



RESULTS AND  
CONSOLIDATED  
INFORMATION  
**FIRST QUARTER**  
**2018**

May 2018

Investor Relations

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# 1. Executive summary

- **Consolidated RCA Ebitda increased €67 m year-on-year (YoY) to €455 m**, driven by a higher contribution from the E&P business.
  - **E&P: RCA Ebitda increased €114 m YoY to €293 m**, supported by **increased production and higher oil and natural gas prices**, and despite the **15% depreciation of the US Dollar** against the Euro. Average working interest (WI) production reached 104.1 kboepd, up 18% YoY, supported by the progressive development of the Lula field, in the Brazilian pre-salt.
  - **R&M: RCA Ebitda decreased €61 m YoY to €122 m**, mainly due to the **lower refining margins**. Galp's refining margin stood at \$3.3/boe, compared to \$5.1/boe in the previous year. **The spread over benchmark margin was \$1.5/bbl**, benefiting from gasoline exports to the USA and pricing formulas of certain raw materials. The planned outage of the hydrocracker for 31 days impacted volumes and conversion capacity.
  - **G&P: RCA Ebitda was €34 m**, benefiting from natural gas pricing in European hubs and up €14 m compared to the previous year, which had been affected by restrictions on natural gas sourcing. Volumes sold reached 1,975 mm<sup>3</sup>, down 2% YoY, with the increase in volumes sold to direct clients being insufficient to offset the lower LNG volumes traded.
- **Group RCA Ebit amounted to €278 m**, reflecting the Ebitda evolution. IFRS Ebit was €319 m, with the inventory effect accounting for €42 m.
- **RCA net income was €135 m, up €57 m YoY**, while IFRS net income increased to €130 m. Non-recurring items of €38 m were mostly related to the Extraordinary Contribution to the Energy Sector (CESE) in Portugal.
- **Capex totalled €146 m, of which 80% was allocated to E&P activities.**
- **The cash flow from operations was up significantly YoY to €245 m**, although impacted by the €159 m working capital build. The Company **generated a positive free cash flow of €29 m**.
- At the end of March, **net debt stood at €1,885 m, in line with the end of 2017**. Net debt to Ebitda was 1.0x.

*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.*

## Financial data

€m (IFRS, except otherwise stated)

	Quarter			
	1Q17	1Q18	Var. YoY	% Var. YoY
<b>RCA Ebitda</b>	<b>388</b>	<b>455</b>	<b>67</b>	<b>17%</b>
Exploration & Production	179	293	114	63%
Refining & Marketing	183	122	(61)	(34%)
Gas & Power	19	34	14	73%
<b>RCA Ebit</b>	<b>196</b>	<b>278</b>	<b>82</b>	<b>42%</b>
Exploration & Production	83	210	128	n.m.
Refining & Marketing	93	33	(59)	(64%)
Gas & Power	15	28	14	94%
<b>RCA Net income</b>	<b>77</b>	<b>135</b>	<b>57</b>	<b>74%</b>
<b>IFRS Net income</b>	<b>113</b>	<b>130</b>	<b>17</b>	<b>15%</b>
Non-recurring items	(18)	(38)	20	n.m.
Inventory effect	54	33	(20)	(38%)
<b>Capex</b>	<b>201</b>	<b>146</b>	<b>(54)</b>	<b>(27%)</b>
<b>Cash flow from operations</b>	<b>144</b>	<b>245</b>	<b>101</b>	<b>70%</b>
<b>Post-dividend free cash flow</b>	<b>(57)</b>	<b>29</b>	<b>86</b>	<b>n.m.</b>
<b>Net debt</b>	<b>1,895</b>	<b>1,885</b>	<b>(10)</b>	<b>(1%)</b>
<b>Net debt to RCA Ebitda</b>	<b>1.3x</b>	<b>1.0x</b>	<b>-</b>	<b>-</b>

## Operational data

	Quarter			
	1Q17	1Q18	Var. YoY	% Var. YoY
Average working interest production (kboepd)	88.0	104.1	16.1	18%
Average net entitlement production (kboepd)	86.2	102.6	16.4	19%
Oil and gas average sale price (USD/boe)	45.4	58.2	12.8	28%
Raw materials processed (mmbt)	26.1	25.0	(1.2)	(4%)
Galp refining margin (USD/boe)	5.1	3.3	(1.8)	(35%)
Oil sales to direct clients (mton)	2.1	2.1	0.0	1%
NG sales to direct clients (mm <sup>3</sup> )	1,149	1,225	76	7%
NG/LNG trading sales (mm <sup>3</sup> )	857	750	(108)	(13%)

## Market indicators

	Quarter			
	1Q17	1Q18	Var. YoY	% Var. YoY
Average exchange rate EUR:USD	1.06	1.23	0.16	15%
Average exchange rate EUR:BRL	3.35	3.99	0.64	19%
Dated Brent price <sup>1</sup> (USD/bbl)	53.7	66.8	13.1	24%
Heavy-light crude price spread <sup>1</sup> (USD/bbl)	(1.8)	(1.5)	(0.3)	(14%)
U.K. NBP gas price <sup>1</sup> (USD/mmbtu)	6.0	7.1	1.1	19%
U.S. Henry Hub gas price <sup>2</sup> (USD/mmbtu)	3.1	2.8	(0.2)	(7%)
LNG Japan and Korea price <sup>1</sup> (USD/mmbtu)	7.0	9.4	2.4	35%
Benchmark refining margin <sup>3</sup> (USD/bbl)	3.5	1.9	(1.6)	(46%)
Iberian oil market <sup>4</sup> (mton)	15.2	15.6	0.4	2.9%
Iberian natural gas market <sup>5</sup> (mm <sup>3</sup> )	9,734	10,079	345	3.5%

<sup>1</sup> Source: Platts. Urals NWE dated for heavy crude; dated Brent for light crude. <sup>2</sup> Source: Nymex. <sup>3</sup> For a complete description of the method of calculating the benchmark refining margin see "Definitions". <sup>4</sup> Source: APETRO for Portugal; CORES for Spain. <sup>5</sup> Source: Galp and Enagás.



## 2. Exploration & Production

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

	Quarter			
	1Q17	1Q18	Var. YoY	% Var. YoY
<b>Average working interest production<sup>1</sup> (kboepd)</b>	<b>88.0</b>	<b>104.1</b>	<b>16.1</b>	<b>18%</b>
Oil production (kbpd)	76.9	91.6	14.7	19%
<b>Average net entitlement production<sup>1</sup> (kboepd)</b>	<b>86.2</b>	<b>102.6</b>	<b>16.4</b>	<b>19%</b>
Angola	6.9	5.6	(1.3)	(19%)
Brazil	79.3	97.1	17.7	22%
<b>Oil and gas average sale price (USD/boe)</b>	<b>45.4</b>	<b>58.2</b>	<b>12.8</b>	<b>28%</b>
<b>Royalties<sup>2</sup> (USD/boe)</b>	<b>4.2</b>	<b>5.4</b>	<b>1.2</b>	<b>28%</b>
<b>Production costs (USD/boe)</b>	<b>8.0</b>	<b>9.2</b>	<b>1.1</b>	<b>14%</b>
<b>DD&amp;A<sup>3</sup> (USD/boe)</b>	<b>13.2</b>	<b>11.0</b>	<b>(2.2)</b>	<b>(17%)</b>
<b>RCA Ebitda<sup>4</sup></b>	<b>179</b>	<b>293</b>	<b>114</b>	<b>63%</b>
Depreciation, Amortisation and Impairments <sup>3</sup>	96	83	(14)	(14%)
Exploration expenditures written-off <sup>4</sup>	-	-	-	n.m.
Provisions	(0)	-	0	n.m.
<b>RCA Ebit</b>	<b>83</b>	<b>210</b>	<b>128</b>	<b>n.m.</b>
<b>IFRS Ebit</b>	<b>85</b>	<b>210</b>	<b>125</b>	<b>n.m.</b>
<b>Net Income from E&amp;P Associates</b>	<b>9</b>	<b>13</b>	<b>4</b>	<b>52%</b>

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

<sup>2</sup> Based on total NE production.

<sup>3</sup> Includes abandonment provisions and excludes exploration expenditures written-off.

<sup>4</sup> 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

The average working interest production of oil and natural gas was 104.1 kboepd, of which 88% corresponded to oil production.

Production increased 18% YoY supported by the ongoing development of the Lula field in block BM-S-11 in Brazil. It is worth highlighting that FPSO #7 has just recently fully ramped up production, with all seven units currently running at plateau levels in the Lula and Iracema projects.

Regarding Iara, in block BM-S-11-A, the Extended Well Test (EWT) in the Sururu area started through FPSO Cidade de São Vicente. The EWT, which aims to optimise the area's development plan, has contributed with 1 kbpd to the average quarterly production.

In block BM-S-8, a DST was performed in the Carcará Northwest (NW) area, aiming to test the quality of the reservoir and to contribute to the definition of the development plan.

In Angola, WI production was down 19% YoY to 7.0 kbpd, due to the natural decline of the fields in block 14. Net entitlement production decreased in line with WI production.

Regarding block 32 in Angola, the FPSO which will develop Kaombo North is currently on location.

## Results

RCA Ebitda for the E&P business was €293 m, up €114 m YoY, on the back of increased production and average sale prices of oil and natural gas. The Group's average sale price increased \$12.8/boe YoY to \$58.2/boe. It is worth highlighting, however, the negative impact from the 15% depreciation of the US Dollar against the Euro compared with the first quarter of 2017.

Production costs increased €10 m YoY to €69 m, mainly due to the start of production of FPSO #7 in May 2017 and to the ongoing EWT in the Iara area. In unit terms, and on a net entitlement basis, production costs were \$9.2/boe, up \$1.1/boe YoY.

Amortisation and depreciation charges (including abandonment provisions) decreased €14 m YoY to €83 m, mainly due to the revision of the proved developed reserves depreciation rate, namely in block 14. On a net entitlement basis, DD&A decreased from \$13.2/boe to \$11.0/boe.

RCA Ebit was €210 m, up €128 m YoY.

During the first quarter of 2018, the contribution from E&P associates was €13 m.



## 3. Refining & Marketing

€m (RCA, except otherwise stated)

	Quarter			
	1Q17	1Q18	Var. YoY	% Var. YoY
<b>Galp refining margin (USD/boe)</b>	<b>5.1</b>	<b>3.3</b>	<b>(1.8)</b>	<b>(35%)</b>
Spread over benchmark refining margin (USD/boe)	1.6	1.5	(0.2)	(11%)
<b>Refining cash cost (USD/boe)</b>	<b>1.7</b>	<b>2.3</b>	<b>0.6</b>	<b>34%</b>
<b>Impact of refining margin hedging<sup>1</sup> (USD/boe)</b>	<b>(0.0)</b>	<b>0.6</b>	<b>0.6</b>	<b>n.m.</b>
<b>Raw materials processed (mmboe)</b>	<b>26.1</b>	<b>25.0</b>	<b>(1.2)</b>	<b>(4%)</b>
Crude processed (mmbbl)	22.9	23.4	0.5	2%
<b>Total oil products sales (mton)</b>	<b>4.4</b>	<b>4.1</b>	<b>(0.2)</b>	<b>(5%)</b>
Sales to direct clients (mton)	2.1	2.1	0.0	1%
<b>RCA Ebitda</b>	<b>183</b>	<b>122</b>	<b>(61)</b>	<b>(34%)</b>
Depreciation, Amortisation and Impairments <sup>2</sup>	91	88	(2)	(3%)
Provisions	(0)	0	0	n.m.
<b>RCA Ebit</b>	<b>93</b>	<b>33</b>	<b>(59)</b>	<b>(64%)</b>
<b>IFRS Ebit</b>	<b>149</b>	<b>74</b>	<b>(75)</b>	<b>(50%)</b>
<b>Net Income from R&amp;M Associates</b>	<b>(2)</b>	<b>1</b>	<b>3</b>	<b>n.m.</b>

Impact on Ebitda.

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

### Operations

Raw materials processed decreased 4% YoY to 25.0 mmboe, mainly due to the planned outage of 31 days for the hydrocracker's maintenance at the Sines refinery. Crude oil accounted for 94% of raw materials processed, of which 83% corresponded to medium and heavy crudes.

Middle distillates (diesel and jet) accounted for 46% of production, whereas gasoline corresponded to 24% and fuel oil to 16%. Consumption and losses accounted for 7% of raw materials processed.

Volumes sold to direct clients stood at 2.1 mton, in line with the previous year. Volumes sold in Africa accounted for 10% of total volumes sold to direct clients.

### Results

RCA Ebitda for the R&M business decreased €61 m YoY to €122 m, mainly due to the decrease of the refining margins in international markets and to the impact of the 15% depreciation of the US Dollar against the Euro.

Galp's refining margin stood at \$3.3/boe, compared to \$5.1/boe the previous year. The spread over benchmark margin was \$1.5/boe, as the Company benefited from gasoline exports to the USA and from pricing formulas of certain raw materials.

Refining cash costs stood at €46 m, or \$2.3/boe in unit terms. The unit increase was due to the weaker USD, maintenance costs and to the lower volume of raw materials processed during the maintenance period.

The marketing of oil products was supported by demand for oil products in Iberia.

Depreciation charges and provisions totalled €88 m in the period.



RCA Ebit was €33 m, while IFRS Ebit decreased to €74 m. The inventory effect was €41 m.



## 4. Gas & Power

€m (RCA, except otherwise stated)

	Quarter			
	1Q17	1Q18	Var. YoY	% Var. YoY
<b>NG/LNG total sales volumes (mm<sup>3</sup>)</b>	<b>2,006</b>	<b>1,975</b>	<b>(32)</b>	<b>(2%)</b>
Sales to direct clients (mm <sup>3</sup> )	1,149	1,225	76	7%
Trading (mm <sup>3</sup> )	857	750	(108)	(13%)
<b>Sales of electricity (GWh)</b>	<b>1,350</b>	<b>1,442</b>	<b>92</b>	<b>7%</b>
Sales of electricity to the grid (GWh)	496	364	(132)	(27%)
<b>RCA Ebitda</b>	<b>19</b>	<b>34</b>	<b>14</b>	<b>73%</b>
Supply & Trading	10	22	12	n.m.
Power	9	12	3	28%
Depreciation, Amortisation and Impairments <sup>1</sup>	5	5	1	13%
Provisions	0	-	(0)	n.m.
<b>RCA Ebit</b>	<b>15</b>	<b>28</b>	<b>14</b>	<b>94%</b>
Supply & Trading	9	20	11	n.m.
Power	5	8	3	53%
<b>IFRS Ebit</b>	<b>22</b>	<b>29</b>	<b>7</b>	<b>32%</b>
<b>Net Income from G&amp;P Associates</b>	<b>25</b>	<b>24</b>	<b>(1)</b>	<b>(3%)</b> <sup>1</sup>

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

### Operations

Total NG/LNG volumes sold decreased 32 mm<sup>3</sup> YoY to 1,975 mm<sup>3</sup>, due to lower LNG trading volumes, and despite the 7% increase YoY in sales to direct clients, mostly due to the performance of the industrial segment in Spain.

Sales of electricity increased 7% YoY to 1,442 GWh, mainly due to customer acquisition in the marketing activity.

### Results

During the first quarter of 2018, RCA Ebitda was €34 m, benefiting from natural gas pricing in European hubs and up €14 m from the previous year, which was impacted by sourcing restrictions.

Ebitda for the power segment rose €3 m YoY to €12 m, benefiting from the time lag of the natural gas purchase price and the sale price of energy produced.

The Ebitda during the quarter was impacted by impairments on receivables of €4 m, compared to €2 m in the previous year.

RCA Ebit was €28 m, while IFRS Ebit totalled €29 m.

Results from associated companies stood at €24 m.



## 5. Financial data

### 5.1. Income statement

€m (RCA, except otherwise stated)

	Quarter			
	1Q17	1Q18	Var. YoY	% Var. YoY
Turnover	3,843	3,891	47	1%
Cost of goods sold	(2,975)	(2,950)	(25)	(1%)
Supply & Services	(403)	(445)	43	11%
Personnel costs	(79)	(82)	2	3%
Other operating revenues (expenses)	8	45	38	n.m.
Impairments on accounts receivable	(5)	(4)	(1)	(18%)
<b>RCA Ebitda</b>	<b>388</b>	<b>455</b>	<b>67</b>	<b>17%</b>
<b>IFRS Ebitda</b>	<b>455</b>	<b>497</b>	<b>42</b>	<b>9%</b>
Depreciation, Amortisation and Impairments	(193)	(177)	(16)	(8%)
Provisions	0	(0)	(0)	n.m.
<b>RCA Ebit</b>	<b>196</b>	<b>278</b>	<b>82</b>	<b>42%</b>
<b>IFRS Ebit</b>	<b>262</b>	<b>319</b>	<b>58</b>	<b>22%</b>
Net income from associated companies	32	39	7	21%
Financial results	(13)	(9)	4	33%
Net interests	(21)	(16)	5	22%
Capitalised interest	21	13	(8)	(38%)
Exchange gain (loss)	(3)	(13)	(10)	n.m.
Mark-to-market of hedging derivatives	(4)	13	17	n.m.
Other financial costs/income	(6)	(5)	1	18%
<b>RCA Net income before taxes and non-controlling interests</b>	<b>215</b>	<b>307</b>	<b>93</b>	<b>43%</b>
Taxes	(120)	(143)	23	19%
Taxes on oil and natural gas production <sup>1</sup>	(68)	(88)	19	28%
Non-controlling interests	(17)	(29)	12	69%
<b>RCA Net income</b>	<b>77</b>	<b>135</b>	<b>57</b>	<b>74%</b>
Non-recurring items	(18)	(38)	20	n.m.
<b>RC Net income</b>	<b>59</b>	<b>97</b>	<b>37</b>	<b>63%</b>
Inventory effect	54	33	(20)	(38%)
<b>IFRS Net income</b>	<b>113</b>	<b>130</b>	<b>17</b>	<b>15%</b>

<sup>1</sup> Includes SPT payable in Brazil and IRP payable in Angola.

RCA Ebitda went up 17% YoY to €455 m, due to a higher contribution from the E&P business. The inventory effect was €42 m, with IFRS Ebitda reaching €497 m.

RCA Ebit increased €82 m to €278 m, while IFRS Ebit stood at €319 m.

Results from associated companies increased €7 m to €39 m, with a higher contribution from the E&P and R&M related companies.

Financial results were up €4 m YoY. In addition to the continuous reduction in net interests, it is worth highlighting the positive impact of €13 m mainly related to the mark-to-market of refining margin

hedging. The exchange losses resulted from the depreciation of local currencies against the Euro, namely in certain African subsidiaries.

RCA taxes increased €23 m, following the increase in taxes on oil and gas production, which reached €88 m.

Non-controlling interests, mainly attributable to Sinopec's stake in Petrogal Brasil, accounted for €29 m.

RCA net income reached €135 m, while IFRS net income was €130 m. The inventory effect was €33 m and non-recurring items, related to extraordinary energy sector taxes, accounted for €38 m.

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

## 5.2. Capital expenditure

€m (RCA)

	Quarter			
	1Q17	1Q18	Var. YoY	% Var. YoY
Exploration & Production	183	117	(66)	(36%)
Exploration and appraisal activities	1	4	3	n.m.
Development and production activities	181	112	(69)	(38%)
Refining & Marketing	16	28	12	75%
Gas & Power	2	1	(0)	(17%)
Others	0	0	(0)	(38%)
<b>Capex</b>	<b>201</b>	<b>146</b>	<b>(54)</b>	<b>(27%)</b>

Capex totalled €146 m during the quarter, of which 80% was allocated to the E&P business.

Investment in development and production activities reached €112 m, mainly allocated to the development of Lula and Iracema projects in block BM-S-11, in Brazil.

Investment in downstream activities (R&M and G&P) amounted to €30 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)

	Quarter	
	1Q17	1Q18
Ebit	262	319
Depreciation, Amortisation and Impairments	193	177
Corporate income taxes and oil and gas production taxes	(81)	(92)
Dividends from associates	-	-
Change in Working Capital	(230)	(159)
<b>Cash flow from operations</b>	<b>144</b>	<b>245</b>
Net financial expenses	(21)	(47)
Net capex <sup>1</sup>	(179)	(169)
<b>Free cash flow</b>	<b>(57)</b>	<b>29</b>
Dividends paid	-	-
<b>Post-dividend free cash flow</b>	<b>(57)</b>	<b>29</b>
Others <sup>2</sup>	33	(28)
<b>Change in net debt</b>	<b>24</b>	<b>(1)</b>

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. <sup>2</sup> Includes CTAs (Cumulative Translation Adjustment) and partial reimbursement of the loan granted to Sinopec.

The increased commodities price during the quarter contributed to the €159 m build in working capital. Cash flow from operations stood at €245 m and free cash flow reached €29 m.

**Direct Method** - €m (IFRS figures)

	Quarter	
	1Q17	1Q18
<b>Cash and equivalents at the beginning of the period<sup>1</sup></b>	<b>923</b>	<b>1,096</b>
Received from customers	4,363	4,288
Paid to suppliers	(3,039)	(2,852)
Staff related costs	(71)	(75)
Dividends from associated companies	-	-
Taxes on oil products (ISP)	(612)	(645)
VAT, Royalties, PIS, Cofins, Others	(375)	(378)
Corporate income taxes and oil and gas production taxes	(81)	(92)
<b>Total operating flows post tax</b>	<b>185</b>	<b>245</b>
Net capex <sup>2</sup>	(191)	(169)
Net Financial Expenses	(50)	(47)
Dividends paid	-	-
<b>Post-dividend free cash flow</b>	<b>(56)</b>	<b>29</b>
Net new loans	(41)	(53)
Sinopec loan reimbursement	42	-
FX changes on cash and equivalents	(11)	(24)
<b>Cash and equivalents at the end of the period<sup>1</sup></b>	<b>858</b>	<b>1,048</b>

Cash and equivalents differ from the Balance Sheet amounts due to IAS 7 classification rules. The difference refers to overdrafts which are considered as debt in the Balance Sheet and as a deduction to cash in the Cash Flow Statement. <sup>2</sup> 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.

## 5.4. Financial position and debt

€m (IFRS figures)

	31 Dec., 2017 (reported)	31 Dec., 2017 (restated)	31 Mar., 2018	Var. vs 31 Dec., 2017 (restated)
Net fixed assets	7,565	7,231	7,099	(132)
Working capital	584	584	743	159
Loan to Sinopec	459	459	449	(10)
Other assets (liabilities)	(645)	(612)	(637)	(25)
<b>Capital employed</b>	<b>7,963</b>	<b>7,662</b>	<b>7,654</b>	<b>(8)</b>
Short term debt	551	551	670	119
Medium-Long term debt	2,532	2,532	2,352	(180)
<b>Total debt</b>	<b>3,083</b>	<b>3,083</b>	<b>3,022</b>	<b>(61)</b>
Cash and equivalents	1,198	1,198	1,138	(60)
<b>Net debt</b>	<b>1,886</b>	<b>1,886</b>	<b>1,885</b>	<b>(1)</b>
<b>Total equity</b>	<b>6,078</b>	<b>5,776</b>	<b>5,770</b>	<b>(7)</b>
<b>Total equity and net debt</b>	<b>7,963</b>	<b>7,662</b>	<b>7,654</b>	<b>(8)</b>

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.

On March 31, 2018, net fixed assets were €7,099 m, down €132 m against the end of 2017, and which was mainly due to the depreciation of the U.S. Dollar and the Brazilian Real during the period. Work-in-progress, mainly related to the E&P business, stood at €2,120 m at the end of the quarter.

### Financial debt

€m (except otherwise stated)

	31 Dec., 2017	31 Mar., 2018	Var. vs 31 Dec., 2017
Bonds	1,987	1,867	(120)
Bank loans and other debt	1,096	1,156	59
Cash and equivalents	(1,198)	(1,138)	60
<b>Net debt</b>	<b>1,886</b>	<b>1,885</b>	<b>(1)</b>
Average life (years)	2.5	2.9	0.4
Average funding cost	3.46%	2.95%	(0.50 p.p.)
Debt at variable rate	40%	40%	(0 p.p.)
Net debt to Ebitda RCA	1.1x	1.0x	-

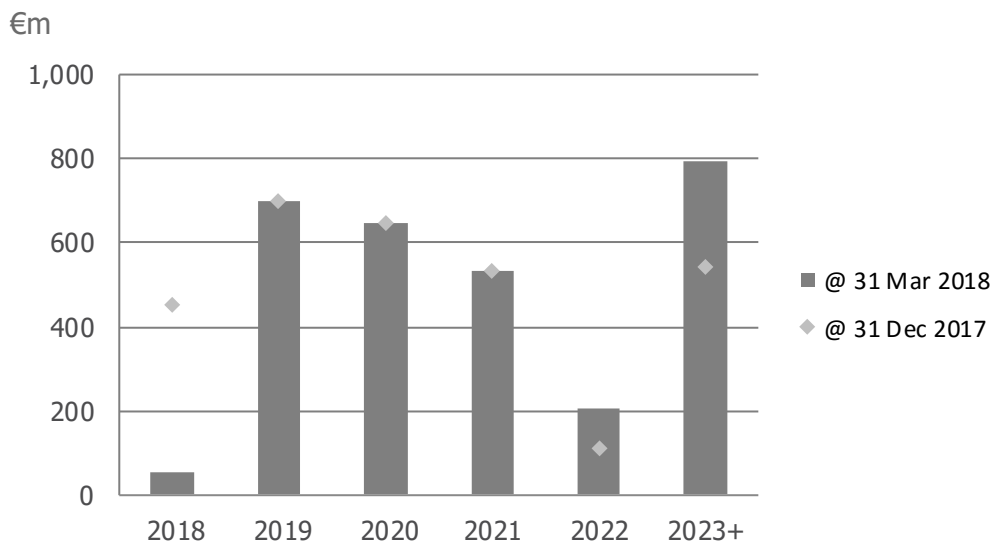
Net debt at the end of the period amounted to €1,885 m, in line with the end of 2017. Net debt to Ebitda RCA stood at 1.0x.

During the first quarter of 2018, Galp refinanced medium and long term debt amounting to €350 m, and increased the average debt maturity from

2.5 to 2.9 years. At the end of the period, medium and long term debt accounted for 78% of total debt. The average interest cost during the period was 2.95%.

At the end of the first quarter, Galp had unused credit lines of approximately €1.4 bn, of which c.75% was contractually guaranteed.

### **Debt maturity profile**



## 5.5. Reconciliation of IFRS and RCA figures

### Ebitda by segment

€m

2018	First Quarter				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
<b>Galp</b>	<b>497</b>	<b>(42)</b>	<b>455</b>	-	<b>455</b>
<b>E&amp;P</b>	293	-	293	-	293
<b>R&amp;M</b>	162	(41)	122	-	122
<b>G&amp;P</b>	35	(1)	34	-	34
<b>Others</b>	6	-	6	-	6

€m

2017	First Quarter				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
<b>Galp</b>	<b>455</b>	<b>(68)</b>	<b>387</b>	<b>1</b>	<b>388</b>
<b>E&amp;P</b>	179	-	179	0	179
<b>R&amp;M</b>	242	(60)	182	1	183
<b>G&amp;P</b>	27	(7)	19	-	19
<b>Others</b>	6	-	6	-	6

### Ebit by segment

€m

2018	First Quarter				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
<b>Galp</b>	<b>319</b>	<b>(42)</b>	<b>278</b>	-	<b>278</b>
<b>E&amp;P</b>	210	-	210	-	210
<b>R&amp;M</b>	74	(41)	33	-	33
<b>G&amp;P</b>	29	(1)	28	-	28
<b>Others</b>	5	-	5	-	5

€m

2017	First Quarter				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
<b>Galp</b>	<b>262</b>	<b>(68)</b>	<b>194</b>	<b>2</b>	<b>196</b>
<b>E&amp;P</b>	85	-	85	(2)	83
<b>R&amp;M</b>	149	(60)	89	4	93
<b>G&amp;P</b>	22	(7)	15	(0)	15
<b>Others</b>	5	-	5	-	5

## Non-recurring items

€m

	Quarter	
	1Q17	1Q18
<b>Non-recurring items impacting Ebitda</b>	<b>1.3</b>	<b>-</b>
Accidents caused by natural events and insurance compensation	0.0	-
Gains/losses on disposal of assets	(0.1)	-
Asset write-offs	0.1	-
Employee restructuring charges	-	-
Litigation costs	1.4	-
<b>Non-recurring items impacting non-cash costs</b>	<b>0.4</b>	<b>-</b>
Provisions for environmental charges and others	0.0	-
Asset impairments	0.4	-
<b>Non-recurring items impacting financial results</b>	<b>(17.9)</b>	<b>6.9</b>
Gains/losses on financial investments <sup>1</sup>	(17.9)	6.9
Impairment of financial investments	-	-
<b>Non-recurring items impacting taxes</b>	<b>34.2</b>	<b>31.4</b>
Income taxes on non-recurring items	(0.9)	-
Energy sector contribution taxes	35.2	31.4
Non-controlling interests	0.1	-
<b>Total non-recurring items</b>	<b>18.1</b>	<b>38.3</b>

<sup>1</sup>Includes CESE impact on GGND.



## 6. Basis of presentation

Galp's consolidated financial statements have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the quarters ended on March 31, 2018 and 2017, and December 31, 2017. The information in the consolidated financial position is reported as of 31 March 2018 and as of 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.

### 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. Consolidated IFRS financial statements

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## Consolidated statement of financial position

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

#### Consolidated statement of financial position as of 31 March 2018 and 31 December 2017

(Amounts stated in million Euros - €m)

Assets	Notes	March 2018	December 2017 (restated)
<b>Non-current assets:</b>			
Tangible assets	4	5,060	5,193
Intangible assets and Goodwill	5	481	491
Investments in associates and joint ventures	6	1,492	1,483
Deferred tax assets	7.1	303	350
Other financial assets	14	32	32
Trade and other receivables	8	253	257
<b>Total non-current assets</b>		<b>7,621</b>	<b>7,806</b>
<b>Current assets:</b>			
Inventories	9	1,083	970
Trade and other receivables	8	1,819	1,553
Loan to Sinopec	10	449	459
Other financial assets	14	57	66
Cash and cash equivalents	11	1,138	1,197
<b>Total current assets</b>		<b>4,546</b>	<b>4,245</b>
<b>Total assets</b>		<b>12,167</b>	<b>12,051</b>
<b>Equity and liabilities</b>			
<b>Equity:</b>			
Share Capital and Share Premium		911	911
Reserves		2,418	2,541
Retained Earnings		1,017	892
<b>Total equity attributable to shareholders:</b>		<b>4,346</b>	<b>4,344</b>
Non-controlling interests		1,424	1,435
<b>Total equity</b>		<b>5,770</b>	<b>5,779</b>
<b>Liabilities</b>			
<b>Non-current Liabilities:</b>			
Debt	12	2,351	2,532
Other payables	13	288	286
Post-employment and other employee benefits liabilities		324	326
Deferred tax liabilities	7.1	71	76
Other financial instruments		5	3
Provisions	15	628	619
<b>Total non-current liabilities</b>		<b>3,667</b>	<b>3,842</b>
<b>Current Liabilities:</b>			
Debt	12	670	551
Trade payables		998	889
Other payables	13	912	854
Other financial instruments		17	21
Current income tax payables		133	115
<b>Total current liabilities</b>		<b>2,730</b>	<b>2,430</b>
<b>Total Liabilities</b>		<b>6,397</b>	<b>6,272</b>
<b>Total equity and liabilities:</b>		<b>12,167</b>	<b>12,051</b>

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 periods ended 31 March 2018 and 31 March 2017

(Amounts stated in million Euros - €m)

	Notes	March 2018	March 2017 (restated)
<b>Operating income:</b>			
Sales	3	3,719	3,684
Services rendered	3	173	160
Other operating income		59	28
<b>Total Operating income</b>		<b>3,951</b>	<b>3,872</b>
<b>Operating costs:</b>			
Cost of sales	16	2,909	2,908
External supplies and services	16	448	404
Employee costs	16	80	79
Amortization, depreciation and impairment losses on fixed assets	4 and 5	177	193
Provisions and impairment losses on receivables	16	4	5
Other operating costs	16	16	21
<b>Total Operating costs</b>		<b>3,634</b>	<b>3,610</b>
<b>Operating profit:</b>		<b>317</b>	<b>262</b>
Financial results	17	(8)	(6)
Foreign exchange losses, net		(13)	(4)
Income from investments in associates and joint ventures	6	31	50
Income from financial instruments	14	15	(4)
<b>Profit before taxes</b>		<b>342</b>	<b>298</b>
Income tax	7.1	(151)	(133)
Energy sector extraordinary contribution	7.2	(32)	(35)
<b>Consolidated net profit for the period</b>		<b>159</b>	<b>130</b>
<b>Income attributable to:</b>			
Non-controlling interests		29	17
<b>Galp Energia SGPS, S.A. Shareholders</b>		<b>130</b>	<b>113</b>
<b>Basic and diluted earnings per share (in Euros)</b>		<b>0.16</b>	<b>0.14</b>
<b>Consolidated net profit for the period</b>		<b>159</b>	<b>130</b>
<b>Items which will be recycled in the future through net income of the period:</b>			
Currency translation adjustments		(163)	(18)
Hedging reserves		-	1
<b>Total Comprehensive income for the period, attributable to:</b>		<b>(3)</b>	<b>113</b>
Non-controlling interests		(11)	17
<b>Galp Energia SGPS, S.A. Shareholders</b>		<b>7</b>	<b>96</b>

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 periods of three months ending on 31 March 2018 and 31 March 2017

(Amounts stated in million Euros - € m)

Changes in the period	Notes	Share Capital and Share Premium		Reserves			Retained earnings		Sub-Total	Non-controlling interests	Total
		Share Capital	Share Premium	Currency Translation Reserves	Hedging Reserves	Other Reserves	Actuarial losses, net	Retained earnings			
<b>At 31 December 2016</b>		829	82	404	4	2,687	(118)	1,092	4,980	1,563	6,543
Change in accounting policy (SEM adoption)	1	-	-	-	-	-	-	(320)	(320)	(26)	(346)
<b>At 1 January 2017</b>		829	82	404	4	2,687	(118)	772	4,660	1,537	6,197
Consolidated net income for the period		-	-	-	-	-	-	113	113	17	130
Other gains and losses recognised in Equity		-	-	(18)	1	-	-	-	(17)	-	(17)
<b>Comprehensive income for the period</b>		-	-	(18)	1	-	-	113	96	17	113
Changes in joint venture's shareholders' equity		-	-	-	-	-	-	(3)	(3)	-	(3)
<b>At 31 March 2017</b>		829	82	386	5	2,687	(118)	882	4,753	1,554	6,307
<b>At 31 December 2017</b>		829	82	(186)	5	2,687	(90)	1,292	4,619	1,461	6,080
Change in accounting policy (SEM adoption)	1	-	-	35	-	-	-	(310)	(275)	(26)	(301)
<b>At 31 December 2017 – restated</b>		829	82	(151)	5	2,687	(90)	982	4,344	1,435	5,779
Change in accounting policy (IFRS 9 adoption)	1	-	-	-	-	-	-	(3)	(3)	-	(3)
<b>At 1 January 2018</b>		829	82	(151)	5	2,687	(90)	979	4,341	1,435	5,776
Consolidated net income for the period		-	-	-	-	-	-	130	130	29	159
Other gains and losses recognised in Equity		-	-	(123)	-	-	-	-	(123)	(40)	(162)
<b>Comprehensive income for the period</b>		-	-	(123)	-	-	-	130	7	(11)	(3)
Changes in joint venture's shareholders' equity		-	-	-	-	-	-	(2)	(2)	-	(2)
<b>At 31 March 2018</b>		829	82	(274)	5	2,687	(90)	1,107	4,346	1,424	5,770

The accompanying notes form an integral part of the consolidated statement of changes in equity for the period ended 31 March 2018 and must be read in conjunction.

## Consolidated statement of cash flow

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

Consolidated statement of cash flow for the periods ended 31 March 2018 and 31 March 2017

(Amounts stated in million Euros - €m)

	Notes	March 2018	March 2017 (Restated)
<b>Operating activities:</b>			
Cash received from customers		4,288	4,363
Cash payments to suppliers		(2,853)	(3,040)
Payments relating to excise on oil products		(645)	(613)
Payments relating to VAT		(385)	(368)
Payments relating to royalties, levies, "PIS" and "COFINS" and others		(39)	(33)
<b>Operating gross margin</b>		<b>366</b>	<b>309</b>
Salaries, contributions to the pension fund and other benefits payments		(44)	(40)
Withholding income taxes payments		(16)	(16)
Social Security contributions		(16)	(15)
<b>Payments relating to employees</b>		<b>(76)</b>	<b>(71)</b>
Other receipts relating to the operational activity		47	27
<b>Cash flows from operations</b>		<b>337</b>	<b>265</b>
Payments of income taxes (corporate income tax, oil income tax and special participation)		(92)	(81)
<b>Cash flows from operating activities</b>		<b>245</b>	<b>184</b>
<b>Investing activities:</b>			
Cash payments for the acquisition of tangible and intangible assets		(144)	(162)
Cash payments relating to financial investments		(25)	(50)
<b>Net investment</b>		<b>(169)</b>	<b>(212)</b>
Cash receipts from loans granted		-	64
Cash payments relating to loans granted		(5)	-
Cash receipts from interests and similar income		3	5
<b>Cash flows from investing activities</b>		<b>(171)</b>	<b>(143)</b>
<b>Financing activities:</b>			
Cash receipts from loans obtained		550	4
Cash payments relating to loans obtained		(597)	(45)
Cash payments from interests and similar costs		(51)	(55)
Other financing activities		-	1
<b>Cash flows from financing activities</b>		<b>(98)</b>	<b>(95)</b>
Net change in cash and cash equivalents		(24)	(54)
Effect of foreign exchange rate changes in cash and cash equivalents		(24)	(11)
Cash and cash equivalents at the beginning of the period	11	1,096	923
<b>Cash and cash equivalents at the end of the period</b>		<b>1,048</b>	<b>858</b>

The accompanying notes form an integral part of the consolidated statement of cash flow for the period ended 31 March 2018 and must be read in conjunction.

## **1. Significant changes to the annual consolidated 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 amortized 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, which are best described as 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 as working in progress' fixed assets and are subject to periodic impairment tests. Dry wells are fully recognized as cost for the year. At the start of production, capitalized costs are depreciated based on the present 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 shareholders' equity with the application of this accounting policy.

As a voluntary change in accounting policy, the application of this change was retrospectively applied and the comparative information was restated. The impacts resulting from this change in accounting policy are described in Note 1.4.

### **1.2. Change in accounting policy with the application of IFRS 9 - "Financial Instruments"**

Galp has adopted as of 1 January 2018 the new standard IFRS 9, 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 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 from the incurred loss to the expected loss model, where the credit risk



assessment is considered at the initial recognition. The impacts resulting from this change in methodology at 1 January 2018 are described in Note 1.4.

The impacts of this standard have not been applied retrospectively, according to the transition rule expressed in IFRS 9.

### 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 standard IFRS 15, which replaces IAS 18. The application of IFRS 15 have not materially impacted the 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 Sale, are now included under Other Operating Costs and Other Operating Income, respectively.

The impacts of this standard have not been applied retrospectively, according to the transition rule expressed in IFRS 15.

### 1.4. Restated information on comparative figures as of 31 December 2017 and 31 March 2017

Restated information on comparative figures for the year ended as of 31 December 2017 and 31 March 2017 are as follows:

Consolidated statement of financial position					Unit: €m
	December 2017	SEM Adjustments (Note 1.1)	December 2017 (restated)	IFRS 9 Adjustments (Note 1.2)	01 January 2018
<b>Non-Current assets:</b>					
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
Trade and other receivables	257	-	257	(1)	256
Other non-current assets	1,515	-	1,515	-	1,515
<b>Total Non-Current assets</b>	<b>8,113</b>	<b>(307)</b>	<b>7,806</b>	<b>-</b>	<b>7,806</b>
<b>Current assets:</b>					
Trade and other receivables	1,553	-	1,553	(3)	1,550
Other current assets	2,692	-	2,692	-	2,692
<b>Total Current assets</b>	<b>4,245</b>	<b>-</b>	<b>4,245</b>	<b>(3)</b>	<b>4,242</b>
<b>Total assets</b>	<b>12,358</b>	<b>(307)</b>	<b>12,051</b>	<b>(3)</b>	<b>12,048</b>
	December 2017	SEM Adjustments (Note 1.1)	December 2017 (restated)	IFRS 9 Adjustments (Note 1.2)	01 January 2018
<b>Equity:</b>					
Share Capital and Share Premium	911	-	911	-	911
Reserves	2,506	35	2,541	-	2,541
Retained earnings	1,202	(310)	892	(3)	889
<b>Total equity attributable to shareholders:</b>	<b>4,619</b>	<b>(275)</b>	<b>4,344</b>	<b>(3)</b>	<b>4,341</b>
Non-controlling interests	1,461	(26)	1,435	-	1,435
<b>Total equity</b>	<b>6,080</b>	<b>(301)</b>	<b>5,779</b>	<b>(3)</b>	<b>5,776</b>
<b>Liabilities</b>					
<b>Non-Current liabilities:</b>					
Deferred tax liabilities	82	(6)	76	-	76
Other non-current liabilities	3,766	-	3,766	-	3,766
<b>Total Non-Current liabilities</b>	<b>3,848</b>	<b>(6)</b>	<b>3,842</b>	<b>-</b>	<b>3,842</b>
<b>Current liabilities:</b>					
<b>Total Current liabilities</b>	<b>2,430</b>	<b>-</b>	<b>2,430</b>	<b>-</b>	<b>2,430</b>
<b>Total Liabilities</b>	<b>6,278</b>	<b>(6)</b>	<b>6,272</b>	<b>-</b>	<b>6,272</b>
<b>Total equity and liabilities</b>	<b>12,358</b>	<b>(307)</b>	<b>12,051</b>	<b>(3)</b>	<b>12,048</b>

Consolidated income statement

Unit: €m

	March 2017	SEM Adjustments (Note 1.1)	March 2017 (Restated)
<b>Total operating income</b>	<b>3,872</b>	<b>-</b>	<b>3,872</b>
<b>Operating costs:</b>			
External supplies and services	377	27	404
Amortization, depreciation and impairment losses on fixed assets	194	(1)	193
Other operating costs	23	(2)	21
Remaining operating costs	2,992	-	2,992
<b>Total operating costs</b>	<b>3,586</b>	<b>24</b>	<b>3,610</b>
<b>Operating profit:</b>	<b>286</b>	<b>(24)</b>	<b>262</b>
Financial results	(4)	(2)	(6)
Other financial results	42	-	42
<b>Profit before taxes</b>	<b>324</b>	<b>(26)</b>	<b>298</b>
Income tax	(136)	3	(133)
Energy sector extraordinary contribution	(35)	-	(35)
<b>Consolidated net profit for the period</b>	<b>153</b>	<b>(23)</b>	<b>130</b>
<b>Income attributable to:</b>			
Non-controlling interests	19	(2)	17
<b>Galp Energia SGPS, S.A. Shareholders</b>	<b>134</b>	<b>(21)</b>	<b>113</b>
<b>Basic and diluted earnings per share (in Euros)</b>	<b>0.16</b>	<b>(0.02)</b>	<b>0.14</b>

Consolidated statement of cash flow

Unit: €m

	March 2017	SEM Adjustments	March 2017 (Restated)
<b>Operating activities:</b>			
Cash payments to suppliers	(3,013)	(27)	(3,040)
Other operating activities	3,349	-	3,349
<b>Operating gross margin</b>	<b>336</b>	<b>(27)</b>	<b>309</b>
<b>Payments relating to employees</b>	<b>(71)</b>	<b>-</b>	<b>(71)</b>
Other receipts relating to the operational activity	27	-	27
<b>Cash flows from operations</b>	<b>292</b>	<b>(27)</b>	<b>266</b>
Payments of corporate income taxes (corporate income tax, oil income tax and special participation)	(81)	-	(81)
<b>Cash flows from operating activities</b>	<b>211</b>	<b>(27)</b>	<b>184</b>
<b>Investing activities:</b>			
Payments for the acquisition of tangible and intangible assets	(189)	27	(162)
Other investing activities	19	-	19
<b>Cash flows from investing activities</b>	<b>(170)</b>	<b>27</b>	<b>(143)</b>
<b>Cash flows from financing activities</b>	<b>(95)</b>	<b>-</b>	<b>(95)</b>
Net change in cash and cash equivalents	(54)	-	(54)
Effect of foreign exchange rate changes in cash and cash equivalents	(11)	-	(11)
Cash and cash equivalents at the beginning of the period	923	-	923
<b>Cash and cash equivalents at the end of the period</b>	<b>858</b>	<b>-</b>	<b>858</b>

## 2. Significant accounting policies

The consolidated financial statements for the three-month period ended 31 March 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, as of 31 March 2018, that they would lead us to reassess the conclusions reached in the preparation of the annual consolidated financial statements as of 31 December 2017, regarding the recoverability of tangible, intangible assets, goodwill and financial investments in associates and joint ventures.

In the period, there were no changes in the consolidation perimeter for Galp Group.

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

#### IFRS 16 – Leases

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

Its application will result in changes in the accounting of lease agreements, 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

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 31 March 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 sale (changes in production) as previously reported.

The financial information for the previously identified segments, as of 31 March 2018 and 2017 is presented as follows:

Unit: €m											
	Exploration & Production		Refining & Marketing		Gas & Power		Others		Eliminations		Consolidated
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018 2017
<b>Income</b>											
Sales and Services Rendered	386	307	2,813	2,870	724	712	33	29	(64)	(75)	3,892 3,844
Inter-segmental	-	-	-	-	40	52	24	23	(64)	(75)	- -
External	386	307	2,813	2,870	684	660	9	6	-	-	3,892 3,844
Cost of Sales	48	22	(2,494)	(2,490)	(523)	(535)	-	-	19	29	(2,950) (2,974)
<b>EBITDA Replacement Cost (1)</b>	<b>293</b>	<b>179</b>	<b>122</b>	<b>181</b>	<b>34</b>	<b>19</b>	<b>6</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>455 386</b>
<b>Amortizations and Adjustments</b>	<b>(83)</b>	<b>(94)</b>	<b>(88)</b>	<b>(92)</b>	<b>(5)</b>	<b>(5)</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(177) (192)</b>
Depreciation and Amortization	(82)	(96)	(81)	(89)	(5)	(5)	(1)	(1)	-	-	(169) (191)
Impairments	(1)	2	(7)	(3)	-	-	-	-	-	-	(8) (1)
<b>EBIT Replacement Cost</b>	<b>210</b>	<b>85</b>	<b>33</b>	<b>89</b>	<b>28</b>	<b>14</b>	<b>5</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>276 194</b>
Financial results											25 37
Income tax RC											(144) (119)
Energy Sector Extraordinary Contribution											(32) (35)
<b>Consolidated Net income at Replacement Cost</b>											<b>125 77</b>
Net income attributable to non-controlling interests											(29) (17)
<b>Net profit attributable to shareholders of Galp Energia SGPS, S.A.</b>											<b>96 60</b>

**At 31 March 2018 and 31 December 2017**

<b>OTHER INFORMATION</b>											
<b>Segment Assets (1)</b>											
Financial Investments (2)	1,082	1,081	96	98	314	304	-	-	-	-	1,492 1,483
Other Assets	5,487	6,322	4,741	3,532	1,153	1,119	2,446	2,382	(3,152)	(2,785)	10,675 10,570
<b>Total Consolidated Assets</b>	<b>6,569</b>	<b>7,403</b>	<b>4,837</b>	<b>3,630</b>	<b>1,467</b>	<b>1,423</b>	<b>2,446</b>	<b>2,382</b>	<b>(3,152)</b>	<b>(2,785)</b>	<b>12,167 12,053</b>
<b>Investment in Tangible and Intangible Assets</b>	<b>107</b>	<b>163</b>	<b>21</b>	<b>10</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129 175</b>

(1) Net Amount.

(2) accounted for based on the equity method of accounting.

### Inter-segmental Sales and Services Rendered:

Unit: €m			
Segment	Gas & Power	Others	Total
Exploration & Production	40	24	64
Refining & Marketing	-	3	3
Gas & Power	40	16	56
	-	5	5

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	2018	2017	2018	2017
Africa	102	116	870	871	21	25
Latin America	370	284	2,250	2,316	-	-
Europe	3,420	3,444	2,421	2,500	1,474	1,461

From the total of €1,474m considered in Financial Investments in Europe, €1,118m were invested in companies related to E&P projects in Brazil.

The reconciliation between the Segment Reporting and the Income Statement for the periods ended 31 March 2018 and 2017 is as follows:

Unit: €m				
Segment Reporting			Income Statement	
	2018	2017	2018	2017
<b>Income</b>				
Sales and services rendered	3,892	3,843	3,719	3,683
			173	160
Cost of sales	(2,909)	(2,907)	(2,909)	(2,907)
Replacement Cost Adjustments	(41)	(67)		
Cost of sales at RC	(2,950)	(2,974)		
			59	27
			(448)	(410)
			(80)	(77)
			(16)	(18)
			(4)	(5)
<b>EBITDA REPLACEMENT COST</b>	<b>453</b>	<b>386</b>		
Replacement Cost Adjustments	41	67		
<b>EBITDA IAS/IFRS (1)</b>	<b>494</b>	<b>453</b>	<b>Operating income before amortization/depreciation</b>	<b>494</b>
<b>Non cash expenses</b>				<b>453</b>
Amortization and Adjustments	(177)	(192)	Amortization, depreciation and impairment losses on fixed assets	(177)
<b>EBIT REPLACEMENT COST</b>	<b>276</b>	<b>194</b>		(192)
<b>EBIT IAS/IFRS</b>	<b>317</b>	<b>261</b>	<b>Operating profit</b>	<b>317</b>
Income from Financial Investments	31	51	Income from financial investments and Goodwill impairment losses	31
Other financial income	(6)	(14)	Financial results	(8)
			Exchange (losses) gains	(13)
			Income from financial instruments	15
			Income tax	(151)
Income tax	(151)	(133)		(133)
Income tax (RC Adjustment)	7	14	Energy Sector Extraordinary Contribution	(32)
Energy Sector Extraordinary Contribution	(32)	(35)		(35)
<b>Net income for the period (Replacement Cost)</b>	<b>125</b>	<b>77</b>	<b>Net income for the period</b>	<b>159</b>
<b>Net income for the period</b>	<b>159</b>	<b>130</b>		<b>130</b>

#### 4. Tangible assets

During the period, the Group made investments as part of the normal course of the E&P projects in which it participates, being substantially related to projects in Brazil (€85m), Angola (€31m) and Mozambique (€7m). In addition, in this period a significant maintenance occurred at the Sines refinery, as well as other investments in the refineries, which amounted €13m.

	Unit: €m					
	Land and natural resources	Buildings and other constructions	Machinery and equipment	Tangible assets in progress	Others	Total
<i>As of 31 March 2018</i>						
Acquisiton cost	284	936	8,271	2,196	472	12,159
Accumulated impairments	(14)	(15)	(234)	(94)	(3)	(360)
Accumulated depreciation	(2)	(723)	(5,583)	-	(431)	(6,739)
<b>Net amount</b>	<b>268</b>	<b>198</b>	<b>2,454</b>	<b>2,102</b>	<b>38</b>	<b>5,060</b>
<i>Three-months period ended 31 March 2018</i>						
<b>At 31 December 2017</b>	<b>268</b>	<b>203</b>	<b>2,585</b>	<b>2,101</b>	<b>36</b>	<b>5,193</b>
Additions	-	-	35	125	1	161
Depreciation and impairment	-	(5)	(161)	-	(3)	(169)
Write-offs/Disposals	-	-	-	(1)	-	(1)
Transfers	-	1	64	(67)	4	2
Currency exchange differences	-	(1)	(69)	(56)	-	(126)
<b>At 31 March 2018</b>	<b>268</b>	<b>198</b>	<b>2,454</b>	<b>2,102</b>	<b>38</b>	<b>5,060</b>

#### 5. Intangible assets and goodwill

During the period under analysis, the license for the acquisition of 20% of the Carcará North field, in the Santos Basin in Brazil, was transferred from intangible assets in progress to intangible fixed assets in the amount of €147m.

Unit: €m					
	Industrial properties and other rights	Intangible assets in progress	Goodwill	Others	Total
As of 31 March 2018					
Acquisiton cost	755	40	85	21	901
Accumulated impairments	(8)	(22)	(2)	(9)	(41)
Accumulated amortization	(369)	-	-	(10)	(379)
Net amount	378	18	83	2	481
Three-months period ended 31 March 2018					
At 31 December 2017	227	178	84	2	491
Additions	3	2	-	-	5
Amortization	(8)	-	-	-	(8)
Write-offs/Disposals	-	-	-	-	-
Transfers	157	(158)	-	-	(1)
Currency exchange differences	(1)	(4)	-	-	(5)
At 31 March 2018	378	18	83	2	481



## 6. Financial investments in associates and joint ventures

Financial investments in associates and joint ventures are as follows:

	Unit: €m	
	March 2018	December 2017
<b>Financial investments in associates and joint ventures</b>	<b>1,492</b>	<b>1,483</b>
Financial investments in associates (Note 6.1)	111	105
Financial investments in joint ventures (Note 6.2)	1,381	1,378

### 6.1. Financial investments in associates

	Unit: €m				
	At 31 December 2017	Equity Method	Foreign exchange rate differences	Dividends	At 31 March 2018
<b>Associates</b>	<b>105</b>	<b>18</b>	<b>(6)</b>	<b>(6)</b>	<b>111</b>
EMPL - Europe Magreb Pipeline, Ltd	54	13	(1)	-	66
Gasoduto Al-Andaluz, S.A.	13	2	-	(3)	12
Gasoduto Extremadura, S.A.	9	2	-	(3)	8
Sonangal - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	18	2	(5)	-	15
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	-	-	-	3
Geo Alternativa, S.L.	2	-	-	-	2

## 6.2. Financial investments in joint ventures

Unit: €m

Companies*	At 31 December 2017	Share Capital increase	Equity method	Foreign exchange rate differences	Dividends	Others	At 31 March 2018
<b>Joint ventures</b>	<b>1,378</b>	<b>25</b>	<b>13</b>	<b>(30)</b>	<b>(5)</b>	<b>-</b>	<b>1,381</b>
Tupi B.V.	1,062	17	12	(27)	-	(206)	858
Belem Bioenergia Brasil, S.A.	53	6	(3)	(2)	-	-	54
C.L.C. - Companhia Logística de Combustíveis, S.A.	9	-	2	-	(5)	-	6
Galp Disa Aviacion, S.A.	7	-	1	-	-	-	8
Galp Gás Natural Distribuição, S.A.	217	-	1	-	-	-	218
Ventinveste, S.A.	8	-	-	-	-	-	8
Galpek, Lda	3	2	-	-	-	-	5
Coral FLNG, S.A.	19	-	-	(1)	-	-	18
Iara B.V.	-	-	-	-	-	206	206

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

During the period ended 31 March 2018, the joint venture Iara BV was established through the spin-off Tupi BV with a share capital of €206m 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.

## 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 on a consolidated basis, with taxable income being determined in Galp Energia, SGPS, S.A. The enacted tax rate applied to the Companies headquartered in Portugal is between 22.5% and 31.5%.

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

Income tax and Energy sector extraordinary contribution recognized in the consolidated income statement for the periods ended 31 March 2018 and 2017 are as follows:

Unit: €m

	March 2018			March 2017		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
			<b>183</b>			<b>168</b>
<b>Income tax:</b>	<b>107</b>	<b>44</b>	<b>151</b>	<b>131</b>	<b>2</b>	<b>133</b>
Current income tax	10	54	64	53	11	64
Insufficiency of income tax for the preceding year	-	-	-	-	2	2
"IRP" - Oil income Tax	-	2	2	5	2	7
"PE" - Special Participation Tax	97	(12)	85	73	(13)	60
<b>Energy sector extraordinary contribution</b>			<b>32</b>			<b>35</b>

As of 31 March 2018, the movement in deferred tax assets and liabilities is as follows:

Unit: €m

	At 31 December 2017	Impact on the income statement	Impact on equity	Foreign exchange rate changes	At 31 March 2018
<b>Deferred Taxes – Assets</b>	<b>350</b>	<b>(46)</b>	<b>-</b>	<b>(1)</b>	<b>303</b>
Adjustments to tangible and intangible assets	14	(2)	-	-	12
Retirement benefits and other benefits	94	(1)	-	-	93
Tax losses carried forward	108	(24)	-	(1)	83
Regulated revenue	8	(1)	-	-	7
Temporarily non-deductible provisions	73	(25)	-	-	48
Others	53	7	-	-	60
<b>Deferred Taxes – Liabilities</b>	<b>(76)</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>(71)</b>
Adjustments to tangible and intangible assets	(24)	2	-	-	(22)
Adjustments to tangible and intangible assets fair value	(7)	-	-	-	(7)
Regulated revenue	(12)	-	-	-	(12)
Potential foreign exchange rate differences in Brazil	(28)	-	2	1	(25)
Others	(5)	-	-	-	(5)

## 7.2. Energy sector extraordinary contribution

As of 31 March 2018, the energy sector extraordinary contribution balances are detailed as follows:

Unit: €m

	Statement of financial position				Income Statement
	Provisions (Note 14)		"CESE II" Deferred Charges (Note 8.2)		Energy Sector Extraordinary Contribution
	"CESE I"	"CESE II"	Current	Non-Current	
<b>At 31 December 2017</b>	<b>(70)</b>	<b>(202)</b>	<b>26</b>	<b>85</b>	<b>-</b>
"CESE I" Increase	(14)	-	-	-	14
"CESE II" Increase	-	(2)	-	-	2
"CESE II" Periodification	-	-	-	(7)	7
"Fundo Nacional de Eficiência Energética (FNEE)"	-	-	-	-	9
<b>At 31 March 2018</b>	<b>(84)</b>	<b>(204)</b>	<b>26</b>	<b>78</b>	<b>32</b>

## 8. Trade receivables and other financial assets

Unit: €m					
	Notes	March 2018		December 2017	
		Current	Non-Current	Current	Non-Current
<b>Trade receivables and Other financial assets:</b>		<b>1,819</b>	<b>253</b>	<b>1,553</b>	<b>257</b>
Trade receivables	8.1	1,148	-	1,018	-
Other receivables	8.2	659	250	531	254
Financial assets available for sale	8.3	-	3	-	3
Others		12	-	4	-

### 8.1. Trade receivables

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

Unit: €m		
	March 2018	December 2017
<b>Trade receivables</b>	<b>1,148</b>	<b>1,018</b>
Trade receivables	1,332	1,193
Impairment of financial assets	(184)	(175)

The movements in Impairment of financial assets for the period ended 31 March 2018 were as follows:

Unit: €m	
<b>At 31 December 2017</b>	<b>175</b>
Net additions	6
Change in accounting policy with the application of IFRS 9	3
<b>At 31 March 2018</b>	<b>184</b>

## 8.2. Other receivables

Other receivables present the following detail as of 31 March 2018 and 31 December 2017:

Unit: €m					
		March 2018		December 2017	
	Notes	Current	Non-Current	Current	Non-Current
Other receivables		659	250	531	254
State and other public entities		27	17	27	17
Other debtors:		251	-	197	-
Non-operated blocks		145	-	127	-
Underlifting		106	-	70	-
Related Parties:		44	33	51	29
Share capital subscribers		28	-	29	-
Dividends		10	-	-	-
Loans		-	33	-	29
Other receivables		6	-	22	-
Other receivables		69	29	51	37
Accrued income:		189	67	144	63
Sales and services rendered but not yet invoiced		144	-	99	-
Adjustment to tariff deviation - "pass through"		17	-	18	-
Adjustment to tariff deviation - Energy tariff		-	66	3	62
Other accrued income		28	1	24	1
Deferred charges:		85	104	68	108
Energy sector extraordinary contribution	7.2	26	78	26	85
Prepaid rent relating to service stations concession agreements		4	24	4	23
Other deferred charges		55	2	38	-
Other receivables impairment		(6)	-	(7)	-

The amount of €106 m recorded in "Other receivables – underlifting" represents the amount to be received by the Group for lifting barrels of crude oil below the production quota and it is valued at the lower between the market price at the sale date and at 31 March 2018.

The amount of €145 m presented in "Other receivable – Non-operated Blocks", includes the amount of €87 m related to receivables from public partners during the exploration period.

Expenses recorded in deferred charges amounting to €28m, relate to prepayments of service station leases. These expenses are recorded as a cost through profit and loss over the respective concession period, which varies between 17 and 32 years.

### 8.3. Financial assets available for sale

During the period ended as of 31 March 2018, there were no significant changes in Financial assets available for sale in relation to the Group's consolidated financial statements as of 31 December 2017. For further clarifications refer to the Group's consolidated financial statements as of 31 December 2017 and its notes.

## 9. Inventories

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

	Unit: €m	
	March 2018	December 2017
	<b>1,083</b>	<b>970</b>
<b>Raw, subsidiary and consumable materials:</b>	<b>435</b>	<b>369</b>
Crude oil	150	156
Other raw materials	59	65
Raw material in transit	240	160
Impairment on Raw, subsidiary and consumable materials	(14)	(12)
<b>Finished and semi-finished products:</b>	<b>469</b>	<b>423</b>
Finished products	215	193
Semi-finished products	254	230
<b>Goods:</b>	<b>179</b>	<b>178</b>
Goods	180	178
Goods in transit	-	1
Impairment on goods	(1)	(1)

The caption "Goods" mainly relates to natural gas in pipelines and oil related products of subsidiaries headquartered in Spain and Africa.

As of 31 March 2018 and 31 December 2017, the Group's liability to competitors in relation to strategic reserves, which are satisfied by sales in advance, amounted to €8m and €12m respectively (Note 13).

The movement in Inventories impairment caption for the period ended 31 March 2018 is as follows:

	Unit: €m		
	Raw, subsidiary and consumable materials	Goods	Total inventories impairment
<b>At 31 December 2017</b>	<b>12</b>	<b>1</b>	<b>13</b>
Net additions	2	-	2
<b>At 31 March 2018</b>	<b>14</b>	<b>1</b>	<b>15</b>

The net movement in the amount of €2m was recorded to Cost of Sales in the income statement. This decrease is mainly due to the evolution of market prices.

## 10. Loan to Sinopec

As of 31 March 2018, the Galp Group records a loan receivable entered as of 28 March 2012 with Tip Top Energy, SARL, an entity of the Sinopec Group. This loan, in the current amount of US\$551m, reaches its maturity as of September 2018. This receivable is remunerated at a three-month LIBOR interest rate plus a spread. In the period ended 31 March 2018, interests were recognized amounting to €2m.

In the period ended 31 March 2018, no reimbursements of the loan granted have been performed, and the change in the balance is related to the foreign exchange rate difference noted in the period under analysis, as well as interests for the period.

## 11. Cash and cash equivalents

For the periods ended 31 March 2018 and 31 December 2017 Cash and cash equivalents is detailed as follows:

	Unit: €m	
	March 2018	December 2017
Cash and cash equivalents in the consolidated statement of cash flows	1,048	1,096
Cash and cash equivalents	1,138	1,197
Bank overdrafts:	(90)	(101)
Bank overdrafts (Note 12)	(90)	(101)

## 12. Debt

Debt as of 31 March 2018 and 31 December 2017 presents the following details:

	Unit: €m			
	March 2018		December 2017	
	Current	Non-Current	Current	Non-Current
<b>Debt</b>	<b>670</b>	<b>2,351</b>	<b>551</b>	<b>2,532</b>
<b>Bank loans:</b>	<b>148</b>	<b>1,007</b>	<b>159</b>	<b>937</b>
Origination Fees	(1)	-	(1)	(1)
Loans and commercial paper	59	1,007	59	938
Bank overdrafts	90	-	101	-
<b>Bonds and notes:</b>	<b>522</b>	<b>1,344</b>	<b>392</b>	<b>1,595</b>
Origination Fees	(3)	(6)	(3)	(5)
Bonds	25	350	395	100
Notes	500	1,000	-	1,500



Changes in Debt during the period from 31 December 2017 to 31 March 2018 were as follows:

	Unit: €m					
	At 31 December 2017	Loans obtained	Principal repayment	Changes in Overdrafts	Foreign exchange rate differences	At 31 March 2018
<b>Financial debt</b>	<b>3,083</b>	<b>550</b>	<b>(597)</b>	<b>(13)</b>	<b>(2)</b>	<b>3,021</b>
<b>Bank Loans:</b>	<b>1,096</b>	<b>300</b>	<b>(228)</b>	<b>(11)</b>	<b>(2)</b>	<b>1,155</b>
Origination Fees	(2)	-	1	-	-	(1)
Loans	997	300	(229)	-	(2)	1,066
Bank overdrafts	101	-	-	(11)	-	90
<b>Bonds and Notes:</b>	<b>1,987</b>	<b>250</b>	<b>(369)</b>	<b>(2)</b>	<b>-</b>	<b>1,866</b>
Origination Fees	(8)	-	1	(2)	-	(9)
Bonds	495	250	(370)	-	-	375
Notes	1,500	-	-	-	-	1,500

Debt, excluding origination fees and bank overdrafts, presents the following repayment plan as of 31 March 2018:

	Unit: €m		
<b>Maturity</b>	<b>Total</b>	<b>Loans Current</b>	<b>Non-Current</b>
	<b>2,941</b>	<b>584</b>	<b>2,357</b>
2018	56	56	-
2019	699	528	171
2020	649	-	649
2021	535	-	535
2022	207	-	207
2023 and subsequent years	795	-	795

### 13. Other payables

As of 31 March 2018 and of 31 December 2017, Other payables presents the following detail:

Unit: €m					
Captions	Notes	March 2018		December 2017	
		Current	Non-Current	Current	Non-Current
		<b>912</b>	<b>288</b>	<b>854</b>	<b>286</b>
<b>State and other public entities:</b>		<b>419</b>	<b>-</b>	<b>380</b>	<b>-</b>
Payable VAT		259	-	249	-
"ISP" – excise tax on oil products		109	-	93	-
Other taxes		51	-	38	-
<b>Other creditors:</b>		<b>112</b>	<b>78</b>	<b>123</b>	<b>79</b>
Tangible and intangible assets suppliers		72	78	77	79
Advances on sales	<b>9</b>	8	-	12	-
Overlifting		32	-	34	-
<b>Related parties:</b>		<b>12</b>	<b>154</b>	<b>14</b>	<b>158</b>
Other payables - Associates, joint ventures and other related parties		-	-	2	-
Dividends payable		12	-	12	-
Loans – Other shareholders		-	154	-	158
<b>Other accounts payables:</b>		<b>45</b>	<b>5</b>	<b>44</b>	<b>4</b>
Personnel		8	-	9	-
"ISP" - Other operators credit		7	-	11	-
Guarantee's deposits and quarantees received		3	4	3	4
Other creditors		27	1	21	-
<b>Accrued costs:</b>		<b>281</b>	<b>33</b>	<b>281</b>	<b>27</b>
External supplies and services		155	-	143	-
Holiday, holiday subsidy and corresponding contributions		32	-	26	-
Bonuses to employees		30	4	25	3
Accrued interest		18	-	45	-
Adjustment to tariff deviation - "ERSE" regulation		14	29	16	24
Other accrued costs		32	-	26	-
<b>Deferred income:</b>		<b>43</b>	<b>18</b>	<b>12</b>	<b>18</b>
Services rendered		36	-	8	-
Others		7	18	4	18

Advances on sales amounting to €8m is related with Group liabilities with competitors for strategic reserves (Note 9).

The amount of €32m presented in Other payables – Overlifting, represents the Group's liability in respect of excess crude oil lifted compared with the allowed production quota.

The amount of €154m recorded in Loans – Other shareholders refers, essentially, to a loan granted by Winland International Petroleum, SARL (US\$188m) under the form of shareholders' loan to Petrogal Brasil, S.A. This loan bears interest at market rates and has maturity of 10 years. In the period ended 31 March 2018 the amount of €2m is recognised under the caption "Interests", regarding loans obtained from related companies.

## 14. Other financial assets

As of 31 March 2018, the financial derivative assets are recognized by its respective fair values at the presented dates in accordance with the methodology defined in the accounting policies of the Galp Group disclosed in the notes to the consolidated financial statements as of 31 December 2017.

Other financial assets as at 31 March 2018 and 31 December 2017, are detailed as follows:

Captions	Unit: €m			
	March 2018		December 2017	
	Current	Non-Current	Current	Non-Current
<b>Other Financial Assets</b>	<b>57</b>	<b>32</b>	<b>66</b>	<b>32</b>
<b>Financial derivatives at fair value:</b>	<b>57</b>	<b>11</b>	<b>51</b>	<b>11</b>
Swaps and Options over Commodities	51	11	42	11
Futures over Commodities	6	-	9	-
<b>Other Financial Assets:</b>			<b>15</b>	<b>21</b>
Futures with physical delivery of Natural Gas	-	-	15	-
Others	-	21	-	21

The accounting impact as of 31 March 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							
	31 March 2018				31 March 2017			
	Income Statement			Equity	Income Statement			Equity
	MTM	Real	MTM+ Real	MTM	MTM	Real	MTM+ Real	MTM
<b>Gains and losses on financial instruments</b>	<b>18</b>	<b>14</b>	<b>32</b>	<b>(1)</b>	<b>3</b>	<b>8</b>	<b>11</b>	<b>-</b>
Commodities financial derivatives	18	13	31	(1)	1	12	13	-
Currency financial derivatives	-	1	1		2	(4)	2	-
<b>Of which recognized in:</b>								
Cost of sales (Note 15)	-	13	13	-	6	11	17	-
Foreign exchange losses, net	-	1	1	-	2	(3)	(1)	-
Income from financial instruments	18	-	18	-	(5)	-	(5)	-

## 15. Provisions

The changes in provisions from 31 December 2017 to 31 March 2018 were as follows:

	Unit: €m				
	At 31 December 2017	Increases	Decreases	Effect of foreign exchange rate	At 31 March 2018
<b>Total provisions</b>	<b>619</b>	<b>22</b>	<b>(6)</b>	<b>(7)</b>	<b>628</b>
Lawsuits	19	-	-	-	19
Taxes	8	-	-	-	8
Environmental matters	18	-	-	-	18
Asset retirement obligations	281	6	(6)	(6)	275
"CESE I" (Note 7.2)	70	14	-	-	84
"CESE II" (Note 7.2)	202	2	-	-	204
Other risks and charges	21	-	-	(1)	20

## 16. Operating costs

The operating costs for the periods ended 31 March 2018 and 2017 include the following operating costs:

Unit: €m			
Captions	Note	March 2018	March 2017
<b>Operating Costs</b>		<b>3,634</b>	<b>3,610</b>
<b>Cost of sales:</b>		<b>2,909</b>	<b>2,908</b>
Raw and subsidiary materials		1,325	1,363
Goods		920	888
Tax on Oil Products		661	654
Changes in production		17	25
Inventories impairment	9	2	(1)
Financial derivatives	14	(13)	(17)
Foreign exchange rate differences		(3)	(4)
<b>External supplies and services:</b>		<b>448</b>	<b>404</b>
Subcontracts - network use		134	128
Transport of goods		46	26
Storage and filling		11	10
Rental costs		31	28
Block production costs		68	59
Block exploration costs		16	26
Maintenance and repairs		15	11
Insurance		11	12
Royalties		41	31
IT Services		9	7
Electricity, water, steam and communications		15	16
Other costs		51	50
<b>Employee costs</b>		<b>80</b>	<b>79</b>
<b>Amortisation, depreciation and impairment on fixed assets</b>		<b>177</b>	<b>193</b>
<b>Provision and impairment losses on receivables</b>		<b>4</b>	<b>5</b>
<b>Other operating costs</b>		<b>16</b>	<b>21</b>

## 17. Financial results

The detail of the amount related to financial income and costs for the periods ended 31 March 2018 and 31 March 2017 is as follows:

	Unit: €m	
Captions	March 2018	March 2017
<b>Financial results</b>	<b>(8)</b>	<b>(6)</b>
<b>Financial income:</b>	<b>7</b>	<b>8</b>
Interest on bank deposits	5	6
Interest obtained and other income with related companies	2	2
<b>Financial costs:</b>	<b>(15)</b>	<b>(14)</b>
Interest on loans, overdrafts and others	(21)	(27)
Interest with related parties	(2)	(2)
Interests capitalised as tangible and intangible assets	13	24
Net interest on retirement benefits and other benefits	(2)	(2)
Charges relating to loans	(2)	(3)
Other financial costs	(1)	(4)

During the period ended 31 March 2018, the Group capitalised as tangible and intangible assets, the amount of €13m, regarding interests on loans obtained with the purpose to finance the Group's capital expenditure during their construction phase.

## 18. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 26 April 2018.

## 19. 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:

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**Chairman:**

Paula Amorim

**Vice-Chairmen:**

Miguel Athayde Marques

Carlos Gomes da Silva

**Members:**

Filipe Crisóstomo Silva

Thore E. Kristiansen

Sérgio Gabrielli de Azevedo

Abdul Magid Osman

Marta Amorim

Raquel Vunge

Carlos Costa Pina

Francisco Rêgo

Jorge Seabra de Freitas

José Carlos da Silva

Pedro Ricardo

Tiago Câmara Pestana

Rui Paulo Gonçalves

Luís Todo Bom

Diogo Tavares

Joaquim Borges Gouveia

#### THE ACCOUNTANT:

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Carlos Alberto Nunes Barata

## 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**

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 cracking margin**

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

### **Rotterdam base oils margin**

Base oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13% 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.

### **Rotterdam aromatics margin**

Rotterdam aromatics margin: -60% EuroBob NWE FOB Bg, -40% Naphtha NWE FOB Bg, +37% Naphtha NWE FOB Bg, +16.5% EuroBob NWE FOB Bg, +6.5% Benzene Rotterdam FOB Bg, +18.5% Toluene Rotterdam FOB Bg, +16.6% Paraxylene Rotterdam FOB Bg, +4.9% Ortoxylene Rotterdam FOB Bg; Consumption: -18% LSFO 1% CIF NEW. Yields in % of weight.

### **Replacement cost (RC)**

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

### **Replacement cost adjusted (RCA)**

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

## ACRONYMS

**APETRO:** *Associação Portuguesa de Empresas Petrolíferas* (Portuguese association of oil companies)  
**bbl:** barrel of oil  
**Bg:** Barges  
**bcm:** billion cubic metres  
**bn:** billion  
**boe:** barrels of oil equivalent  
**BRL:** Reais of Brazil  
**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* (Spain)  
**CTA:** Cumulative Translation Adjustment  
**DD&A:** Depreciation, Depletion and Amortisation  
**DST:** drill stem test  
**E&A:** Exploration & Appraisal  
**E&P:** Exploration & Production  
**Ebit:** Earnings before interest and taxes  
**Ebitda:** Ebit plus depreciation, amortisation and provisions  
**EMTN:** Euro Medium Term Note  
**EUR/€:** Euro  
**EWT:** Extended Well Test  
**FCF:** free cash flow  
**FNEE:** *Fondo Nacional de Eficiencia Energética* (Spain)  
**FPSO:** Floating, production, storage and offloading unit  
**Galp, Company or Group:** Galp Energia, SGPS, S.A., subsidiaries and participated companies

**G&A:** general and administrative  
**G&G:** geology and geophysics  
**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 (Portugal)  
**k:** thousand  
**kboepd:** thousands of barrels of oil equivalent per day  
**kbpd:** thousands of barrels of oil per day  
**LNG:** liquefied natural gas  
**LSFO:** low sulphur fuel oil  
**m:** million  
**mmboc:** millions of barrels of oil equivalent  
**mmbtu:** million British thermal units  
**mm<sup>3</sup>:** million cubic metres  
**mton:** millions of tonnes  
**NBP:** National Balancing Point  
**NG:** natural gas  
**n.m.:** not meaningful  
**NWE:** Northwestern Europe  
**p.p.:** percentage point  
**R&M:** Refining & Marketing  
**RC:** Replacement Cost  
**RCA:** Replacement Cost Adjusted  
**SEM:** Successful Efforts Method  
**ton:** tonnes  
**USA:** United States of America  
**USD/\$:** Dollar of the United States of America  
**VAT:** value-added tax  
**WI:** working interest  
**YoY:** year-on-year



## CAUTIONARY STATEMENT

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

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

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

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

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

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

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Bloomberg: GALP PL