7.3. 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 2018 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 2018 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, 27 July 2018

The Board of Directors

Chairman:

Paula Amorim

Vice-Chairman:

Miguel Athayde Marques

Vice-Chairman:

Carlos Gomes da Silva

Members:

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Amorim

Raquel R. Vunge

Carlos Costa Pina

Francisco Rêgo

Jorge Seabra de Freitas

José Carlos Silva

Pedro Ricardo

Tiago Câmara Pestana

Rui Paulo Gonçalves

Luis Todo Bom

Diogo Tavares

Joaquim Borges Gouveia

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 2018 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 2018 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, 27 July 2018

Chairman:

Daniel Bessa

Members:

Gracinda Raposo

Pedro Antunes de Almeida

7.4. IFRS Consolidated Financial Statements

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Consolidated statement of financial position

Galp Energia, SGPS, S.A.

Consolidated Statement of Financial Position as of 30 June 2018 and 31 December 2017

(Amounts stated in million Euros - €m)

Assets	Notes	June 2018	December 2017 (restated)
Non-current assets:			
Tangible assets	4	4,921	5,193
Intangible assets and Goodwill	5	520	491
Investments in associates and joint ventures	6	1,554	1,483
Deferred tax assets	7.1	338	350
Other receivables	8	248	254
Other financial assets	15.2	64	35
Total non-current assets		7,645	7,806
Current assets:			
Inventories	9	1,040	970
Other financial assets	15.2	155	66
Trade receivables	8.1	1,267	1,018
Other receivables	8.2	759	535
Loans to Sinopec	10	451	459
Cash and cash equivalents	11	1,485	1,197
Total current assets		5,157	4,245
Total assets		12,802	12,051
Equity and liabilities			
Equity:			
Share Capital and Share Premium		911	911
Reserves		2,448	2,541
Retained Earnings		1,098	892
Total equity attributable to shareholders:		4,457	4,344
Non-controlling interests		1,536	1,435
Total equity		5,993	5,779
Liabilities			
Non-current Liabilities:			
Financial debt	12	2,513	2,532
Other payables	13	292	286
Post-employment and other employee benefits liabilities	14	330	326
Deferred tax liabilities	7.1	85	76
Other financial instruments		25	3
Provisions	16	644	619
Total non-current liabilities		3,889	3,842
Current Liabilities:			
Financial debt	12	709	551
Trade payables		1,070	889
Other payables	13	884	854
Other financial instruments		86	21
Current income tax payables		171	115
Total current liabilities		2,920	2,430
Total Liabilities		6,809	6,272
Total equity and liabilities:		12,802	12,051

The accompanying notes form an integral part of the consolidated statement of financial position and must be read in conjunction.

Consolidated income statement and consolidated statement of comprehensive income

Galp Energia, SGPS, S.A.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the six-month periods ended 30 June 2018 and 30 June 2017

(Amounts stated in million Euros - €m)

	Notes	June 2018	June 2017 (restated)
Operating income:			
Sales		8,098	7,313
Services Rendered		339	309
Other operating income		136	56
Total Operating income:		8,573	7,678
Operating costs:			
Cost of Sales	17	6,219	5,821
External supplies and services	17	904	810
Employee costs	17	155	147
Amortization, depreciation and impairment losses on fixed assets	4, 5 and 17	348	391
Provisions	16	-	(1)
Impairment losses on receivables	8.3	6	8
Other operating costs		51	33
Total Operating costs:		7,683	7,209
Operating profit:		890	469
Financial income	18	(5)	(4)
Exchange (losses) gains		(18)	(14)
Income from financial investments	6	67	87
Income from financial instruments	15	51	(8)
Profit before taxes:		985	530
Income tax	7.1	(405)	(242)
Energy sector extraordinary contribution	7.2	(41)	(44)
Consolidated net profit for the period		539	244
Income attributable to:			
Non-controlling interests		77	29
Galp Energia SGPS, S.A. Shareholders		462	215
Basic and Diluted Earnings per share (in Euros)		0.56	0.26
Consolidated net profit for the period		539	244
Items which will not be recycled in the future through net income of the period:			
Actuarial gains and losses – pension fund	14	4	(9)
Items which will be recycled in the future through net income of the period:			
Currency translation adjustments	15.2	(144)	(340)
Hedging reserves		(13)	1
Income taxes related to Currency translation adjustments and hedging reserves		44	-
Total Comprehensive income for the period, attributable to:		430	(104)
Non-controlling interests		24	(128)
Galp Energia SGPS, S.A. Shareholders		406	24

The accompanying notes form an integral part of the consolidated income statement and consolidated statement of comprehensive income and must be read in conjunction.

Consolidated statement of changes in equity

Galp Energia, SGPS, S.A

Consolidated Statement of changes in equity for the six-month periods ending on 30 June 2018 and 30 June 2017

(Amounts stated in million Euros - €m)

Changes in the period	Notes	Share Capital and Share Premium		Reserves			Retained earnings			Non-controlling interests	Total
		Share Capital	Share Premium	Currency Translation Reserves	Hedging Reserves	Other Reserves	Net Actuarial Losses	Retained earnings	Sub-Total		
Balance as of 31 December 2016		829	82	404	3	2,688	(118)	1,092	4,980	1,563	6,543
Change in accounting policy (adoption of SEM)	1.5	-	-	-	-	-	-	(294)	(294)	(26)	(320)
Balance as of 1 January 2017		829	82	404	3	2,688	(118)	798	4,686	1,537	6,223
Consolidated net income for the period		-	-	-	-	-	-	234	234	31	265
Other gains and losses recognised in Equity		-	-	(363)	-	-	9	-	(354)	(124)	(478)
Comprehensive income for the period		-	-	(363)	-	-	9	234	(120)	(93)	(213)
Dividends paid / Interim dividends		-	-	-	-	-	-	(206)	(206)	(4)	(210)
Increase/decrease in share capital of Joint ventures		-	-	-	1	-	-	(1)	-	-	-
Balance as of 30 June 2017		829	82	41	4	2,688	(109)	825	4,360	1,440	5,800
Change in accounting policy (adoption of SEM)	1.5	-	-	23	-	-	-	(19)	4	(2)	2
Balance as of 30 June 2017 – restated		829	82	64	4	2,688	(109)	806	4,364	1,438	5,802
Balance as of 31 december 2017		829	82	(186)	4	2,688	(90)	1,292	4,619	1,461	6,080
Change in accounting policy (adoption of SEM)	1.5	-	-	35	-	-	-	(310)	(275)	(26)	(301)
Balance as of 31 december 2017 - restated		829	82	(151)	4	2,688	(90)	982	4,344	1,435	5,779
Change in accounting policy (adoption of IFRS 9 and 15)	1.5	-	-	-	-	-	-	(3)	(3)	-	(3)
Balance as of 1 January 2018		829	82	(151)	4	2,688	(90)	979	4,341	1,435	5,776
Consolidated net income for the period		-	-	-	-	-	-	462	462	77	539
Other gains and losses recognised in Equity		-	-	(104)	11	-	(4)	-	(97)	(75)	(172)
Comprehensive income for the period		-	-	(104)	11	-	(4)	462	365	2	367
Dividends paid / Interim dividends		-	-	-	-	-	-	(249)	(249)	-	(249)
Increase/decrease in share capital of Joint ventures		-	-	-	-	-	-	-	-	99	99
Balance as of 30 June 2018		829	82	(255)	15	2,688	(94)	1,192	4,457	1,536	5,993

The accompanying notes form an integral part of the consolidated statement of changes in equity and must be read in conjunction.

Consolidated statement of cash flow

Galp Energia, SGPS, S.A.

Consolidated Statement of Cash Flow for the six-month periods ended 30 June 2018 and 30 June 2017

(Amounts stated in million Euros - €m)

	Notes	June 2018	June 2017 (Restated)
Operating activities:			
Cash received from customers		9,338	8,711
Cash payments to suppliers		(5,961)	(5,595)
Payments relating to Tax on oil products ("ISP")		(1,336)	(1,352)
Payments relating to VAT		(783)	(747)
Payments relating to royalties, levies, "PIS" and "COFINS" and Others		(49)	(61)
Operating gross margin		1,209	956
Salaries, contributions to the pension fund and other benefits payments		(100)	(95)
Withholding income taxes payments		(40)	(41)
Social Security contributions		(32)	(33)
Payments relating to employees		(172)	(169)
Cash flows from operations		1,037	787
Payments of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(255)	(197)
Cash flows from operating activities (1)		782	590
Investing activities:			
Cash payments for the acquisition of tangible and intangible assets		(311)	(282)
Cash receipts relating to financial investments		3	1
Cash payments relating to financial investments		(54)	(67)
Net investment		(362)	(348)
Cash receipts from loans granted		34	64
Cash payments relating to loans granted		(26)	(1)
Cash receipts from interests and similar income		11	8
Cash receipts relating to dividends	6.2	67	86
Cash flows from investing activities (2)		(276)	(191)
Financing activities:			
Cash receipts from loans obtained	12	850	747
Cash payments relating to loans obtained	12	(764)	(781)
Cash payments from interests and similar costs		(66)	(81)
Increase/decrease of capital and other equity instruments		15	-
Dividends paid		(271)	(215)
Other financing activities		-	1
Cash flows from financing activities (3)		(236)	(329)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		270	70
Effect of foreign exchange rate changes in cash and cash equivalents		(35)	(91)
Cash and cash equivalents at the beginning of the period		1,096	923
Cash and cash equivalents at the end of the period		1,331	902

The accompanying notes form an integral part of the consolidated statement of cash flow and must be read in conjunction.

1. Significant changes to the annual financial statements for the year ended 31 December 2017

1.1. Change of accounting policy for E&P with the adoption of the "Success Efforts Method" (SEM) effective 1 January 2018

As mentioned in the consolidated financial statements for the year ended 31 December 2017, Galp Energia SGPS, S.A. (Galp, Galp Group) changed its accounting policy on 1 January 2018 regarding the recognition of research expenses in the exploration and production activity.

According to the accounting policy followed by Galp from 1999 to the previous year, research expenses were capitalized as tangible assets, as permitted by IFRS 6, and were subsequently depreciated during the production period if commercially viable reserves were discovered.

Galp considers that the new accounting policy adopted on 1 January 2018 is more reliable, involves a more prudent approach and provides better comparability with other companies as it is adopted by almost all major IOCs (International Oil Company).

Thus, Galp recognizes, as operating cost, all expenditures incurred in the exploration phase (i.e. exploration and evaluation costs) related to research, that is expenditures related to geological and geophysical studies (G&G) and general and administrative expenses (G&A). The remaining exploration expenses, namely exploratory wells, are capitalized in assets in progress and are subject to periodic impairment tests. Dry wells are recognized as cost for the year. At the start of production, capitalized costs are depreciated based on the depreciation policy.

In addition to the costs related to the exploration phase mentioned above, the expenses related to general and administrative expenses (G&A) that were transferred, in accordance with the previous accounting policy, from the exploration phase to the development phase, were adjusted in equity with the application of this accounting policy.

As a voluntary change in accounting policy, the application of the change in accounting policy was retrospectively applied and the comparative information was restated. The impacts resulting from this change in accounting policy are described in Note 1.5.

1.2. Change in accounting policy with the application of IFRS 9 – "Financial Instruments"

Galp has adopted as of 1 January 2018 the new IFRS 9 standard, which replaces the previous IAS 39. With the application of the standard, it also adopted the financial instruments hedging rules expressed in IFRS 9.

The application of IFRS 9 did not change the measurement of the financial instruments balances held by Galp, as well as the fair value hedge and cash flow hedge classification.

A new methodology for the calculation and reporting of Trade and other receivables impairment losses was introduced, changing the method for estimating losses from operations to the expected loss model where the credit risk assessment is considered from the initial recognition. The impacts resulting from this change in methodology on 1 January 2018 are described in Note 1.5.

In accordance with the possibility expressed in paragraph 7.2.15 of IFRS 9, Galp applied retrospectively this standard, being the cumulative effect of the initial application recognized as an adjustment to the opening financial position in retained earnings on 1 January 2018.

1.3. Change in accounting policy with the application of IFRS 15 – "Revenue from contracts with customers"

Galp applied on 1 January 2018 the new IFRS 15, which replaces IAS 18. The application of IFRS 15 did not have materially relevant impacts on Galp Group companies. However, the amounts related to Under and Overlifting in the Exploration & Production activity that were previously recognized as an integral part of Cost of sales, are now included under Other Operating Costs and Other Operating Income, respectively.

In accordance with the possibility expressed in paragraph C3 of IFRS 15, Galp applied retrospectively this standard, being the cumulative effect of the initial application recognized as an adjustment to the opening financial position in retained earnings on 1 January 2018.

1.4. Changes in consolidation information

During the period under review, the share capital of the company Goldenalco was fully subscribed, by an amount of €2m. This company has as its main activity the production of renewable electric energy.

1.5. Restated information on comparative figures as of 31 December 2017 and 30 June 2017

Restated information on comparative figures for the year ended as of 31 December 2017 and the six-month period ended 30 June 2017 are as follows:

Consolidated Statement of Financial Position

Unit: €m

	December 2017	Adjustments SEM (Note 1.1)	December 2017 (restated)	Adjustments IFRS 9 (Note 1.2)	01 January 2018
Non-Current assets:					
Tangible assets	5,554	(361)	5,193	-	5,193
Intangible assets and Goodwill	494	(3)	491	-	491
Deferred tax assets	293	57	350	1	351
Other receivables	254	-	254	(1)	253
Other non-current assets	1,518	-	1,518	-	1,518
Total Non-Current assets	8,113	(307)	7,806	-	7,806
Current assets:					
Trade and other receivables	1,553	-	1,553	(3)	1,550
Other current assets	2,692	-	2,692	-	2,692
Total Current assets	4,245	-	4,245	(3)	4,242
Total assets	12,358	(307)	12,051	(3)	12,048
	December 2017	Adjustments SEM (Note 1.1)	December 2017 (restated)	Adjustments IFRS 9 (Note 1.2)	01 January 2018
Equity:					
Share Capital and Share Premium	911	-	911	-	911
Reserves	2,506	35	2,541	-	2,541
Retained earnings	1,202	(310)	892	(3)	889
Total equity attributable to shareholders:	4,619	(275)	4,344	(3)	4,341
Non-controlling interests	1,461	(26)	1,435	-	1,435
Total equity	6,080	(301)	5,779	(3)	5,776
Liabilities					
Non-Current liabilities:					
Deferred tax liabilities	82	(6)	76	-	76
Other non-current liabilities	3,766	-	3,766	-	3,766
Total Non-Current liabilities	3,848	(6)	3,842	-	3,842
Current liabilities:					
Total Current liabilities	2,430	-	2,430	-	2,430
Total Liabilities	6,278	(6)	6,272	-	6,272
Total equity and liabilities	12,358	(307)	12,051	(3)	12,048

Consolidated Income Statement

Unit: €m

Captions	June 2017	Adjustments SEM (Note 1.1)	Other adjustments	June 2017 (restated)
Total operating income	7,679	-	(1)	7,678
Operating costs:				
External supplies and services	762	47	1	810
Employee costs	150	(3)	-	147
Amortization, depreciation and impairment losses on fixed assets	415	(24)	-	391
Remaining operating costs	5,867	(6)	-	5,861
Total operating costs	7,194	14	1	7,209
Operating profit:	485	(14)	(2)	469
Financial income	(2)	(4)	2	(4)
Other financial results	67	(2)	-	65
Profit before taxes	550	(20)	-	530
Income tax	(241)	(1)	-	(242)
Energy sector extraordinary contribution	(44)	-	-	(44)
Consolidated net profit for the period	265	(21)	-	244
Income attributable to:				
Non-controlling interests	31	(2)	-	29
Galp Energia SGPS, S.A. Shareholders	234	(19)	-	215
Basic and Diluted Earnings per share (in Euros)	0.28	(0.02)	-	0.26

Consolidated Statement of Cash Flow

Unit: €m

	June 2017	Restated	June 2017 (Restated)
Operating activities:			
Cash payments to suppliers	(5,556)	(39)	(5,595)
Other operating activities	6,551	-	6,551
Operating gross margin	995	(39)	956
Payments relating to employees	(169)	-	(169)
Cash flows from operations	826	(39)	787
Payments of income taxes (income tax "IRC", oil income tax "IRP", special participation)	(197)	-	(197)
Cash flows from operating activities	629	(39)	590
Investing activities:			
Payments for the acquisition of tangible and intangible assets	(321)	(39)	(282)
Cash receipts relating to financial investments	1	-	1
Cash (payments) relating to financial investments	(67)	-	(67)
Net investment	(387)	(39)	(348)
Cash receipts from loans granted	64	-	64
Cash (payments) relating to loans granted	(1)	-	(1)
Cash receipts from interests and similar income	8	-	8
Cash receipts relating to dividends	86	-	86
Cash flows from investing activities	(230)	(39)	(191)
Cash flows from financing activities	(329)	-	(329)
Net change in cash and cash equivalents	70	-	70
Effect of foreign exchange rate changes in cash and cash equivalents	(91)	-	(91)
Cash and cash equivalents at the beginning of the period	923	-	923
Cash and cash equivalents at the end of the period	902	-	902

2. Significant accounting policies

The consolidated financial statements for the six-month period ended 30 June 2018 were prepared under IAS 34 - Interim Financial Reporting. These financial statements do not include all the notes that are normally prepared in the annual financial statements. In addition, only the material changes required by IFRS 7 and IFRS 13 were disclosed. In this context, these financial statements must be read in conjunction with the consolidated financial statements of the Galp Group for the year ended 31 December 2017.

Based on the results of the Galp Group and its business units, as well as on the macroeconomic conditions of the countries and segments in which each business unit operates, there were no indications, on 30 June 2018, that would lead us to reassess the conclusions reached in the preparation of the annual financial statements as of 31 December 2017, regarding the recoverability of tangible, intangible assets, goodwill and financial investments in associates and joint ventures.

2.1. Standards, amendments to standards and interpretations endorsed by the European Union, to be applied in subsequent years, applicable to Galp

IFRS 16 – Leases

This standard specifies how leases should be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an immaterial value. The application of this accounting standard will mainly focus on operations included in the Exploration & Production and Refining & Marketing segments, namely changing the way by which the Group accounts for the vessel charter contracts activities related to the Exploration and Production activity, as well as of leases of land use and constructions rights, used in the Refining & Marketing of oil products activities.

Its application will result in changes in the accounting of lease contracts, which will result in impacts on the Group's financial statements, namely the income statement and statement of financial position, as well as the respective adjustment in the ratios that affect the operating results (ie EBITDA, EBIT), net debt, capital employed, among others.

Galp is still determining and quantifying the impacts of IFRS 16 on its financial statements. This standard will be applied to the Galp Group from the year beginning on 1 January 2019.

3. Segment reporting

A Galp is positioned as an integrated oil company, deriving its revenues and income from a variety of products and services provided. In this context, the Group is organized into three different business segments: (i) Exploration & Production; (ii) Refining & Marketing; (iii) Gas & Power; and (iv) Others.

Regarding "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. The remaining accounting policies, as well as relevant information on the presentation of segment reporting can be found in the consolidated financial statements for the year ended 31 December 2017.

The comparative information for the year 2017 presented is not restated by the application of IFRS 15 for the period ended 30 June 2018. In the Exploration & Production segment, the effects of IFRS 15 are limited to the presentation of amounts with Over and Underlifting, which are reflected as Operating Costs and Operating Income instead of Cost of sales (changes in production) as previously reported.

In order to a closer approximation to the management criteria, it is presented bellow the segment reporting in a replacement cost perspective (RC), in which the cost of the sale determined in accordance with IFRS (weighted average cost) is replaced by the market replacement cost.

Galp considers that this approach on presenting its operational results becomes more relevant to the stakeholders of the financial statements, as it reflects the performance of the businesses closer to real, being also the indicator used by the Group's management.

It is also presented a reconciliation between the net result IFRS and the net result calculated according to the replacement cost, for a better understanding.

Results and consolidated information – First half 2018



The financial information for the previously identified segments, for the six-month period ended on 30 June 2018 and 2017 is presented as follows:

Unit: €m												
	Consolidated		Exploration & Production		Refining & Marketing		Gas & Power		Others		Eliminations	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Income												
Sales and Services Rendered	8,437	7,622	834	615	6,252	5,767	1,432	1,327	69	63	(150)	(150)
Inter-segmental	-	-	-	-	2	1	97	100	51	49	(150)	(150)
External	8,437	7,622	834	615	6,250	5,766	1,335	1,227	18	14	-	-
Cost of Sales	(6,344)	(5,839)	190	38	(5,542)	(4,968)	(1,045)	(963)	-	-	53	54
EBITDA Replacement Cost	1,113	841	704	350	325	412	68	64	14	15	2	-
Amortizations and Adjustments	(348)	(391)	(166)	(198)	(169)	(182)	(10)	(9)	(3)	(2)	-	-
Depreciation and Amortization	(344)	(371)	(168)	(198)	(163)	(162)	(10)	(9)	(3)	(2)	-	-
Impairments	(4)	(20)	2	-	(6)	(20)	-	-	-	-	-	-
Provisions(net)	-	1	-	-	-	1	-	1	-	(1)	-	-
EBIT Replacement Cost	765	451	538	152	156	231	58	56	11	12	2	-
Financial income	95	61										
Income tax RC	(383)	(243)										
Energy Sector Extraordinary Contribution	(41)	(44)										
Consolidated Net income Replacement Cost	436	225										
Net income attributable to non-controlling interests	(77)	(29)										
Net income attributable to Galp Energia SGPS, S.A. shareholders	359	196										
At 30 June 2018 and 31 December 2017												
OTHER INFORMATION												
Segment Assets (1)												
Financial Investments (2)	1,554	1,483	1,176	1,079	95	100	283	304	-	-	-	-
Other Assets	11,248	10,568	6,194	6,326	4,085	3,525	1,132	1,119	2,535	2,382	(2,698)	(2,784)
Total Consolidated Assets	12,802	12,051	7,370	7,405	4,180	3,625	1,415	1,423	2,535	2,382	(2,698)	(2,784)

(1) Net amount.

(2) at the Equity Method.

Inter-segmental Sales and Services Rendered:

Unit: €m

Segment	Refining & Marketing	Gas & Power	Others	TOTAL
	2	97	51	150
Gas & Power	-	-	10	10
Refining & Marketing	-	97	33	130
Exploration & Production	2	-	8	10

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

Unit: €m

	Sales and services rendered		Tangible and Intangible assets		Financial Investments	
	2018	2017 (a)	2018	2017 (a)	2018	2017 (a)
	8,437	7,622	5,441	5,684	1,554	1,483
Africa	281	212	1,134	1,049	50	44
Latin America	749	589	2,111	2,317	1,197	1,115
Europe	7,407	6,821	2,196	2,318	307	324

(a) Restated figures (note 1.5).

The reconciliation between the Segment Report captions and the Income Statement captions for the periods ended 30 June 2018 and 2017 is as follows:

Unit: €m

Segment Reporting captions			Income Statement captions		
	June 2018	June 2017		June 2018	June 2017
Income					
Sales and services rendered	8,437	7,622	Sales	8,098	7,313
Cost of sales	(6,219)	(5,821)	Services rendered	339	309
Replacement Cost Adjustments	(125)	(18)	Cost of Sales	(6,219)	(5,821)
Cost of sales at RC	(6,344)	(5,839)	Other operating income	136	56
			External supplies and services	(904)	(810)
			Employee costs	(155)	(147)
			Impairment losses on receivables	(6)	(8)
			Other operating costs	(51)	(33)
EBITDA REPLACEMENT COST	1,113	841			
Replacement Cost Adjustments	125	18			
EBITDA IAS/IFRS (1)	1,238	859	Operating income before amortization/depreciation and provisions	1,238	859
Non payable expenses					
Amortization and Adjustments	(348)	(391)	A Amortization, depreciation and impairment losses on fixed assets	(348)	(391)
Provisions (net)	-	1	Provisions and impairment losses on receivables	-	1
EBIT REPLACEMENT COST	765	451			
EBIT IAS/IFRS	890	469	Operating income	890	469
Other Financial Income	95	61	Income from financial investments and Goodwill impairment losses	67	87
			Financial income	(5)	(4)
			Exchange (losses) gains	(18)	(14)
			Income from financial instruments	51	(8)
Income tax	(405)	(242)	Income tax	(405)	(242)
Income tax (RC Adjustment)	22	1			
Energy Sector Extraordinary Contribution	(41)	(44)	Energy Sector Extraordinary Contribution	(41)	(44)
Net income for the period (Replacement Cost)	436	225			
Net income for the period IFRS	539	244	Net income for the period IFRS	539	244

4. Tangible assets

During the period under review and following its strategy, the Group made investments, namely in the E&P area, substantially related to projects in Brazil (€137m), Angola (€67m) and Mozambique (€19m). In addition, in this period a partial stoppage occurred at the Sines refinery, as well as other investments in the refineries in the amount of €38m. The additions for the six-month period ended 30 June 2018 also include the capitalization of financial charges in the amount of €26m (Note 18).

Unit: €m						
	Land and natural resources	Buildings and other constructions	Machinery and equipment	Tangible assets in progress	Others	Total
<i>As of 30 June 2018</i>						
Acquisition cost	284	937	8,218	2,267	473	12,179
Accumulated impairments	(14)	(15)	(245)	(97)	(3)	(374)
Accumulated depreciation	(2)	(729)	(5,721)	-	(432)	(6,884)
Net amount	268	193	2,252	2,170	38	4,921
<i>Six-month period ended 30 June 2018</i>						
Balance as of 31 December 2017	269	202	2,585	2,100	37	5,193
Additions	-	-	2	265	1	268
Depreciation and impairment	-	(11)	(315)	-	(6)	(332)
Transfers	(1)	2	94	(99)	6	2
Currency exchange differences	-	-	(113)	(96)	-	(209)
Others	-	-	(1)	-	-	(1)
Balance as of 30 June 2018	268	193	2,252	2,170	38	4,921

5. Intangible assets and Goodwill

During the first semester of 2018, the transfers from intangible assets in progress to intangible fixed assets are mainly related to the license for the acquisition of 20% of the Carcará North field, in the Santos Basin in Brazil, in the amount of €134m, as well as the additional acquisition of the 3% participating interest on block BM-S-8 (€49m). The additions for the period refer essentially to the 3% of participating interest acquired for BM-S-8 referred above.

Unit: €m					
	Industrial property and other rights	Intangible assets in progress	Goodwill	Others	Total
<i>As of 30 June 2018</i>					
Acquisition cost	798	45	84	21	948
Accumulated impairments	(8)	(24)	-	(9)	(41)
Accumulated amortization	(377)	-	-	(10)	(387)
Net amount	413	21	84	2	520
<i>Six-month period ended 30 June 2018</i>					
Balance as of 31 December 2017	227	178	84	2	491
Additions	6	58	-	-	64
Amortization and impairment	(16)	-	-	-	(16)
Transfers	195	(197)	-	-	(2)
Currency exchange differences	1	(18)	-	-	(17)
Balance as of 30 June 2018	413	21	84	2	520

6. Financial investments in associates and joint ventures

Financial investments in associates and joint ventures are as follows:

Unit: €m

	Notes	June 2018	December 2017
FINANCIAL INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		1,554	1,483
Investments in associates	6.1	92	105
Investments in joint ventures	6.2	1,462	1,378

6.1. Investments in associates

Unit: €m

Companies*	Initial balance	Equity Method Result	Currency Exchange differences	Dividends	Ending balance
Associates	105	34	(4)	(43)	92
EMPL - Europe Magreb Pipeline, Ltd	54	26	3	(31)	52
Gasoduto Al-Andaluz, S.A.	13	3	-	(6)	10
Gasoduto Extremadura, S.A.	9	4	-	(6)	7
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	18	3	(7)	-	14
Metragaz, S.A.	1	-	-	-	1
C.L.C. Guiné Bissau – Companhia Logística de Combustíveis da Guiné Bissau, Lda.	1	-	-	-	1
IPG Galp Beira Terminal Lda	3	(1)	-	-	2
Sodigás-Sociedade Industrial de Gases, S.A.R.L	1	-	-	-	1
Galp IPG Matola Terminal Lda	3	(1)	-	-	2
Geo Alternativa, S.L.	2	-	-	-	2

* only associates with an investment of more than €1m were considered in the table above.

6.2. Investments in joint ventures

Unit: €m

Companies*	Initial balance	Share capital increase	Equity method	Currency Exchange differences	Dividends	Others	Ending balance
Joint ventures	1,378	53	33	26	(28)	-	1,462
Tupi B.V.	1,062	26	23	32	-	(218)	925
Belem Bioenergia Brasil, S.A.	53	8	(4)	(7)	-	-	50
C.L.C. - Companhia Logística de Combustíveis, S.A.	9	-	3	-	(5)	-	7
Galp Disa Aviacion, S.A.	7	-	2	-	-	-	9
Galp Gás Natural Distribuição, S.A.	217	-	9	-	(19)	-	207
Ventinveste, S.A.	8	-	-	-	(4)	-	4
Galpek, Lda	3	4	-	-	-	-	7
Coral FLNG, S.A.	19	10	-	1	-	-	30
Iara B.V.	-	5	-	-	-	218	223

* only joint ventures with an investment of more than €1m were considered in the table above.

During the period of six-month ended 30 June 2018, the joint venture Iara BV was established through the spin-off of Tupi BV with a share capital of €218m being its control shared between BG Gas Netherland Holdings BV, Petrobras Netherlands BV, Total Brasil Services BV and Galp Sinopec Brazil Services, BV, which hold respectively 25%, 42.5%, 22.5% and 10% of its share capital.

The total amount of €71m related to dividends from financial investments in associates and joint ventures corresponds to the amounts approved in each Company's General Meeting. The amount of dividends received in the period ended 30 June 2018 was of €67m.

7. Income tax and Energy sector extraordinary contribution

7.1. Income tax

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 income tax rate applied to the Companies headquartered in Portugal is of 29.5%.

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

Income tax and Energy sector extraordinary contribution recognized in the consolidated income statement for the six-month periods ended 30 June 2018 and 2017 are as follows:

Unit: €m						
Captions	June 2018			June 2017		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
			446			286
Income tax:	319	86	405	212	30	242
Current income tax	86	106	192	70	41	111
(Excess)/Insufficiency of income tax for the preceding year	-	-	-	-	2	2
"IRP" - Oil income Tax	6	-	6	9	1	10
"PE" - Special Participation Tax	226	(20)	206	134	(14)	120
Exchange differences	1	-	1	(1)	-	(1)
Energy sector extraordinary contribution			41			44

As of 30 June 2018, the movement in deferred tax assets and liabilities is as follows:

Unit: €m							
	Initial balance	Restated	Initial balance	Impact on the income statement	Impact on equity	Currency translation adjustment	Ending balance
Deferred Taxes – Assets	293	57	350	5	(1)	(16)	338
Adjustments to tangible and intangible assets	14	-	14	2	-	(1)	15
Retirement benefits and other benefits	94	-	94	(1)	2	-	95
Tax losses carried forward	49	59	108	(34)	-	(3)	71
Regulated revenue	8	-	8	-	-	(1)	7
Non deductible provisions	73	-	73	(33)	-	(1)	39
Potential foreign exchange differences Brazil	-	-	-	51	-	(4)	47
Others	55	(2)	53	20	(3)	(6)	64
Deferred Taxes – Liabilities	(82)	6	(76)	(91)	79	3	(85)
Adjustments to tangible and intangible assets	(29)	5	(24)	14	-	(1)	(11)
Adjustments to tangible and intangible assets fair value	(7)	-	(7)	-	-	(1)	(8)
Regulated revenue	(12)	-	(12)	(1)	-	-	(13)
Potential foreign exchange differences Brazil	(28)	-	(28)	(52)	79	1	-
Others	(6)	1	(5)	(52)	-	4	(53)

7.2. Energy sector extraordinary contribution

As of 30 June 2018, the energy sector extraordinary contribution balances are detailed as follows:

Unit: €m					
	Statement of financial position				Income Statement
	Provisions (Note 16)		"CESE II" Deferred Charges (Note 8.2)		Energy Sector Extraordinary Contribution
	"CESE I"	"CESE II"	Current	Non-Current	
2018					
Initial balance	(70)	(202)	27	85	-
"CESE I" Increase	(15)	-	-	-	15
"CESE II" Periodification	-	-	(2)	(11)	13
"CESE II" Increase	-	(5)	-	-	5
"Fundo Nacional de Eficiência Energética (FNEE)"	-	-	-	-	8
June 2018	(85)	(207)	25	74	41

8. Trade receivables and other receivables

8.1. Trade receivables

The caption Trade receivables as of 30 June 2018 and 31 December 2017 includes the following detail:

Unit: €m			
	Notes	June 2018	December 2017
Trade receivables		1,267	1,018
Trade receivables		1,453	1,193
Trade receivables impairment	8.3	(186)	(175)

8.2. Other receivables

Other receivables presents the following detail as of 30 June 2018 and 31 December 2017:

Unit: €m					
	Notes	June 2018		December 2017	
		Current	Non-current	Current	Non-current
Other receivables		759	248	535	254
State and Other Public Entities		15	15	27	17
Other debtors:		260	-	215	-
Non-operated blocks		143	-	127	-
Underlifting		94	-	70	-
Other receivables		23	-	18	-
Related Parties:		137	37	40	30
Share capital subscribers		108	-	29	-
Dividends		7	-	-	-
Loans to associates, joint ventures and other related parties		-	37	-	30
Other receivables - associates, joint ventures and other related parties		22	-	11	-
Other receivables		70	30	47	36
Accrued income:		202	68	145	63
Sales and services rendered not yet invoiced		145	-	99	-
Adjustment to tariff deviation - "pass through"		15	-	18	-
Adjustment to tariff deviation - Energy tariff		-	66	3	62
Other accrued income		42	2	25	1
Deferred charges:		81	98	68	108
Energy sector extraordinary contribution	7.2	25	74	27	85
Prepaid rent relating to service stations concession contracts		4	24	4	23
Other deferred charges		52	-	37	-
Other receivables impairment	8.3	(6)	-	(7)	-

The amount of €143m presented in the caption "Other receivable – Non-operated Blocks", includes the amount of €92m related to carry from public participation interests, referring to amounts receivable from public partners during the exploration period.

The amount of €108m refers to the subscribed and unrealized capital increase that Winland International Petroleum, SARL made in Petrogal Brasil SA during the period under review.

The amount of €94m recorded in the caption "Other receivables – underlifting" represents the amounts to be received by the Group for the lifting of barrels of crude oil below the production quota and is valued at the lower of the market price at the sale date and the market price on 30 June 2018.

Expenses recorded in deferred charges amounting to €28m, 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.

8.3. Impairment of Trade Receivables and other receivables

The movement noted in the caption "Impairment of trade receivables and other receivables" for the six-month period ended 30 June 2018 was as follows:

					Unit: €m
	Notes	Initial balance	Net change	Change in acc. policy IFRS 9	Ending balance
June 2018		182	6	4	192
Trade receivables	8.1	175	8	3	186
Other receivables	8.2	7	(2)	1	6

9. Inventories

Inventories as of 30 June 2018 and 31 December 2017 are detailed as follows:

			Unit: €m
		June 2018	December 2017
Captions		1,040	970
Raw, subsidiary and consumable materials:		353	369
Crude oil		313	156
Other raw materials		56	65
Raw material in transit		-	160
Impairment on Raw, subsidiary and consumable materials		(16)	(12)
Finished and semi-finished products:		490	423
Finished products		240	193
Semi-finished products		242	230
Finished products in transit		8	-
Goods:		197	178
Goods		197	178
Goods in transit		1	1
Impairment on goods		(1)	(1)

The movement in Inventories impairment caption for the six-month period ended 30 June 2018 was as follows:

				Unit: €m
	Raw, subsidiary and consumable materials	Goods	Total inventories impairment	
Balance as of 31 December 2017	12	1	13	
Net additions	4	-	4	
Balance as of 30 June 2018	16	1	17	

The net movement in the amount of €4m was recorded to the item cost of sales in the income statement. This increase is mainly due to the evolution of market prices.

10. Loans to Sinopec

As of 30 June 2018, the Galp Group presents a receivable in the amount of €451m related to a loan contracted as of 28 March 2012 with Tip Top Energy, SARL, an entity of the Sinopec Group. This receivable with present value of USD\$526m is remunerated at a three-month LIBOR interest rate plus a spread. In the six-month period ended 30 June 2018, interests were recognized amounting to €5m (Note 18).

In the six-month period ended 30 June 2018, reimbursements to the loan granted amounting to €26m were performed, added to the currency translation adjustment noted in the period under analysis, as well as interests for the period.

11. Cash and cash equivalents

For the periods ended 30 June 2018 and 31 December 2017 the caption "Cash and cash equivalents" is detailed as follows:

Unit: €m			
	Notes	June 2018	December 2017
Cash and cash equivalents in the consolidated statement of cash flows			
		1,331	1,096
Cash and cash equivalents		1,485	1,197
Bank overdrafts	12	(154)	(101)

12. Financial debt

Financial debt as of 30 June 2018 and 31 December 2017 presents the following details:

Unit: €m				
Notes	June 2018		December 2017	
	Current	Non-Current	Current	Non-Current
Financial debt	709	2,513	551	2,532
Bank loans:	212	969	159	937
Origination Fees	(1)	(1)	(1)	(1)
Loans and commercial paper	59	970	59	938
Bank overdrafts	11	154	101	-
Bonds and Notes:	497	1,544	392	1,595
Origination Fees	(3)	(6)	(3)	(5)
Bonds	-	550	395	100
Notes	500	1,000	-	1,500

Changes in financial debt during the period from 31 December 2017 to 30 June 2018 were as follows:

Unit: €m					
	Initial balance	Increase	Principal repayment	Changes in Overdrafts	Ending balance
Financial debt	3,083	850	(764)	53	3,222
Bank Loans:	1,096	400	(368)	53	1,181
Origination Fees	(2)	-	-	-	(2)
Loans and commercial paper	997	400	(368)	-	1,029
Bank overdrafts	101	-	-	53	154
Bonds and Notes:	1,987	450	(396)	-	2,041
Origination Fees	(8)	-	(1)	-	(9)
Bonds	495	450	(395)	-	550
Notes	1,500	-	-	-	1,500

The average interest rate of the loans, including costs associated with overdrafts, incurred by the Group, amounted to 2.75%.

The main increases on Bonds presented in the first semester of 2018 were as follows:

Unit: €m				
Issuance	Due amount	Interest Rate	Maturity	Reimbursement
Bonds and Notes	450			
GALP ENERGIA/2018 Euro 100 M	100	Euribor 6M + spread	February '23	February '23
GALP ENERGIA/2018 Euro 150 M	150	Euribor 6M + spread	March '23	March '23
GALP ENERGIA/2018	100	Euribor 6M + spread	May '24	50% @ May '22 50% @ May '24
GALP ENERGIA/2018-2024	100	Euribor 6M + spread	May '24	May '24

During this period, the Group contracted commercial paper programs amounting to €100m and loans amounting to €100m classified as non-current and fully underwritten.

During the first semester of 2018 the following repayments on Bonds were noted:

Unit: €m				
Issuance	Due amount	Interest Rate	Maturity	Reimbursement
	395			
GALP ENERGIA/2012-2018 FRN	260	Euribor 3M + spread	February '18	February '18
GALP ENERGIA/2013-2018	110	Euribor 3M + spread	March '18	March '18
GALP ENERGIA/2013-2018 €200 M.	25	Euribor 6M + spread	April '18	April '18

Regarding the remaining loans, were also reimbursed €368m detailed as follows:

- Partial reimbursements amounting to €28m from loans granted by European Investment Bank under project finance;
- Fully repayment of commercial paper amounting to €340m.

Financial debt, excluding origination fees and bank overdrafts, presents the following repayment plan as of 30 June 2018:

Unit: €m			
Loans			
Maturity	Total	Current	Non-Current
	3,079	559	2,520
2018	29	29	-
2019	560	530	30
2020	649	-	649
2021	535	-	535
2022	362	-	362
2023	770	-	770
2024 and subsequent years	174	-	174

13. Other payables

As of 30 June 2018 and 31 December 2017, the caption "Other payables" presents the following detail:

Unit: €m					
		June 2018		December 2017	
Captions	Notes	Current	Non-Current	Current	Non-Current
State and other public entities:		884	292	854	286
Payable VAT		281	-	249	-
"ISP" - Tax on oil products		95	-	93	-
Other taxes		46	-	38	-
Other creditors:		119	77	130	79
Tangible and intangible assets suppliers		86	77	77	79
Advances on sales		9	-	12	-
Overlifting		18	-	34	-
Other Creditors		6	-	7	-
Related parties:		12	163	12	158
Dividends payable		12	-	12	-
Loans – Other shareholders		-	163	-	158
Other accounts payables:		35	5	40	4
Personnel		8	-	9	-
"ISP" - Other operators credit		2	-	11	-
Guarantee deposits and guarantees received		3	4	3	4
Other creditors		22	1	17	-
Accrued costs:		264	31	280	27
External supplies and services		159	-	143	-
Holiday, holiday subsidy and corresponding contributions		19	-	26	-
Bonuses to employees		12	3	24	3
Accrued interest		24	-	45	-
Adjustment to tariff deviation - "ERSE" regulation		14	28	16	24
Other accrued costs		36	-	26	-
Deferred income:		32	16	12	18
Services rendered		27	-	8	-
Others		5	16	4	18

The amount of €163m recorded in the caption "Loans – Other shareholders" refers, essentially, to a loan granted by Winland International Petroleum, SARL (US\$188m) under the form of shareholders loans to the subsidiary Petrogal Brasil, S.A. This loan bears interest at market rates and has a maturity of 10 years. In the period ended 30 June 2018 the amount of €4m is recognised under the caption "Interests", regarding loans obtained from related companies (Note 18).

14. Post employment benefits

During the period under review there were no changes in the most relevant assumptions compared to 31 December 2017.

On 30 June 2018 and 31 December 2017, the assets of the Petrogal and Sacor Marítima Pension Funds, valued at fair value, were as follows, in accordance with the report presented by the respective management company:

	Unit: €m	
	June 2018	December 2017
Total	266	271
Bonds	164	167
Shares	57	59
Other Investments	9	10
Real Estate	3	3
Liquidity	3	2
Property	30	30

As of 30 June 2018 and 31 December 2017, the assets held by the Pension Fund were sufficient to cover the assumed actuarial liabilities. In addition, the Group offers other retirement benefits such as supplementary pensions, disability and orphan's benefits, pre-retirement, early retirement, retirement bonus and voluntary social insurance, whose liability as of 30 June 2018 amounts to €122m (December 2017 - €123m), as well as other post-employment benefits consisting essentially of health and life insurance and minimum benefit of the defined contribution plan, whose liability as of 30 June 2018 amounts to €208m (December 2017 - €202m).

As of 30 June 2018 and 31 December 2017, the Group had recorded on equity the following amounts related to retirement benefits and other benefits:

	Unit: €m	
Captions	June 2018	December 2017
	94	90
	117	111
Retirement benefits	59	59
Other benefits	58	52
Deferred Taxes	(23)	(21)

15. Other financial assets

15.1. Fair Value assets through comprehensive income

During the period ended 30 June 2018, there were no significant changes in the caption "Fair value assets through comprehensive income", in relation to the Company's consolidated financial statements as of 31 December 2017. For further clarifications refer to the consolidated statements of the Company, as of 31 December 2017.

15.2. Other financial instruments – financial derivatives

As of 30 June 2018, derivative financial instruments are recorded at their respective fair value as of the dates presented, in accordance with the methodology defined in the accounting policies of Galp Group, presented in the notes to the financial statements as of 31 December 2017.

As of 30 June 2018, the caption "Other financial instruments" is detailed as follows:

Captions	Unit: €m			
	June 2018		December 2017	
	Current	Non-Current	Current	Non-Current
Other Financial Instruments	155	64	66	35
Financial Derivatives at Fair Value through comprehensive income	123	39	51	11
Swaps and Options over Commodities	112	38	42	11
Futures over Commodities	5	-	9	-
Exchange Swaps	6	1	-	-
Other Financial Assets	32	25	15	24
Futures with physical delivery of Natural Gas	32	-	15	-
Others	-	25	-	24

The accounting impact as of 30 June 2018 and 2017 in the income statement and statement of comprehensive income of the gains and losses with derivative financial instruments is presented in the following table:

	Unit: €m							
	June 2018				June 2017			
	Income statement			Equity	Income statement			Equity
	MTM	Real	MTM+Real	MTM	MTM	Real	MTM+Real	MTM
Gains and losses on financial instruments	51	20	71	12	5	12	17	-
Commodities Financial Derivatives	57	20	77	12	1	16	17	-
Swaps	54	19	73	1	(13)	3	(10)	(2)
Swaps - Fair value hedge	5	-	5	-	16	-	16	-
Futures	(2)	1	(1)	11	(2)	13	11	2
Currency Financial Derivatives	(6)	-	(6)	-	4	(4)	-	-
Non-deliverable Forwards	-	-	-	-	1	(3)	(2)	-
Forwards	(6)	-	(6)	-	3	(1)	2	-

16. Provisions

During the six-month period ended 30 June 2018, the caption "Provisions" presented the following movements:

Unit: €m							
Captions	Notes	Initial balance	Increases	Decreases	Utilization	Currency translation adjustment	Ending balance
June 2018		619	29	(6)	(5)	7	644
Lawsuits		19	-	-	(5)	(1)	13
Taxes		8	-	-	-	-	8
Environmental matters		18	-	-	-	-	18
Abandonment of blocks		281	9	(6)	-	9	293
"CESE I"	7.2	70	15	-	-	-	85
"CESE II"	7.2	202	5	-	-	-	207
Other risks and charges		21	-	-	-	(1)	20

17. Operating costs

The operating costs for the six-month periods ended 30 June 2018 and 2017 are detailed as follows:

Unit: €m			
Caption	Notes	June 2018	June 2017
Operating Costs		7,683	7,209
Cost of sales:		6,219	5,821
Raw and subsidiary materials		3,105	2,815
Goods		1,890	1,690
Tax on Oil Products		1,358	1,374
Changes in production		(128)	(19)
Inventories impairment	9	4	8
Financial derivatives	15.2	(20)	(29)
Currency exchange differences		10	(18)
External supplies and services:		904	810
Subcontracts - network use		254	237
Transport of goods		101	59
Rental costs		63	59
Block production costs		131	125
Block exploration costs		27	41
Maintenance and repairs		37	27
Royalties		90	60
Other costs		201	202
Employee costs		155	147
Amortisation, depreciation and impairment on fixed assets	4 and 5	348	391
Provision and impairment losses on receivables	8.3	6	7
Other operating costs		51	33

18. Financial result

The detail of the financial income and costs for the six-month periods ended 30 June 2018 and 30 June 2017 is as follows:

Unit: €m			
Captions	Notes	June 2018	June 2017
Financial result		(5)	(4)
Financial income:		22	17
Interest on bank deposits		14	11
Interest obtained and other income with related companies	10	5	4
Other financial income		3	2
Financial costs:		(27)	(21)
Interest on loans, overdrafts and others		(41)	(49)
Interest with related parties	13	(4)	(5)
Interests capitalized in fixed assets	4	26	45
Net interest on retirement benefits and other benefits		(3)	(4)
Charges relating to loans		(5)	(6)
Other financial costs		-	(2)

During the six-month period ended 30 June 2018, the Group capitalized under the caption "Fixed assets in progress", the amount of €26m, regarding interests on loans obtained to finance capital expenditure on tangible and intangible assets during their construction phase.

19. Subsequent events

Galp aligns its participating interest in the Greater Carcará area

Reinforcing its interest in the Brazilian pre-salt, Galp is preparing an additional 3% acquisition of BM-S-8 license from Equinor, in which will hold a 20% stake in the event occurrence. The total amount of the acquisition should amount to approximately \$114 m, in line with the operation occurred in October 2017.

The establishment of this transaction is subject to the execution of the final agreement currently underway between Equinor and Barra Energia (current holder of the asset). The conclusion is still contingent upon the approval of all partners and competent authorities.

20. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 27 July 2018.

21. Explanation added for translation

These financial statements are a translation of the financial statements originally issued in Portuguese in accordance with IAS 34 – Interim Financial Reporting and International Financial Reporting Standards as adopted by the European Union some of which may not conform to generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

The Board of Directors

Chairman:

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

Miguel Athayde Marques

Carlos Nuno Gomes da Silva**Members:**

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Cláudia Ramos Amorim Barroca de Oliveira

Raquel Rute da Costa David Vunge

Carlos Manuel Costa Pina

Francisco Vahia de Castro Teixeira Rêgo

Jorge Manuel Seabra de Freitas

José Carlos da Silva Costa

Pedro Carmona de Oliveira Ricardo

João Tiago Cunha Belém da Câmara Pestana

Rui Paulo da Costa Cunha e Silva Gonçalves

Luís Manuel Pego Todo Bom

Diogo Mendonça Rodrigues Tavares

Joaquim José Borges Gouveia**The ACCOUNTANT:**

Carlos Alberto Nunes Barata



Review Report on the Condensed Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed consolidated financial statements of Galp Energia SGPS, S.A. (the Entity), which comprise the consolidated statement of financial position as at June 30, 2018 (which shows total assets of Euro 12,802 million and total shareholder's equity of Euro 5,993 million, including a consolidated net profit of Euro 539 million), the consolidated statement of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Management's responsibility

The Management is responsible for the preparation of the condensed consolidated financial statements 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 condensed 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 condensed consolidated financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity 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 condensed 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 (ISAs). Accordingly, we do not express an opinion on these consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying condensed consolidated financial statements of Galp Energia SGPS, S.A. as at June 30, 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

July 30, 2018

PricewaterhouseCoopers & Associados

- Sociedade de Revisores Oficiais de Contas, Lda

represented by:

Ana Maria Ávila de Oliveira Lopes Bertão, R.O.C.

8. 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

The Rotterdam hydrocracking margin has the following profile: -100% Brent dated, +2.2% LPG FOB Seagoing (50% Butane + 50% Propane), +19.1% EuroBob NWE FOB Bg, +8.7% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +45.1% ULSD 10 ppm NWE CIF, +9.0% LSFO 1% FOB Cg; C&L: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent; Freight 2018: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.59/ton. Yields in % of weight.

Rotterdam base oils margin

The Rotterdam cracking margin has the following profile: -100% Brent dated, +2.3% LPG FOB Seagoing (50% Butane + 50% Propane), +25.4% EuroBob NWE FOB Bg, +7.5% Naphtha NWE FOB Bg, +8.5% Jet NWE CIF, +33.3% ULSD 10 ppm NWE CIF, +15.3% LSFO 1% FOB Cg; C&L: 7.7%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Brent; Freight 2018: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.59/ton. Yields in % of weight.

Rotterdam aromatics margin

Base oils refining 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 2018: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.59/ton. 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 of 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 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, extraordinary taxes, 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 Freight

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

mm³: 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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