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RESULTS AND CONSOLIDATED INFORMATION NINE MONTHS OF 2016

Investor Relations

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1. Executive summary

Main operating highlights during the first nine months of 2016

- The Group's consolidated Ebitda decreased 17% year-on-year (YoY) to 1,015 m, on a replacement cost adjusted (RCA) given the lower contribution from all business segments: Exploration & Production (E&P), Refining & Marketing (R&M) and Gas & Power (G&P). These were impacted, respectively, by lower prices of oil and natural gas, lower refining margins on the international market and by the decrease in volumes sold of natural gas.
- RCA net income reached €361 m, a €129 m decrease YoY, considering an inventory effect of €47 m and €215 m in non-recurring items. International Financial Reporting Standards (IFRS) net income was €99 m.
- Working interest production of oil and natural gas increased 41% YoY to 61.7 kboepd, mostly on the back of higher production from Brazil, namely of increased production in the Iracema North and Iracema South areas and the start of operations in the Lula Alto and Lula Central areas.
- Galp's refining margin stood at \$4.0/boe, compared to \$6.6/boe in the first nine months of 2015. The marketing of oil products activity maintained its positive contribution to results.
- Natural gas sales decreased 13% to 5,203 million cubic metres (mm³), driven by a 21% decrease in volumes in the trading segment.
- Capital expenditure amounted to €874 m, of which 88% was allocated to the E&P business, mainly to the development of block BM-S-11 in Brazil and block 32 in Angola.
- Net debt amounted to €1.6 bn at the end of September, considering Galp Gás Natural Distribuição, S.A. (GGND) assets and liabilities as held for sale and the loan to Sinopec as cash and equivalents, with a net debt to Ebitda ratio of 1.4x.
- In September 2016, GGND issued notes on the amount of €600 m and repaid the €568 m shareholder loan to Galp. On October 27, Galp completed the sale of 22.5% of GGND to Meet Europe Natural Gas, Lda. (Meet Europe), owned by Marubeni Corporation (50%) and by Toho Gas Co., Ltd. (50%), with the equity price set at €141 m, based on the initially agreed price plus adjustments as established in the Sale and Purchase Agreement (SPA). Effective from this date, GGND ceases to be consolidated into the Group accounts.

2. Key figures

Financial data

€ m (RCA)

	Nine Months			
	2015	2016	Var.	% Var.
Ebitda RCA	1,229	1,015	(215)	(17%)
Exploration & Production	302	262	(40)	(13%)
Refining & Marketing	614	471	(142)	(23%)
Gas & Power	292	260	(32)	(11%)
Ebit RCA	791	534	(257)	(33%)
Ebit IFRS	441	322	(119)	(27%)
Net income RCA	490	361	(129)	(26%)
Net income IFRS	117	99	(18)	(15%)
Capex	852	874	22	3%
Net debt including loan to Sinopec¹	1,606	1,631	25	2%
Net debt to Ebitda RCA²	1,1x	1,4x	-	-

¹Considering loan to Sinopec as cash and equivalents.²As at 30 September 2016, ratio considers net debt including €575 m loan to Sinopec as cash, plus €169 m corresponding to Sinopec MLT Shareholder loan to Petrogal Brasil and LTM Ebitda of €1,297 m.

Operational data

	Nine Months			
	2015	2016	Var.	% Var.
Average working interest production (kboepd)	43.7	61.7	18.1	41%
Average net entitlement production (kboepd)	41.2	59.2	18.0	44%
Oil and gas average sale price (USD/boe)	49.0	33.9	(15.1)	(31%)
Raw materials processed (mmboe)	85.8	80.9	(4.9)	(6%)
Galp refining margin (USD/boe)	6.6	4.0	(2.7)	(40%)
Oil sales to direct clients (mton)	6.9	6.7	(0.3)	(4%)
NG supply sales to direct clients (mm ³)	2,851	2,732	(119)	(4%)
NG/LNG trading sales (mm ³)	3,122	2,471	(651)	(21%)

Market indicators

	Nine Months			
	2015	2016	Var.	% Var.
Exchange rate (EUR:USD)	1.11	1.12	0.00	0%
Dated Brent price ¹ (USD/bbl)	55.3	41.9	(13.4)	(24%)
Heavy-light crude price spread ² (USD/bbl)	(1.1)	(2.2)	(1.1)	n.m.
UK NBP natural gas price ³ (USD/mmbtu)	6.4	4.3	(2.1)	(32%)
LNG Japan and Korea price ¹ (USD/mmbtu)	7.6	5.2	(2.3)	(31%)
Benchmark refining margin ⁴ (USD/bbl)	5.6	2.8	(2.7)	(49%)
Iberian oil market ⁵ (mton)	45.0	46.2	1.2	3%
Iberian natural gas market ⁶ (mm3)	23,127	22,809	(318)	(1%)

¹Source: Bloomberg. ²Source: Platts. Urals NWE dated for heavy crude; dated Brent for light crude. ³Source: Platts.⁴For a complete description of the method of calculating the benchmark refining margin see "Definitions". ⁵Source: APETRO for Portugal; CORES for Spain; the figures include an estimate for September 2016. ⁶Source: Galp and Enagás.

3. Market environment

Dated Brent

During the first nine months of 2016, dated Brent averaged \$41.9/bbl, corresponding to a decrease of \$13.4/bbl YoY. This decrease resulted from the unbalanced supply and demand, leading to larger crude oil inventories on a global scale.

The Urals – dated Brent spread widened \$1.1/bbl YoY, to \$2.2/bbl. This spread resulted from the increased production of crude oil by Russia, aggravated by a higher supply of competing crudes from the Middle East to the Mediterranean region.

Natural gas

During the first nine months of 2016, the natural gas price in Europe (NBP) averaged \$4.3/mmbtu, corresponding to a decrease of \$2.1/mmbtu YoY. The decline was a result of the lower oil price, as many natural gas contracts are oil-linked.

The Asian liquefied natural gas reference price (JKM) averaged \$5.2/mmbtu, corresponding to a decrease of \$2.3/mmbtu YoY.

Refining margin

During the first nine months of 2016, the benchmark refining margin was \$2.8/bbl, down \$2.7/bbl YoY, as the gasoline and diesel crack spreads dropped \$5.6/bbl and \$7.1/bbl YoY, respectively, pressured mainly by large inventories throughout the period.

Iberian market

During the first nine months of 2016, the Iberian market for oil products rose to 46.2 mton, from 45.0 mton, YoY led by the rise in tourism, which resulted in higher demand for diesel and jet fuel.

The Iberian natural gas market decreased 1.4% YoY to 22,809 mm³ in the first nine months of 2016, mostly due to the lower demand from the electrical segment.



4. Exploration & Production

4.1. Development activities

Brazil

During the first nine months of 2016, Galp and its partners continued with the development works on the Lula/Iracema field. It is worth noting the operational efficiency achieved by the consortium in drilling and completion performance, as well as in the units' ramp-up, which has resulted in a continuous decrease of these activities' average duration.

FPSO Cidade de Angra dos Reis (#1) and FPSO Cidade de Paraty (#2) resumed their plateau production in the Lula Pilot and Lula Northeast areas, following the completion of the maintenance works that took place during the second quarter.

In the Iracema South area, FPSO Cidade de Mangaratiba (#3) continued producing at plateau levels, with six producer and five injector wells currently connected to this unit. The connection to the gas export network, expected during the fourth quarter of 2016, will allow for a greater operational flexibility and the marketing of natural gas associated with oil production.

FPSO Cidade de Itaguaí (#4), in the Iracema North area was connected to the gas export network during August, which enabled the unit to reach plateau production only 13 months after first oil.

FPSO Cidade de Maricá (#5), allocated to the Lula Alto area, initiated production in February and has been benefitting from excellent productivity, with a fourth producer well connected during August.

FPSO Cidade de Saquarema (#6), allocated to the Lula Central area, started production in July, as planned. The development plan for this area includes the connection of nine producer and nine injector wells. This FPSO produced an average of c.30 kbpd since it started operating, through one producer well. It is worth highlighting that, already during October, FPSO #6 reached a production of c.80 kbpd, following the connection of two additional producer wells.

Regarding the replicant FPSO units, the unit allocated to the Lula South area is at the Brasfels shipyard (Brazil), where the integration works are being finalized, with the CO₂ and gas compression and injection modules reaching their final stage of integration. The second replicant FPSO, to be allocated to the Lula North area, is at the COOEC shipyard (China), where the topside modules' integration works are ongoing.

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Development wells in the Lula/Iracema areas

	Project	Type of wells			
			Planned	Drilled	Connected
#1	Lula Pilot	Producers	7	7	6
	<i>FPSO Cidade de Angra dos Reis</i>	Injectors	5	5	5
#2	Lula Northeast	Producers	8	6	6
	<i>FPSO Cidade de Paraty</i>	Injectors	6	6	6
#3	Iracema South	Producers	8	7	6
	<i>FPSO Cidade de Mangaratiba</i>	Injectors	8	7	5
#4	Iracema North	Producers	8	7	5
	<i>FPSO Cidade de Itaguaí</i>	Injectors	9	7	3
#5	Lula Alto	Producers	10	7	4
	<i>FPSO Cidade de Maricá</i>	Injectors	7	6	2
#6	Lula Central	Producers	9	7	3
	<i>FPSO Cidade de Saquarema</i>	Injectors	9	6	1

Note: As at October 27, 2016.

Mozambique

Regarding the offshore Coral South project in Area 4, it is worth highlighting the signing of the Sale and Purchase Agreement of the LNG with BP. The contract guarantees the sale of LNG volumes for a period of 20 years, based on the production from the Coral South area, although it is conditional on a final investment decision (FID). Meanwhile, the consortium is finalising the remaining commercial agreements and negotiating the project finance for the project.

Regarding the Mamba onshore project, EPC proposals continue to be analysed for the upstream and midstream solutions.

Angola

In block 32, the drilling and completion campaign of the wells regarding the Kaombo development area is proceeding. The two FPSO units are being converted at the Sembawang shipyards, in Singapore.

Results and consolidated information

Nine months of 2016

4.2. Operating performance

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

	Nine Months			
	2015	2016	Var.	% Var.
Average working interest production¹ (kboepd)	43.7	61.7	18.1	41%
Oil production (kbpd)	40.4	57.8	17.4	43%
Average net entitlement production¹ (kboepd)	41.2	59.2	18.0	44%
Angola	7.1	7.5	0.4	5%
Brazil	34.1	51.7	17.6	52%
Average realised sale price² (USD/boe)	49.0	33.9	(15.1)	(31%)
Royalties³ (USD/boe)	4.4	3.5	(1.0)	(22%)
Production costs (USD/boe)	9.6	8.6	(0.9)	(10%)
Amortisation⁴ (USD/boe)	16.9	14.7	(2.1)	(13%)
Ebitda RCA	302	262	(40)	(13%)
Depreciation & Amortisation ⁴	170	215	44	26%
Provisions	-	(0)	n.m.	n.m.
Ebit RCA	131	48	(84)	(64%)
Ebit IFRS	48	(75)	(123)	n.m.
Net Income from E&P Associates	11	13	2	19%

¹ Includes natural gas exported; excludes natural gas used or reinjected.² Galp average realised sale price for oil and natural gas, including change in production effects.³ Based on production in Brazil.⁴ Includes abandonment provisions.**Operations**

During the first nine months of 2016, working interest production increased 41% YoY to 61.7 kboepd, which was mainly due to the start-up of units #4, #5 and #6, as well as to increased production at FPSO #3 in Brazil.

Natural gas exports increased 0.6 kboepd YoY to 3.9 kboepd, following the connection of FPSO #4 to the gas export infrastructure. Out of the total gas exported, 3.4 kboepd was from the Lula/Iracema area.

During the first nine months of 2016, net entitlement production increased 44% YoY to 59.2 kboepd, as a result of higher working interest production.

Results

RCA Ebitda for the first nine months of 2016 dropped €40 m YoY to €262 m, following the decrease in the average sale price, and despite the increase in net entitlement production.

Production costs increased €29 m YoY to €125 m, as a result of the higher number of operating units in Brazil. In unit terms, production costs decreased YoY to \$8.6/boe during the period, benefiting from a higher production dilution effect.

Depreciation charges during the first nine months of 2016 (including abandonment provisions) increased around €44 m YoY to €215 m, following the increased asset base in Brazil. On a net entitlement basis, unit depreciation charges were \$14.7/boe, compared to \$16.9/boe YoY.

RCA Ebit was €48 m in the period, or €84 m lower YoY, while IFRS Ebit was negative by

Results and consolidated information

Nine months of 2016

€75 m. Non-recurring items of €123 m included the impairment in block 14/14K during the second quarter, after the decision of reducing drilling activities, as well as an impairment in the third quarter related to a project in the Brazilian onshore.

During the first nine months of 2016, the contribution of associated companies related to the E&P business reached €13 m.

5. Refining & Marketing

€ m (RCA, except otherwise stated)

	Nine Months			
	2015	2016	Var.	% Var.
Galp refining margin (USD/boe)	6.6	4.0	(2.7)	(40%)
Refining cash cost¹ (USD/boe)	1.6	1.7	0.2	10%
Impact of refining margin hedging² (USD/boe)	(1.0)	0.1	1.1	n.m.
Raw materials processed (mmboe)	85.8	80.9	(4.9)	(6%)
Crude processed (mmbbl)	76.4	73.6	(2.9)	(4%)
Total refined product sales (mton)	14.0	13.4	(0.5)	(4%)
Sales to direct clients (mton)	6.9	6.7	(0.3)	(4%)
Ebitda RCA	614	471	(142)	(23%)
Depreciation & Amortisation	205	200	(5)	(2%)
Provisions	8	16	8	96%
Ebit RCA	401	256	(145)	(36%)
Ebit IFRS	158	171	14	9%
Net Income from R&M Associates	(2)	(2)	(0)	(25%)

¹ Excluding impact of refining margin hedging operations.

² Impact on Ebitda.

Operations

Raw materials processed during the first nine months of 2016 stood at 80.9 million barrels (mmboe), down 6% YoY. That decrease reflects the planned outage of the hydrocracker at the Sines refinery and of units in the Matosinhos refinery during the first half of 2016. Crude oil accounted for 91% of raw materials processed, of which 83% corresponded to medium and heavy crudes.

Gasoline production accounted for 23% of production, while middle distillates accounted for 46% of total production. Consumption and losses accounted for 7% of raw materials processed.

Volumes sold to direct clients stood at 6.7 mton, down 4% YoY, following the reduced sales to lower margin clients. Volumes sold in Africa accounted for 8% of total volumes sold to direct clients.

Results

RCA Ebitda for the R&M business during the first nine months of 2016 decreased €142 m YoY to €471 m, impacted by the lower contribution from the refining activity.

Galp's refining margin was \$4.0/boe, compared to \$6.6/boe in the previous year, which reflects the lower refining margins in the international markets. The spread over the benchmark margin amounted to \$1.2/boe.

Refining cash costs increased €4 m to €125 m, due to higher maintenance costs during 2016, namely in the hydrocracker in the Sines refinery. In unit terms, cash costs stood at \$1.7/boe.

Hedging operations had a positive impact of €8 m in Ebitda during the period.

Marketing of oil products was in line YoY, despite the impact of a drop in volumes sold compared to the previous year.

Amortisations and provisions amounted to €215 m, up €3 m YoY.

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Ebit RCA fell to €256 m, while Ebit IFRS increased €14 m to €171 m in the period. Inventory effect was positive €56 m and

non-recurring items amounted to €29 m and were mainly related to impairments on refining equipment and restructuring charges.

 **6. Gas & Power**

€ m (RCA except otherwise stated)

	Nine Months			
	2015	2016	Var.	% Var.
NG supply total sales volumes (mm³)	5,973	5,203	(770)	(13%)
Sales to direct clients (mm ³)	2,851	2,732	(119)	(4%)
Trading (mm ³)	3,122	2,471	(651)	(21%)
Sales of electricity (GWh)	3,466	3,718	252	7%
Ebitda RCA	292	260	(32)	(11%)
Natural Gas	191	159	(32)	(17%)
Infrastructure	98	91	(7)	(7%)
Power	3	9	6	n.m.
Depreciation & Amortisation	46	44	(2)	(4%)
Provisions	6	4	(2)	(35%)
Ebit RCA	240	211	(28)	(12%)
Ebit IFRS	217	208	(9)	(4%)
Net Income from G&P Associates	50	50	(1)	(1%)

Operations

Sales of natural gas in the first nine months of 2016 totalled 5,203 mm³, down 13% YoY.

Volumes sold in the trading segment decreased 21%, reflecting fewer opportunities in the international markets. During the first nine months of 2016, 20 LNG trading operations were carried out, seven less than during the previous year.

Volumes sold to direct clients also dropped, by 4%, with lower volumes sold to the conventional segment.

Sales of electricity increased 252 GWh YoY to 3,718 GWh, mainly due to the increased marketing of electricity.

Results

Ebitda for the G&P segment decreased €32 m to €260 m during the first nine months of 2016, mainly due to lower results from the natural gas activity.

Ebitda for the natural gas segment decreased 17% YoY to €159 m, due to lower volumes sold.

The contribution to results of the regulated infrastructure business was €91 m, down €7 m YoY, reflecting the lower remuneration rate effective from July 1, 2016.

Ebitda for the power business normalised from the previous year level, and increased €6 m YoY to €9 m.

DD&A and provisions in the G&P business segment stood at €49 m, in line with the previous year.

Ebit RCA decreased €28 m YoY to €211 m, and was impacted by a positive €6 m inventory effect and non-recurring items of -€3 m. Ebit IFRS reached €208 m, compared to €217 m the previous year.

Results from associated companies related to the G&P business maintained their €50 m contribution to results during the period.

7. Financial data

7.1. Income statement

€ m (RCA, except otherwise stated)

	Nine Months			
	2015	2016	Var.	% Var.
Turnover	12,083	9,595	(2,488)	(21%)
Cost of goods sold	(9,723)	(7,424)	(2,298)	(24%)
Supply & Services	(911)	(948)	37	4%
Personnel costs	(241)	(231)	(11)	(4%)
Other operating revenues (expenses)	22	24	2	7%
Ebitda RCA	1,229	1,015	(215)	(17%)
Ebitda IFRS	976	922	(54)	(6%)
Depreciation & Amortisation	(422)	(462)	40	10%
Provisions	(17)	(19)	2	13%
Ebit RCA	791	534	(257)	(33%)
Ebit IFRS	441	322	(119)	(27%)
Net income from associated companies	60	61	1	2%
Financial results	(68)	3	70	n.m.
Net income before taxes and non-controlling interests	783	597	(186)	(24%)
Taxes ¹	(247)	(201)	(46)	(18%)
Non-controlling interests	(46)	(34)	(12)	(25%)
Net income RCA	490	361	(129)	(26%)
Non recurring items	(189)	(215)	27	14%
Net income RC	301	146	(155)	(52%)
Inventory effect	(184)	(47)	(137)	(74%)
Net income IFRS	117	99	(18)	(15%)

¹ Includes the Special Participation tax payable in Brazil and IRP payable in Angola.

During the first nine months of 2016, turnover decreased 21% YoY to €9,595 m. This was mainly due to the decrease in the prices of oil, natural gas and oil products in the international markets.

Operating costs went down 21% YoY to €8,580 m, mainly following a 24% fall in the cost of goods sold. The costs of external supplies and services increased by 4%, on the back of higher production in Brazil. Staff costs fell 4% YoY.

RCA Ebitda was €1,015 m, down 17% YoY, after a lower contribution from all business segments. IFRS Ebitda fell by €54 m YoY to €922 m.

RCA Ebit decreased 33% to €534 m, while IFRS Ebit fell €119 m to €322 m.

Results of associated companies accounted for €61 m, in line YoY.

Financial income was positive by €3 m, compared to a loss of €68 m in the same period of 2015, essentially due to a gain of €31 m in mark-to-market operations, mainly related to refining margin hedging, which compares to a loss of €18 m during the previous year.

Net interest expenses improved by €15 m YoY, to €79 m.

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RCA taxes decreased €46 m to €201 m, due to lower results. Taxes on oil and gas production totalled €49 m.

Non-controlling interests, primarily attributable to Sinopec, fell €12 m to €34 m, following the lower results generated in Brazil.

RCA net income was €361 m, down €129 m YoY, while IFRS net income was €99 m.

The inventory effect was €47 m and non-recurring items reached €215 m, including the impairments registered in the E&P segment, an impairment regarding assets related to the biofuels business, as well as the Portuguese Extraordinary Energy Sector Contribution (CESE), which affects the R&M and G&P businesses.

The CESE had a negative impact on IFRS results of around €48 m, of which €28 m related to CESE I, whose annual impact was fully accounted for in the first quarter of the year. CESE II amounted to c.€20 m. This provision related with CESE results from the strict applicability of accounting standards. However, in Galp's opinion, based on the opinion of renowned legal experts, the laws regarding CESE have no legal grounds and, accordingly, such amounts are not due.

7.2. Capital expenditure

	Nine Months			
	2015	2016	Var.	% Var.
Exploration & Production	782	770	(12)	(2%)
Exploration and appraisal activities	95	36	(59)	(62%)
Development and production activities	687	734	47	7%
Refining & Marketing	50	84	34	68%
Gas & Power	17	19	2	14%
Others	3	1	(2)	n.m.
Investment	852	874	22	3%

During the first nine months of 2016, capital expenditure was €874 m, 88% of which was allocated to E&P.

Development & Production (D&P) activities accounted for 95% of the investment in the E&P business, mainly allocated to the development of block BM-S-11 in Brazil, which accounted for 75% of that total. Investment in Angola

accounted for c.20% of total D&P capex, mainly allocated to block 32.

Capital expenditure in downstream and gas activities reached €103 m, having been allocated, among others, to maintenance activities in the refineries, to the ongoing upgrade of the oil retail network and the natural gas infrastructure, as well as to IT systems.

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7.3. Cash flow**Indirect method**

€ m (IFRS figures)

	Nine months	
	2015	2016
Ebit	441	322
Dividends from associates	45	44
Depreciation, Depletion and Amortization (DD&A)	510	575
Change in Working Capital	392	(30)
Cash flow from operations	1,389	911
Net capex	(800)	(854)
Net financial expenses	(94)	(79)
SPT and Corporate taxes	(94)	(142)
Dividends paid	(317)	(382)
Others ¹	49	163
Change in net debt	(133)	383

¹ Includes CTAs (Cumulative Translation Adjustment) and partial reimbursement of the loan granted to Sinopec.

During the first nine months of 2016, net debt increased €383 m compared to the end of 2015, due to an increase in capex and dividends during the period.

Working capital has remained fairly unchanged YoY, after a strong performance during 2015.

Change in net debt in the period considers reimbursement of €134 m related to the loan granted to Sinopec.

Considering the booking of the Galp Gás Natural Distribuição, S.A. (GGND) assets and liabilities under the caption assets held for sale, the September 2016 net debt (€2,205 m) was €216 m lower than that of December 31, 2015.

Direct method

€ m

	Nine months	
	2015	2016
Cash and equivalents at the beginning of the period¹	1,023	1,045
Received from customers	13,499	10,914
Paid to suppliers	(8,636)	(6,494)
Staff related costs	(248)	(256)
Dividends from associated companies	45	44
Taxes on oil products (ISP)	(1,997)	(2,015)
VAT, Royalties, PIS, Cofins, Others	(1,387)	(1,197)
Total operating flows	1,276	996
Net capex	(809)	(913)
Net Financial Expenses	(85)	(99)
Dividends paid	(317)	(382)
SPT and Corporate taxes	(94)	(142)
Net new loans	(95)	420
Sinopec loan reimbursement	182	134
FX changes on cash and equivalents	5	27
Cash and equivalents at the end of the period¹	1,087	1,084

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.

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7.4. Financial situation

€ m (IFRS figures)

	31 December, 2015	30 September, 2016 (before assets held for sale) ¹	30 September, 2016	Var. vs 31 Dec., 2015
Net fixed assets	7,892	8,486	7,357	(535)
Working capital	510	541	529	19
Loan to Sinopec	723	575	575	(148)
Other assets (liabilities)	(515)	(654)	(383)	133
Non-current assets/liabilities held for sale	-	-	270	270
Capital employed	8,610	8,947	8,348	(262)
Short term debt	493	768	754	262
Medium-Long term debt	3,060	3,258	2,628	(431)
Total debt	3,552	4,025	3,383	(169)
Cash and equivalents	1,130	1,221	1,177	47
Net debt²	2,422	2,805	2,205	(216)
Total equity	6,188	6,143	6,143	(45)
Total equity and net debt	8,610	8,947	8,348	(262)

¹ Figures do not consider non-current assets/liabilities held for sale, in order to make periods comparable.² Net debt at 30 September 2016 excludes net debt of GGND (€599 m), which is considered under non-current assets/liabilities held for sale.

The September 30, 2016 column shown above as prior to the GGND reclassification to assets held for sale was prepared on the same basis as December 31, in order to make the periods comparable. On that basis, net fixed assets stood

at €8,486 m, a €594 m increase compared to the end of December 2015. Work-in-progress, mainly related to the E&P business, was €2,455 m.

7.5. Financial debt

€ m (except otherwise stated)

	31 December, 2015	30 September, 2016	Chg. vs 31 Dec., 2015
Bonds	2,154	2,136	(18)
Bank loans and other debt	1,398	1,247	(151)
Cash and equivalents	(1,130)	(1,177)	(47)
Net debt¹	2,422	2,205	(216)
Net debt including loan to Sinopec²	1,699	1,631	(68)
Average life (years) ³	3.1	3.2	0.1
Average debt interest rate ³	3.8%	3.5%	(0.3 p.p.)
Net debt to Ebitda RCA ⁴	1,2x	1,4x	-

¹ Net Debt at 30 September 2016 excludes net debt of GGND (€599 m). ² Net debt at 30 September 2016 of €1,631 m adjusted for the €575 m loan to Sinopec. ³ Includes net debt of GGND, ie, considers Group net debt of €2,805 m as at the end of September. ⁴ As at 30 September 2016, ratio considers net debt including loan to Sinopec as cash (€575 m), plus Sinopec MLT Shareholder Loan to Petrogal Brasil (€169 m) and LTM Ebitda RCA €1,297 m.

On September 30, 2016, net debt stood at €2,205 m, down €216 m compared to the end of

December 2015. This amount does not include net debt related to GGND (held for sale) of

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€599 m. It should be noted that GGND repaid the shareholder loan of €568 m to Galp during September.

Considering the €575 m balance of the Sinopec loan as cash and equivalents, net debt at the end of the period totalled €1,631 m, resulting in a net debt to Ebitda ratio of 1.4x. This ratio also considers Sinopec's €169 m shareholder loan to Petrogal Brasil as of the end of the period.

The average interest rate was 3.48% during the period.

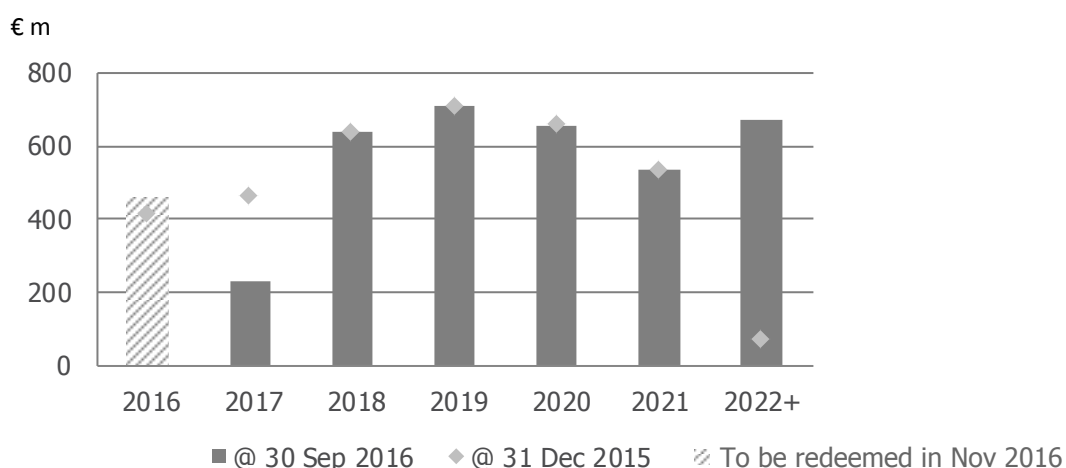
At the end of September, 51% of total debt was on a fixed-rate basis. Debt had an average maturity of 3.15 years, and medium and long-term debt accounted for 78% of the total.

As of September 30, 2016, around 65% of total debt was scheduled to mature from 2019 onwards, considering debt from subsidiary GGND, which at that date was still consolidated (albeit booked under assets held for sale).

It should be noted that a €455 m bond, maturing in 2017, has been called by Galp and will be redeemed on November 21, 2016. This change was reflected on the debt maturity profile graph below.

At the end of the first nine months of 2016, Galp had unused credit lines of approximately €1.2 bn. Of this amount, around 60% was contractually guaranteed.

Debt maturity profile



7.6. RCA turnover by business

€ m

	Nine Months			
	2015	2016	Var.	% Var.
RCA Turnover	12,083	9,595	(2,488)	(21%)
Exploration & Production ¹	489	491	3	1%
Refining & Marketing	9,373	7,702	(1,672)	(18%)
Gas & Power	2,551	1,807	(744)	(29%)
Other	91	89	(2)	(2%)
Consolidation adjustments	(421)	(494)	73	17%

¹ Does not include change in production. RCA turnover in the E&P segment, including change in production amounted to €502 m during the first nine months of 2016.

8. Subsequent events

On October 27, Galp Energia, SGPS, S.A. (Galp), through its subsidiary Galp Gas & Power, SGPS, S.A. (GGP), completed the sale of 22.5% of GGND to Meet Europe, owned by Marubeni Corporation (50%) and by Toho Gas Co., Ltd. (50%). The closing price was set at €141 m, based on the initially agreed price plus adjustments, as established in the SPA. Considering that GGND repaid the shareholder

loan of €568 m to Galp during September, total cash proceeds from this transaction stood at €709 m.

GGND will now cease to be consolidated into the Group accounts, and as such its contribution will start to be accounted for as income from associates, based on the equity method.

9. Basis of presentation

Galp's consolidated financial statements for the nine months ended on 30 September 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial information in the consolidated income statement is reported for the nine months ended on 30 September 2016 and 2015. The financial information in the consolidated financial position is reported on 30 September 2016 and 31 December 2015.

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

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

For the purpose of evaluating Galp's operating performance, RCA profit measures exclude

non-recurring items and the inventory effect, the latter because the cost of goods sold and materials consumed has been calculated according to the Replacement Cost (RC) valuation method.

Recent changes

Effective on 1 January 2016, exchange rate differences from operating activities are allocated to operating results of the respective business segment. Until the end of 2015, these exchange rate differences were accounted for under financial results.

Following an accounting interpretation from Portuguese Securities Market Commission (CMVM) regarding the accounting treatment for CESE I, Galp started to recognise the full year cost and liability as of 1 January, instead of deferring the cost along the year.

Regarding the energy sector contribution in Spain, to the Fondo Nacional de Eficiencia Energética, the impact was also fully accounted for during the first quarter of 2016.

These changes were applied to 2015 figures in order to make periods comparable.

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9.1. Reconciliation of IFRS and Replacement Cost Adjusted figures

Replacement cost adjusted Ebitda by segment

€ m

2016	Nine Months				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	922	62	984	31	1,015
E&P	249	-	249	13	262
R&M	396	56	452	19	471
G&P	256	6	262	(2)	260
Outros	22	-	22	1	22

€ m

2015	Nine Months				
	Ebitda IFRS	Inventory effect	Ebitda RC	Non-recurring items	Ebitda RCA
Galp	976	241	1,217	12	1,229
E&P	297	-	297	5	302
R&M	385	218	603	10	614
G&P	272	23	295	(3)	292
Outros	22	-	22	0	22

Replacement cost adjusted Ebit by segment

€ m

2016	Nine Months				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	322	62	384	150	534
E&P	(75)	-	(75)	123	48
R&M	171	56	227	29	256
G&P	208	6	214	(3)	211
Outros	18	-	18	1	19

€ m

2015	Nine Months				
	Ebit IFRS	Inventory effect	Ebit RC	Non-recurring items	Ebit RCA
Galp	441	241	682	108	791
E&P	48	-	48	84	131
R&M	158	218	376	25	401
G&P	217	23	240	(1)	240
Outros	19	-	19	0	19

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9.2. Non-recurring items

€m

	Nine Months	
	2015	2016
Non-recurring items impacting Ebitda	12.1	31.1
Accidents caused by natural events and insurance compensation	(0.9)	(2.1)
Gains/losses on disposal of assets	(2.8)	(1.0)
Asset write-offs	5.4	1.0
Investment subsidies	(2.6)	-
Employee restructuring charges	13.1	14.7
Advisory fees and others	-	0.2
Compensation early termination rigs agreement	-	11.9
Litigation costs	-	6.3
Non-recurring items impacting non-cash costs	96.1	118.7
Provisions for environmental charges and others	7.6	5.5
Asset impairments	88.5	113.1
Non-recurring items impacting financial results	67.5	28.3
Gains/losses on financial investments	18.6	28.3
Provision for impairment of financial investments	48.9	-
Non-recurring items impacting taxes	26.5	42.4
Income taxes on non-recurring items	(33.2)	(18.0)
Energy sector contribution tax	59.8	60.4
Non-controlling interest	(13.6)	(5.2)
Total non-recurring items	188.7	215.4

10. Consolidated financial statements

Galp Energia, SGPS, S.A. and subsidiaries Consolidated Statement of Financial Position as of 30 September 2016 and 31 December 2015 (Amounts stated in thousand Euros - €K)

ASSETS	Notes	September 2016	December 2015
Non-current assets:			
Tangible assets	12	5,714,859	5,215,723
Goodwill	11	134,151	137,035
Intangible assets	12	261,077	1,402,977
Investments in associates and joint ventures	4	1,218,627	1,113,576
Financial assets available for sale	4	2,535	2,487
Trade receivables	15	1,081	24,162
Other receivables	14	242,951	298,149
Deferred tax assets	9	338,279	462,134
Other financial investments	17	30,077	24,430
Total non-current assets:		7,943,637	8,680,673
Current assets:			
Inventories	16	735,831	872,518
Trade receivables	15	944,348	804,880
Loans to Sinopec	14	574,592	722,936
Other receivables	14	544,122	576,960
Other financial investments	17	8,506	4,458
Cash and cash equivalents	18	1,178,671	1,130,606
Subtotal current assets:		3,986,070	4,112,358
Non current assets held for sale		1,299,875	-
Total current assets:		5,285,945	4,112,358
Total assets:		13,229,582	12,793,031
EQUITY AND LIABILITIES	Notes	September 2016	December 2015
Equity:			
Share capital	19	829,251	829,251
Share premium	19	82,006	82,006
Reserves	20	2,808,969	2,682,394
Retained earnings		822,174	1,055,861
Consolidated net income for the period	10	98,944	122,566
Total equity attributable to shareholders:		4,641,344	4,772,078
Non-controlling interests	21	1,501,403	1,416,046
Total equity:		6,142,747	6,188,124
Liabilities:			
Non-current liabilities:			
Bank loans	22	963,823	1,151,416
Bonds	22	1,664,637	1,908,109
Other payables	24	298,801	551,287
Post-employment and other employee benefits liabilities	23	347,212	421,540
Deferred tax liabilities	9	78,399	109,384
Other financial instruments	27	331	2,498
Provisions	25	441,447	428,762
Total non-current liabilities:		3,794,650	4,572,996
Current liabilities:			
Bank loans and overdrafts	22	283,225	246,791
Bonds	22	471,179	245,756
Trade payables	26	629,208	656,346
Other payables	24	836,905	844,333
Other financial instruments	27	5,428	29,471
Current income tax payable	9	36,305	9,214
Subtotal current liabilities:		2,262,250	2,031,911
Liabilities associated with non current assets held for sale		1,029,935	-
Total current liabilities:		3,292,185	2,031,911
Total liabilities:		7,086,835	6,604,907
Total equity and liabilities:		13,229,582	12,793,031

The accompanying notes form an integral part of the consolidated statement of financial position as of 30 September 2016.

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Nine months of 2016

Galp Energia, SGPS, S.A. and subsidiaries
Consolidated Income Statement for the period of nine months ended 30 September 2016 and 2015
(Amounts stated in thousand Euros - €K)

	Notes	September 2016	September 2015 restated	
Operating income:				
Sales	5	9,107,967	11,625,250	(a)
Services rendered	5	486,615	457,334	(a)
Other operating income	5	89,280	68,766	(a)
Total operating income:		9,683,862	12,151,350	(a)
Operating costs:				
Cost of sales	6	7,485,919	9,963,778	(a)
External supplies and services	6	969,986	911,262	(a)
Employee costs	6	245,337	254,367	(a)
Amortisation, depreciation and impairment losses on fixed assets	6	575,225	510,428	
Provisions and impairment losses on receivables	6	24,849	24,610	
Other operating costs	6	60,324	45,569	(a)
Total operating costs:		9,361,640	11,710,014	(a)
Operating result:		322,222	441,336	(a)
Financial income	8	24,196	20,762	
Financial costs	8	(45,512)	(62,644)	
Exchange (losses) gains		(7,420)	(7,635)	(a)
Income from financial investments and impairment losses on Goodwill	4 and 11	32,468	(7,657)	
Income from financial instruments	27	31,244	(18,000)	
Income before taxes:		357,198	366,162	(a)
Income tax	9	(168,819)	(157,125)	(a)
Energy sector extraordinary contribution	9	(60,382)	(59,755)	
Consolidated net income for the period		127,997	149,282	
Income attributable to:				
Non-controlling interests	21	29,053	32,271	
Galp Energia SGPS, S.A. Shareholders	10	98,944	117,011	
Consolidated net income for the period		127,997	149,282	
Earnings per share (in Euros)	10	0.12	0.14	

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.23.

The accompanying notes form an integral part of the consolidated income statement for the nine months period ended 30 September 2016.

Results and consolidated information

Nine months of 2016

Galp Energia, SGPS, S.A and subsidiaries
Consolidated Statement of Comprehensive Income for the period of nine months ended 30 September 2016 and 2015

(Amounts stated in thousand Euros - €K)

	Notes	September 2016		September 2015 restated	
		Atributable to the Shareholders	Non-controlling interests (Note 21)	Atributable to the Shareholders	Non-controlling interests (Note 21)
Consolidated net income for the period	10	98,944	29,053	117,011	32,271
<u>Other comprehensive income for the period which will not be recycled in the future through net income of the period:</u>					
Actuarial Gains and losses - pension fund:					
Actuarial Gains and losses - pension fund	23	26,797	(2)	(18,521)	(6)
Tax related to actuarial gains and losses - pension fund	9	(4,753)	-	2,995	-
		22,044	(2)	(15,526)	(6)
<u>Other comprehensive income for the period which will be recycled in the future through net income of the period:</u>					
Currency exchange differences:					
Currency exchange differences (Group companies)	20	(719)	(3,675)	19,228	32,005
Currency exchange differences (Associates/ joint ventures)	4 and 20	(18,671)	-	31,225	-
Currency exchange differences - Goodwill	11 and 20	(609)	-	1,458	-
Currency exchange differences - Financial allocation ("quasi capital")	20	223,533	95,800	(272,452)	(116,765)
Deferred tax related to components of Currency exchange differences - Financial allocations ("quasi capital")	9 and 20	(76,002)	(32,571)	92,634	39,700
		127,532	59,554	(127,907)	(45,060)
Hedging reserves:					
Increases / (decreases) in hedging reserves (Group companies)	27 and 20	(637)	-	5,421	-
Deferred tax related to hedging reserves components (Group companies)	9 and 20	143	-	(1,230)	-
Increases / (decreases) in hedging reserves (Associates/joint ventures)	27 and 20	(513)	-	(112)	-
Deferred tax related to hedging reserves components (Associates/joint ventures)	20	50	-	13	-
		(957)	-	4,092	-
Other increases/decreases		-	5	-	(464)
Other Comprehensive income for the period net of taxes		148,619	59,557	(139,341)	(45,530)
Comprehensive income for the period attributable to shareholders		247,563		(22,330)	
Comprehensive income for the period attributable to non-controlling interests	21		88,610		(13,259)
Total Comprehensive income for the period		247,563	88,610	(22,330)	(13,259)

The accompanying notes form an integral part of the consolidated statement of comprehensive Income for the nine months period ended 30 September 2016.

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Nine months of 2016

Galp Energia, SGPS, S.A and subsidiaries
Consolidated Statement of changes in equity for the nine months period ended 30 September 2016 and 2015
(Amounts stated in thousand Euros - €K)

Changes in the period	Notes	Share Capital	Share Premium	Translation reserves (Note 20)	Other reserves (Note 20)	Hedging reserves (Note 20)	Retained earnings - actuarial Gains and losses - pension fund (Note 23)	Retained earnings	Consolidated net income for the period	Sub-Total	Non-controlling interests (Note 21)	Total
Balance as of 1 January 2015		829,251	82,006	17,669	2,684,414	(744)	(99,570)	1,664,905	(173,394)	5,004,537	1,420,184	6,424,721
Consolidated net income for the period	10	-	-	-	-	-	-	-	117,011	117,011	32,271	149,282
Other gains and losses recognised in Equity		-	-	(127,907)	-	4,092	(15,526)	-	-	(139,341)	(45,530)	(184,871)
Comprehensive income for the period		-	-	(127,907)	-	4,092	(15,526)	-	117,011	(22,330)	(13,259)	(35,589)
Dividends distributed / Interim dividends		-	-	-	-	-	-	(315,248)	-	(315,248)	(1,616)	(316,864)
Increase of reserves by appropriation of profit		-	-	-	-	-	-	(173,394)	173,394	-	-	-
Balance as of 30 September 2015		829,251	82,006	(110,238)	2,684,414	3,348	(115,096)	1,176,263	117,011	4,666,959	1,405,309	6,072,268
Balance as of 1 January 2016		829,251	82,006	(233)	2,684,293	(1,666)	(120,402)	1,176,263	122,566	4,772,078	1,416,046	6,188,124
Consolidated net income for the period	10	-	-	-	-	-	-	-	98,944	98,944	29,053	127,997
Other gains and losses recognised in Equity		-	-	127,532	-	(957)	22,044	-	-	148,619	59,557	208,176
Comprehensive income for the period		-	-	127,532	-	(957)	22,044	-	98,944	247,563	88,610	336,173
Dividends distributed / Interim dividends	30	-	-	-	-	-	-	(378,297)	-	(378,297)	(3,251)	(381,548)
Increase of reserves by appropriation of profit		-	-	-	-	-	-	122,566	(122,566)	-	-	-
Balance as of 30 September 2016		829,251	82,006	127,299	2,684,293	(2,623)	(98,358)	920,532	98,944	4,641,344	1,501,403	6,142,747

The accompanying notes form an integral part of the consolidated statement of changes in equity for the nine months period ended 30 September 2016.

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Nine months of 2016

Galp Energia, SGPS, S.A and subsidiaries
Consolidated Statement of Cash Flow for the nine months period ended 30 September 2016, 30 September 2015 and 31 December 2015
 (Amounts stated in thousand Euros - €K)

	Notes	September 2016	September 2015	December 2015
Operating activities:				
Cash received from customers		10,913,812	13,499,350	17,665,676
Cash (payments) to suppliers		(6,493,641)	(8,636,134)	(11,420,662)
(Payments) relating to Tax on oil products ("ISP")		(2,015,266)	(1,997,360)	(2,632,665)
(Payments) relating to VAT		(1,040,990)	(1,261,114)	(1,624,430)
(Payments) relating to Royalties, levies, "PIS" and "COFINS" and Others		(50,448)	(46,682)	(50,022)
Operating gross margin		1,313,467	1,558,060	1,937,897
Salaries, contributions to the pension fund and other benefits (payments)		(133,644)	(125,810)	(209,348)
Withholding on third parties (payments)		(65,575)	(65,754)	(85,246)
Social Security contributions ("TSU")		(56,324)	(56,486)	(76,389)
Payments relating to employees		(255,543)	(248,050)	(370,983)
Other receipts/(payments) relating to the operational activity		(106,058)	(78,970)	(46,074)
Cash flows from operations		951,866	1,231,040	1,520,840
(Payments)/receipts of income taxes (income tax "IRC", oil income tax "IRP", special participation)		(142,424)	(93,869)	(127,016)
Cash flows from operating activities (1)		809,442	1,137,171	1,393,824
Investing activities:				
Cash receipts from disposal of tangible and intangible assets		577	68,856	68,893
Cash (payments) for the acquisition of tangible and intangible assets		(764,523)	(677,321)	(989,812)
Cash receipts relating to financial investments		13,000	1	35,370
Cash (payments) relating to financial investments		(162,159)	(200,323)	(308,346)
Net financial investment		(913,105)	(808,787)	(1,193,895)
Cash receipts from loans granted		133,843	181,984	260,784
Cash (payments) relating to loans granted		(5,477)	(400)	(400)
Cash receipts from interests and similar income		13,106	17,691	21,855
Cash receipts relating to dividends	4	43,786	45,409	72,901
Cash flows from investing activities (2)		(727,847)	(564,103)	(838,755)
Financing activities:				
Cash receipts from loans obtained		2,046,663	1,146,168	1,282,504
Cash (payments) relating to loans obtained		(1,621,707)	(1,242,691)	(1,407,753)
Cash receipts/(payments) from interests and similar costs		(112,542)	(102,551)	(132,411)
Dividends paid	30	(381,537)	(316,864)	(318,211)
Other financing activities		262	1,592	1,904
Cash flows from financing activities (3)		(68,861)	(514,346)	(573,967)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		12,734	58,722	(18,898)
Effect of foreign exchange rate changes in cash and cash equivalents		26,740	6,330	41,393
Cash changes by changes in the consolidation perimeter	3	-	(1,040)	(1,040)
Cash and cash equivalents at the beginning of the period		1,044,851	1,023,396	1,023,396
Cash and cash equivalents related to non current assets held for sale		(43,127)	-	-
Cash and cash equivalents at the end of the period	18	1,041,198	1,087,408	1,044,851

The accompanying notes form an integral part of the consolidated statement of cash flow for the nine months period ended 30 September 2016.

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Notes to the consolidated financial statements as of 30 september 2016**1. Introduction****a) Parent Company:**

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

The Company shareholder structure as of 30 September 2016 is stated in Note 19.

The Company is listed on the Euronext Lisbon stock exchange.

b) The Group:

As of 30 September 2016 the Galp group (the Group) consists of Galp and its subsidiaries, which includes, among others: (i) Petróleos de Portugal – Petrogal, S.A. (Petrogal) and its subsidiaries, which carry out their activities in the refining of crude oil and distribution of its derivatives sector; (ii) Galp Gas & Power, SGPS, S.A. and its subsidiaries, which operate in the natural gas sector, electricity sector and renewable energy sector; (iii) Galp Energia E&P, B.V. and its subsidiaries integrating the Oil and Gas Exploration & Production activities and biofuels and (iv) Galp Energia, S.A. which integrates the corporate support services.

b1) Upstream activities

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

b2) Midstream and Downstream activities

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

b3) Natural gas activity and energy production and supply

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

Galp group natural gas business encompasses a set of regulated and liberalised activities, including the sourcing in a liberalised regime, the operation of infrastructure in a regulated regime and supply to final customers in the Iberia Peninsula in liberalised and regulated regime.

The natural gas activity includes (i) Sourcing and supply and (ii) Distribution and supply.

The sourcing and supply of natural gas segment supplies natural gas to large industrial customers, with annual consumption of more than 2 mm³, power generation companies, natural gas distribution

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companies and Autonomous Gas Units (AGU). So as to meet the demand of its customers, Galp has long-term sourcing contracts with companies in Algeria and Nigeria.

The natural gas distribution and supply activity in Portugal includes the natural gas distribution and supply companies. Its purpose is to sell natural gas to those residential, commercial and industrial customers with annual consumptions of less than 2 mm³.

The natural gas subsidiaries of the Galp group that supply natural gas in Portugal operate based on concession contracts entered into with the Portuguese State. At the end of the concession period, the assets relating to the concessions will be transferred to the Portuguese State and the companies will receive an amount corresponding to the book value of these assets at that date, net of depreciation, financial co-participation and Government grants.

Under the terms covered by the sectorial regulations applicable in Portugal, approved by the respective regulator ("ERSE" - www.erse.pt), described in the respective regulations in more detail, there are:

Distribution Network Operators:

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

Last resort wholesale retailer

- Natural Gas purchase and sale activity in connection to the management of the long-term sourcing contracts in the Take or Pay (ToP) scheme signed prior to the publication of Directive 2003/55/ EC of 26 June, exercised by the Natural Gas National System (NGNS) supplier.

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

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

Natural Gas and LNG acquisition contracts:

Contracts	Country	Quantity (mm ³ /year)	Period (years)	Initial year
NLNG I	Nigeria	420	20	2000
NLNG II	Nigeria	1,000	20	2003
NLNG +	Nigeria	2,000	20	2006
Sonatrach	Algeria	2,300	23	1997

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

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

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

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

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

- The natural gas purchase and sale activity for supply to the last resort, developed by the last resort wholesaler, includes the following functions:
 - Natural gas purchase and sale function, resulting from the acquisition of natural gas, directly or through auctions, under long-term sourcing contracts, of the supplier of natural gas national system;
 - Natural gas purchase and sale function in organized markets or through bilateral contracts (not applicable in Galp for the period under review).

Commercialisation of last resort retailers

- The natural gas supply activity, exercised by the last resort retailers, includes the following functions:
 - Natural gas purchase and sale;
 - Purchase and sale of the access to the Natural Gas National Transportation Network and Natural Gas National Distribution Network;
 - Natural gas supply.

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

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

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Geographic markets for developed activities are as follows:

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

2. Significant accounting policies

Galp consolidated financial statements were prepared on a going concern basis, at historical cost except for financial derivative instruments which are stated at fair value, on the accounting records of the companies included in the consolidation maintained in accordance with International Financial Reporting Standards as adopted by the European Union, effective for the economic exercise beginning in 1 January 2016. These standards include International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and respective interpretations – SIC and IFRIC, issued by the Standing Interpretation Committee ("SIC") and International Financial Reporting Interpretation Committee ("IFRIC"). These standards and interpretations are hereinafter referred to as "IFRS".

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

In respect to the construction contracts under the scope of IFRIC12, the construction of assets under concession contracts is subcontracted to specialised entities which assume their own construction activity risk. Income and expenses associated with the construction of these assets are of equal amounts and are recognised as Other operating income and Other operating costs.

As of 30 September 2016 were disclosed only material changes required by IFRS 7 – Financial Instruments: Disclosures. For all other disclosures under this standard refer to the Company's consolidated financial statements as of 31 December 2015.

For a detailed description of the accounting policies adopted by Galp refer to the consolidated financial statements of the Company as of 31 December 2015.

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2.1. Changes in accounting policies

The Company decided to change its accounting policy regarding the presentation of exchange differences in the income statement arising from Other receivables balances in foreign currency (trade receivables and other receivables) and Other accounts payable balances in foreign currency (trade payables and other payables). Such exchange differences were presented in the Financial Income, along with other exchange differences generated during the financial year. Thus, from 2016 exchange differences generated on Other accounts receivable foreign currency balances and Other payable foreign currency balances referred above will be presented in the same operational nature income statement caption where the income and losses associated with these transactions are reflected. The Company believes that this change in accounting policy follows the recommendations of IAS 8§14 par. b) and better reflects the operational and financial events of the Group. As such, and in accordance with the standard IAS8§19 par. b), the Company retrospectively reflected the impact on their corresponding figures.

In addition, the Group reclassified €63,163 k that were recorded under the caption "External Supplies and services – Transport of goods" to the caption "Cost of sales". The Company believes that this reclassification better reflects the nature of the operation as it is related with charges incurred for the purchase of raw materials.

The consolidated financial statements were restated as of 30 September 2015, with the effects on the income statement presented below:

Income statement:

(€ k)					
	Notes	September 2015	Restatement		September 2015 restated
			Reclassifications	Exchange differences	
Operating income:					
Sales	5	11,625,562	-	(312)	11,625,250
Services rendered	5	456,235	-	1,099	457,334
Other operating income	5	68,569	-	197	68,766
Total operating income:		12,150,366	-	984	12,151,350
Operating costs:					
Cost of sales	6	9,876,964	63,163	23,651	9,963,778
External supplies and services	6	974,070	(63,163)	355	911,262
Employee costs	6	254,069	-	298	254,367
Amortisation, depreciation and impairment losses on fixed assets	6	510,428	-	-	510,428
Provisions and impairment losses on receivables	6	24,610	-	-	24,610
Other operating costs	6	43,272	-	2,297	45,569
Total operating costs:		11,683,413	-	26,601	11,710,014
Operating result:		466,953	-	(25,617)	441,336
Financial income	8	20,762	-	-	20,762
Financial costs	8	(62,644)	-	-	(62,644)
Exchange (losses) gains		(32,869)	-	25,234	(7,635)
Income from financial investments and impairment losses on Goodwill	4 and 11	(7,657)	-	-	(7,657)
Income from financial instruments	27	(18,000)	-	-	(18,000)
Income before taxes:		366,545	-	(383)	366,162
Income tax	9	(157,508)	-	383	(157,125)
Energy sector extraordinary contribution	9	(59,755)	-	-	(59,755)
Consolidated net income for the period		149,282	-	-	149,282
Income attributable to:					
Non-controlling interests	21	32,271	-	-	32,271
Galp Energia SGPS, S.A. Shareholders		117,011	-	-	117,011
Consolidated net income for the period	10	149,282	-	-	149,282
Earnings per share (in Euros)	10	0.14	-	-	0.14

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3. Consolidated companies

3.1. Consolidation perimeter

During the period ended 30 September 2016, the following changes occurred in the consolidation perimeter:

a) Corporate restructuring:

- i. The subsidiary Petróleos de Portugal - Petrogal, S.A., holds financial participations in companies based on the African continent operating in the oil distribution segment. In the context of the corporate restructuring of the group, its intended to allocate these financial interests under the control of the subsidiary Galp Marketing Internacional, S.A..
- ii. On 29 April 2016 Petróleos de Portugal – Petrogal, S.A. disposed to Galp Marketing Internacional, S.A. the participation held in the subsidiary Empresa Nacional de Combustíveis - Enacol, S.A.R. (48.2871%), which respectively holds participation interests in the subsidiaries i) Enamar - Sociedade Transportes Marítimos, Sociedade Unipessoal, S.A. (100%) and ii) EnacolGest, Ld.^a (100%).
- iii. On 10 August 2016, through equity contribution made by Galp Energia E&P, B.V., the subsidiary Galp Energia Overseas B.V. is held by 62.16216% (previously held by 53.33333%) by the subsidiary Galp Energia E&P B.V. and by 37.83784% (previously held by 46.66667%) by Galp Exploração e Produção Petrolífera, S.A..
- iv. On 30 August 2016 Petróleos de Portugal – Petrogal, S.A. disposed 5% of the financial interest held in the subsidiary Enerfuel, S.A. to Galp Energia SGPS, S.A.. With this operation the subsidiary Enerfuel, S.A. is now held by 10.5556% by Galp Energia SGPS, S.A. and by 89.44444% by Petróleos de Portugal – Petrogal, S.A..

Given that the transactions referred above are between group companies, there was no impact on the consolidated financial statements of the group.

b) Acquired Companies:

- v. On 3 August 2016, through its subsidiary Galp Gás Natural Distribuição, S.A., the Group acquired 0.01473% of the share capital of the subsidiary Beiragás – Companhia de Gás das Beiras, S.A. by the amount of €5 k. With this acquisition, the Group now holds 59.51941% of the share capital of this subsidiary.

The subsidiary Beiragás – Companhia de Gás das Beiras, S.A. was already controlled by the Group and consolidated by the full method (held by 59.50468%). The difference between the amount paid and the equity book value at the acquisition date was recognised in the consolidated income statement under the caption Income from financial investments in the amount of €1 k (Note 4.4)

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3.2. Non current assets held for sale

On 27 July 2016, Galp Energia, SGPS, S.A. (Galp), through its subsidiary Galp Gas & Power, SGPS, S.A. (GGP), has reached an agreement with a consortium led by Marubeni Corporation, to establish a joint venture covering Galp's natural gas regulated infrastructure business.

This partnership is consistent with Galp's portfolio management strategy and reflects the specific nature of the regulated infrastructure business and the historically low interest rate environment, allowing Galp to crystallise value and to enhance its growth strategic options.

The agreement foresees the acquisition by the consortium of a 22.5% stake in the share capital of Galp Gás Natural Distribuição, S.A. (GGND), for a consideration of €138 m, and the sharing of certain governance rights within the joint venture. Following completion, Galp will cease to fully consolidate Galp Gás Natural Distribuição (GGND) into its Group accounts, and the entities comprising this subgroup will be classified as joint ventures.

The transaction is subject to regulatory approval and completion is expected to take place in the fourth quarter of 2016.

Prior to transaction completion, Galp Gás Natural Distribuição, S.A. has raised stand-alone funding to reimburse existing shareholder loans of €568 m.

For that purpose Galp Gás Natural Distribuição, S.A. established on 25 August 2016, an EMTN Programme ("EUR 1,000,000,000 Euro Medium Term Note Programme").

Under the EMTN Programme, on 19 September 2016, Galp Gás Natural Distribuição, S.A. issued notes in the amount of €600,000 k, reaching maturity on 19 September 2023 with a coupon of 1.375%, traded in the regulated market of the London Stock Exchange.

In this transaction acted as Joint-Bookrunners JP Morgan, BofA Merrill Lynch and Bank Santander Totta.

As a result of this Agreement, the Assets and Liabilities of the GGND group were presented in the consolidated financial statements of Galp Energia, SGPS as Non current assets held for sale and Liabilities associated with Non current assets held for sale.

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Non current assets held for sale and Liabilities associated with non current assets held for sale:

(€ k)

	Notes	Non current assets held for sale	Galpenergia Intragroup Eliminations	subsidiaries										associates	
				Galp Gás Natural Distribuição, S.A. Subsidiaries	Galp Gás Natural Distribuição, S.A. Intrasubgroup eliminations	Galp Gás Natural Distribuição, S.A.	Lisboagás GDL - Sociedade Distribuidora de Gás Natural de Lisboa, S.A.	Lusitaniagás - Companhia de Gás do Centro, S.A.	Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	Beiragás - Companhia de Gás das Beiras, S.A.	Dianagás - Soc. Distrib. de Gás Natural de Évora, S.A.	Duriensegás - Soc. Distrib. de Gás Natural do Douro, S.A.	Medigás - Soc. Distrib. de Gás Natural do Algarve, S.A.	Paxgás - Soc. Distrib. de Gás Natural de Beja, S.A.	Tagusgás - Empresa de Gás do Vale do Tejo, S.A.
Statement of financial position as of 30 September 2016															
Non-current assets:															
Tangible assets	12	(549)	-	(549)	-	-	-	-	(549)	-	-	-	-	-	-
Goodwill	11	(2,275)	-	(2,275)	-	(2,275)	-	-	-	-	-	-	-	-	-
Intangible assets investments in associates and joint ventures	12	(1,111,636)	3,337	(1,114,973)	-	-	(521,301)	(278,882)	(172,923)	(70,430)	(11,803)	(36,172)	(17,928)	(5,534)	-
Assets available for sale	4	(14,843)	-	(14,843)	268,426	(268,426)	-	-	-	-	-	-	-	-	(14,843)
Other receivables	14	(53,647)	-	(53,647)	540,109	(545,118)	(25,367)	(14,745)	(4,656)	(2,333)	(370)	(944)	(208)	(15)	-
Deferred tax assets	9	(17,728)	(830)	(16,898)	-	(1)	(13,887)	(569)	(303)	(543)	(275)	(979)	(328)	(13)	-
Total non-current assets:		(1,200,681)	2,507	(1,203,188)	808,535	(815,820)	(560,555)	(294,196)	(178,434)	(73,306)	(12,448)	(38,095)	(18,464)	(5,562)	(14,843)
Current assets:															
Inventories	16	(1,445)	-	(1,445)	-	-	(516)	(289)	(127)	(235)	(38)	(146)	(72)	(22)	-
Trade receivables	15	(5,834)	6,489	(12,323)	1,710	(1,107)	(5,886)	(3,332)	(1,328)	(675)	(388)	(815)	(382)	(120)	-
Other receivables	14	(48,721)	18,306	(67,027)	30,837	(10,898)	(48,171)	(16,508)	(11,536)	(2,444)	(2,623)	(3,279)	(1,542)	(863)	-
Current income tax receivable	9	-	-	-	5,511	(27)	(1,902)	(2,015)	(1,542)	-	(3)	(22)	-	-	-
Cash and cash equivalents	18	(43,194)	-	(43,194)	-	(33,703)	(1,045)	(1,389)	(167)	(6,014)	(197)	(319)	(237)	(123)	-
Subtotal current assets:		(99,194)	24,795	(123,989)	38,058	(45,735)	(55,618)	(23,420)	(15,173)	(10,910)	(3,246)	(4,562)	(2,255)	(1,128)	-
Non current assets held for sale		1,299,875	(27,302)	1,327,177	(846,593)	861,555	616,173	317,616	193,607	84,216	15,694	42,657	20,719	6,690	14,843
Total current assets:		1,200,681	(2,507)	1,203,188	(808,535)	815,820	560,555	294,196	178,434	73,306	12,448	38,095	18,464	5,562	14,843
Total assets:		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities:															
Non-current liabilities:															
Bank loans	22	(33,920)	-	(33,920)	-	-	(18,462)	(4,604)	-	(10,854)	-	-	-	-	-
Bonds	-	(595,323)	-	(595,323)	-	(595,323)	-	-	-	-	-	-	-	-	-
Other payables	24	(248,178)	60	(248,238)	540,110	(61)	(368,974)	(209,702)	(124,901)	(18,913)	(12,333)	(31,489)	(17,286)	(4,689)	-
Post-employment and other employee benefits liabilities	23	(54,678)	-	(54,678)	-	(3)	(53,506)	(251)	(562)	(295)	(18)	(23)	(13)	(7)	-
Deferred tax liabilities	9	(10,891)	-	(10,891)	-	-	(2,968)	(3,413)	(3,786)	(232)	(121)	(279)	(76)	(16)	-
Provisions	25	(31,719)	-	(31,719)	-	-	(16,380)	(7,466)	(4,153)	(1,949)	(293)	(886)	(437)	(155)	-
Total non-current liabilities:		(974,709)	60	(974,769)	540,110	(595,387)	(460,290)	(225,436)	(133,402)	(32,243)	(12,765)	(32,677)	(17,812)	(4,867)	-
Current liabilities:															
Bank loans and overdrafts	22	(13,263)	-	(13,263)	-	-	(6,153)	(2,369)	(2,041)	(2,700)	-	-	-	-	-
Trade payables	26	(7,533)	4,054	(11,587)	2,454	(1,064)	(3,832)	(3,588)	(3,963)	(776)	(136)	(296)	(215)	(171)	-
Other payables	24	(34,720)	16,539	(51,259)	30,088	(20,659)	(24,439)	(20,039)	(7,369)	(3,604)	(1,214)	(2,548)	(1,082)	(393)	-
Current income tax payable	9	290	12,774	(12,484)	5,515	(128)	(9,024)	(4,626)	(1,692)	(1,607)	(184)	(457)	(214)	(67)	-
Subtotal current liabilities:		(55,226)	33,367	(88,593)	38,057	(21,851)	(43,448)	(30,622)	(15,065)	(8,687)	(1,534)	(3,301)	(1,511)	(631)	-
Liabilities associated with non current assets held for sale		1,029,935	(33,427)	1,063,362	(578,167)	617,238	503,738	256,058	148,467	40,930	14,299	35,978	19,323	5,498	-
Total current liabilities:		974,709	(60)	974,769	(540,110)	595,387	460,290	225,436	133,402	32,243	12,765	32,677	17,812	4,867	-
Total liabilities:		-	-	-	-	-	-	-	-	-	-	-	-	-	-

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4. Financial investments

4.1. Investments in joint ventures

Changes in the caption "Investments in joint ventures" for the period ended 30 September 2016, reflected by the equity method, were as follows:

							(€ k)
Companies	Initial balance	Increase in investment	Gains / Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Dividends (Note 4.5)	Ending balance
Investments							
Tupi B.V.	(a) 890,515	144,647	12,935	(22,460)	-	-	1,025,637
Belem Bioenergia Brasil, S.A.	(b) 57,599	17,430	(20,628)	10,268	-	-	64,669
C.L.C. - Companhia Logística de Combustíveis, S.A.	(c) 20,157	(13,000)	2,492	-	-	(3,257)	6,392
Galp Disa Aviacion, S.A.	7,184	-	1,112	-	-	-	8,296
Parque Eólico da Penha da Gardunha, Lda.	1,600	-	(28)	-	-	-	1,572
Moçamgalp Agroenergias de Moçambique, S.A.	456	-	-	71	-	-	527
Asa - Abastecimento e Serviços de Aviação, Lda.	28	-	18	-	-	(6)	40
	977,539	149,077	(4,099)	(12,121)	-	(3,263)	1,107,133
Provisions for investments in joint ventures (Note 25)							
Ventinveste, S.A.	(1,604)	-	393	-	(494)	-	(1,705)
Caiageste - Gestão de Áreas de Serviço, Lda.	(27)	28	(26)	-	-	-	(25)
	(1,631)	28	367	-	(494)	-	(1,730)
	975,908	149,105	(3,732)	(12,121)	(494)	(3,263)	1,105,403

(a) €144,647 k corresponds to the capital increase made by Galp Sinopec Brazil Services BV. Control of Tupi BV is shared between: Galp Sinopec Brazil Services BV, Petrobras Netherlands BV and BG Overseas Holding Ltd, which hold respectively 10%, 65% and 25% of its share capital.

(b) €17,430 k corresponds to the capital increase made in Belem Bioenergia Brasil, S.A.. The control of Belem Bioenergia Brasil, S.A. is shared between: Galp Bioenergy B.V. and Petrobras Biocombustíveis SA, holding each 50% of its share capital.

(c) €13,000 k corresponds to the decrease of share capital made in C.L.C. - Companhia Logística de Combustíveis, S.A..

(d) €28 k corresponds to the supplementary capital contributions made by Galpgeste - Gestão de Áreas de Serviço, S.A.. The control of Caiageste - Gestão de Áreas de Serviço, Lda. is shared between Galpgeste - Gestão de Áreas de Serviço, S.A. and Gespost - Gestão e Administração de Postos de Abastecimento, Unipessoal, Lda., holding each 50% of its share capital.

4.2. Investments in associates

The changes in the caption "Investments in associates" for the period ended 30 September 2016 were as follows:

								(€ k)
Companies	Initial balance	Gains / Losses (Note 4.4)	Translation adjustment	Hedging reserves adjustment	Dividends (Note 4.5)	Transfers / Adjustments	Assets held for sale Note 3.1	Ending balance
Investments								
EMPL - Europe Magreb Pipeline, Ltd	61,579	25,881	(1,449)	-	(20,045)	-	-	65,966
Gasoduto Al-Andaluz, S.A.	20,706	4,484	-	-	(9,394)	-	-	15,796
Gasoduto Extremadura, S.A.	17,456	4,832	-	-	(9,510)	-	-	12,778
Tagusgás - Empresa de Gás do Vale do Tejo, S.A.	14,169	643	-	31	-	-	(14,843)	-
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	10,807	3,765	(2,948)	-	-	-	-	11,624
Metragaz, S.A.	1,347	215	3	-	(328)	-	-	1,237
Terparque - Armazenagem de Combustíveis, Lda.	546	46	-	-	(118)	-	-	474
C.L.C. Guiné Bissau - Companhia Logística de Combustíveis da Guiné Bissau, Lda.	943	259	-	-	-	-	-	1,202
IPG Galp Beira Terminal Lda	4,094	(2,945)	(807)	-	-	-	-	342
Sodigás-Sociedade Industrial de Gases, S.A.R.L	516	(1)	-	-	(66)	75	-	524
Galp IPG Matola Terminal Lda	3,874	(974)	(1,349)	-	-	-	-	1,551
	136,037	36,205	(6,550)	31	(39,461)	75	(14,843)	111,494
Provision for investment in associates (Note 25)								
Energin - Sociedade de Produção de Electricidade e Calor, S.A.	(2,416)	-	-	-	-	-	-	(2,416)
Aero Serviços, SARL - Sociedade Abastecimento de Serviços Aeroportuários	(67)	(6)	-	-	-	-	-	(73)
	(2,483)	(6)	-	-	-	-	-	(2,489)
	133,554	36,199	(6,550)	31	(39,461)	75	(14,843)	109,005

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The positive Goodwill related with associates and joint ventures, included in the caption "Investments in associates and joint ventures", is detailed as follows as of 30 September 2016 and 31 December 2015:

	(€ k)	
	<u>September 2016</u>	<u>December 2015</u>
Parque Eólico da Penha da Gardunha, Lda.	1,939	1,939
	<u>1,939</u>	<u>1,939</u>

4.3. Financial assets available for sale

During the period ended 30 September 2016, no significant changes occurred in the caption "Financial assets available for sale", when compared with the consolidated financial statements of the Company as of 31 December 2015. For additional clarifications refer to the consolidated financial statements of the Company as of 31 December 2015, and respective notes.

4.4. Income from financial investments

The caption "Income from financial investments and impairment losses on Goodwill", presented in the consolidated income statement for the period ended 30 September 2016 and 30 September 2015 are comprised as follows:

	(€ k)	
	<u>September 2016</u>	<u>September 2015</u>
Effect of applying the equity method:		
Associates (Note 4.2)	36,199	52,610
Joint ventures (Note 4.1)	(3,732)	7,271
Effect of the disposal of investments in group companies and associates:		
Loss on disposal of 100% of the investment held in Madrileña Suministro de Gas SL	-	(13,970)
Gain on disposal of 100% of the investment held in Madrileña Suministro de Gas SUR SL	-	(4,630)
Gain on disposal of the investment held in Compañía Logística de Hidrocarburos CLH, S.A.	-	2
Differences arising from the acquisition of the share capital of group companies and associates:		
Acquisition of 0.01473% of the share capital of Beiragás - Companhia de Gás das Beiras, S.A. (Nota 3.1 b1))	1	-
Effect of the liquidation of group companies:		
Liquidation of the subsidiary Next Priority, SGPS, S.A.	-	(1)
Effect of Group companies Goodwill impairments:		
Goodwill Impairment of the subsidiary Galp Distribución Oil España, SAU, which is recorded in the caption Goodwill (Note 11)	-	(35,028)
Goodwill Impairment of the subsidiary Galp Comercialización España, SL, which is recorded in the caption Goodwill (Note 11)	-	(6,152)
Goodwill Impairment of the subsidiary Petróleos de Valencia, SA, Sociedad Unipersonal which is recorded in the caption Goodwill (Note 11)	-	(7,759)
	<u>32,468</u>	<u>(7,657)</u>

4.5. Dividends from financial investments

The caption "Investments in associates and joint ventures" (Note 4.1 and 4.2) includes the total amount of €42,724 k related to dividends corresponding to amounts approved in the General meetings of the respective companies. The dividends received in the period of nine months ended 30 September 2016 amounted to €43,786 k.

The difference between the amount received and the amount recognised in the caption "Investments in associates and joint ventures" of €1,062 k is related to: i) €152 k of negative exchange differences occurring in the payment date which were reflected in the caption "Exchange gains (losses)", in the

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income statement; (ii) €1,238 k of dividends received from Assets available for sale; (iii) €328 k from dividends approved in the General meeting of the respective companies and not yet settled; and (iv) €268 k related to dividends received referring to amounts approved in previous years.

4.6. Joint-operations

During the period ended 30 September 2016, no significant changes occurred in Joint Operations, by geographic area and interest held. For additional clarifications refer to the consolidated financial statements of the Company, as of 31 December 2015, and respective notes.

5. Operating income

The Group's operating income for the periods ended 30 September 2016 and 2015 is as follows:

Captions	(€ k)	
	2016	2015
Sales:		
goods	3,873,340	5,256,805
products	5,244,313	6,368,757
Exchange differences	(9,686)	(312) (a)
	9,107,967	11,625,250 (a)
Services rendered	486,655	456,235
Exchange differences	(40)	1,099 (a)
	486,615	457,334 (a)
Other operating income		
Supplementary income	57,001	37,120
Revenues arising from the construction of assets under IFRIC12	13,833	12,862
Capitalized own costs	(104)	(228)
Investment government grants (Note 13)	7,422	10,122
Gains on fixed and intangible assets	4,292	2,921
Exchange differences	(888)	191 (a)
Others	7,724	5,778 (a)
	89,280	68,766 (a)
	9,683,862	12,151,350 (a)

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.23.

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

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

Captions	(€ k)	
	2016	2015
Costs arising from the construction of assets under IFRIC12 (Note 6)	(13,833)	(12,862)
Revenues arising from the construction of assets under IFRIC12	13,833	12,862
Margin	-	-

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6. Operating costs

The results for the periods ended 30 September 2016 and 2015 were affected by the following items of operating costs:

CAPTIONS	(€ k)	
	2016	2015
Cost of sales:		
Raw and subsidiary materials	3,371,886	4,719,636 (a)
Goods	2,221,131	3,188,039
Tax on Oil Products	2,097,975	1,977,525
Variation in production	(244,677)	80,267
Impairment in inventories (Note 16)	(15,946)	(88,503)
Financial derivatives (Note 27)	50,606	63,164
Exchange differences	4,944	23,650 (a)
	7,485,919	9,963,778 (a)
External supplies and services:		
Subcontracts - network use	281,852	283,894
Subcontracts	3,619	5,200
Transport of goods	93,547	94,350 (a)
Storage and filling	37,907	44,624
Rental costs	71,183	60,483
Blocks production costs	137,136	96,182
Maintenance and repairs	35,947	37,927
Insurance	38,078	35,174
Royalties	44,353	37,310
IT services	20,687	19,880
Commissions	7,820	10,481
Advertising	9,790	3,836
Electricity, water, steam and communications	45,623	49,447
Technical assistance and inspection	3,390	6,206
Port services and fees	6,534	7,211
Other specialised services	52,548	47,695
Other external supplies and services	17,239	17,778
Exchange differences	(3,952)	356 (a)
Other costs	66,685	53,228
	969,986	911,262 (a)
Employee costs:		
Statutory board salaries (Note 29)	3,142	6,167
Employee salaries	167,446	176,029
Social charges	40,631	40,581
Retirement benefits - pensions and insurance	26,084	24,513
Other insurances	7,002	8,258
Capitalisation of employee costs	(3,696)	(5,500)
Exchange differences	(178)	299 (a)
Other costs	4,906	4,020
	245,337	254,367 (a)
Amortisation, depreciation and impairment:		
Depreciation and impairment of tangible assets (Note 12)	521,236	443,582
Amortisation and impairment of intangible assets (Note 12)	23,073	36,027
Amortisation and impairment of concession arrangements (Note 12)	30,916	30,819
	575,225	510,428
Provision and impairment losses on receivables:		
Provisions and reversals (Note 25)	6,636	7,426
Impairment losses on trade receivables (Note 15)	18,209	16,082
Impairment losses (gains) on other receivables (Note 14)	4	1,102
	24,849	24,610
Other operating costs:		
Other taxes	12,926	10,105
Exchange differences - Other taxes	(3)	(50) (a)
Costs arising from the construction of assets under IFRIC12 (Note 5)	13,833	12,862
Loss on tangible and intangible assets	1,240	5,486
Donations	631	628
CO2 Licenses (Note 35)	3,186	5,806
Exchange differences	(113)	2,347 (a)
Other operating costs	28,624	8,385 (a)
	60,324	45,569 (a)
	9,361,640	11,710,014 (a)

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.23.

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

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

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

The subcontracts heading includes the effect of regulated tariffs for the use of the global system ("UGS") and the use of the transportation network ("URT"), charged by the transportation system operator (REN) to the Distribution Operators who, in turn, through the compensation mechanism of the network access, by the uniform tariff, bill (pass-through) to trading companies. The amount of €281,852 k recorded under this caption mainly includes the amount of €4,647 k charged by Madrileña Red de Gas, €133,339 k charged by EDP Distribuição Energia and €211,259 k charged by Ren Gasodutos.

The amount of €44,353 k of royalties presented in "External supplies and services" mainly relates to the Exploration and Production of oil and gas in Brazil.

The amount of €28,624 k presented in the caption "Other operating costs" is related with costs incurred by Petrogal Brasil Ltda. from the use of the Cabiúnas pipeline in the amount of €18,952 k, which is calculated based on the gas seeped by each partner.

7. Segment reporting

Business segments

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

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

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

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

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The financial information for the previously identified segments, as of 30 September 2016 and 2015 is presented as follows:

(€ k)												
	Exploration & Production		Refining & Marketing		Gas & Power		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Income												
Sales and Services Rendered	491,431	488,764	7,701,572	9,373,482	1,807,206	2,550,974	88,718	90,597	(494,345)	(421,233)	9,594,582	12,082,584
Inter-segmental	313,307	184,614	935	710	109,113	165,877	70,990	70,034	(494,345)	(421,233)	-	2
External	178,124	304,150	7,700,637	9,372,772	1,698,093	2,385,097	17,728	20,563	-	-	9,594,582	12,082,582
Cost of Sales	10,153	6,506	(6,707,307)	(8,385,210)	(1,168,907)	(1,879,653)	2	(73)	380,140	294,651	(7,485,919)	(9,963,778)
Cost of goods sold and materials consumed	674	(225)	(6,912,253)	(8,304,535)	(1,183,397)	(1,894,963)	2	(74)	380,140	294,651	(7,714,834)	(9,905,146)
Variation in Production	9,479	6,732	204,946	(80,675)	14,490	15,311	-	-	-	-	228,915	(58,632)
EBITDA (1)	248,876	296,784	396,097	385,173	255,760	272,493	21,565	21,924	(2)	-	922,296	976,374
Non payable expenses												
Amortisation, depreciation and impairments	(319,067)	(247,900)	(209,267)	(213,128)	(43,500)	(46,070)	(3,391)	(3,330)	-	-	(575,225)	(510,428)
Depreciation and Amortisation	(214,531)	(170,290)	(199,821)	(204,874)	(44,337)	(43,401)	(3,391)	(3,330)	-	-	(462,080)	(421,895)
Impairments	(104,536)	(77,610)	(9,446)	(8,254)	837	(2,669)	-	-	-	-	(113,145)	(88,533)
Provisions and Impairments	(5,110)	(1,230)	(15,541)	(14,272)	(4,198)	(9,108)	-	-	-	-	(24,849)	(24,610)
Provisions	(5,133)	-	(2,550)	(8,388)	(204)	(317)	-	-	-	-	(7,887)	(8,705)
Impairments	23	(1,230)	(15,742)	(15,923)	(6,809)	(8,986)	-	-	-	-	(22,528)	(26,139)
Provisions - Reversals	-	-	521	1,141	726	136	-	-	-	-	1,247	1,277
Impairments - Reversals	-	-	2,229	8,899	2,089	58	-	-	-	-	4,318	8,957
EBIT IAS/IFRS	(75,301)	47,654	171,289	157,773	208,062	217,315	18,174	18,594	(2)	-	322,222	441,336
Income from financial investments	12,935	10,919	(16,895)	(51,796)	36,420	36,493	6	(3,273)	2	-	32,468	(7,657)
Other financial income	73,020	76,947	(11,356)	(84,973)	(25,983)	(20,290)	(33,173)	(39,201)	-	-	2,508	(67,517)
Interest expense	53,585	45,573	(36,390)	(56,817)	(24,506)	(27,915)	(82,671)	(94,959)	54,014	79,244	(35,968)	(54,874)
Interest income	21,416	35,238	4,404	3,432	1,419	1,673	49,616	56,712	(54,078)	(78,387)	22,777	18,668
O. Financial charges	(1,981)	(3,864)	20,630	(31,588)	(2,896)	5,952	(118)	(954)	62	(857)	15,697	(31,311)
Income tax	(86,739)	(92,027)	(46,895)	(23,469)	(42,078)	(48,152)	6,893	6,523	-	-	(168,819)	(157,125)
Energy sector extraordinary contribution	-	-	(28,244)	(30,271)	(32,138)	(29,484)	-	-	-	-	(60,382)	(59,755)
Non-controlling interests	(24,327)	(29,858)	(3,553)	(1,224)	(1,173)	(1,189)	-	-	-	-	(29,053)	(32,271)
Consolidated net income for the period	(100,412)	13,635	64,346	(33,960)	143,110	154,693	(8,100)	(17,357)	-	-	98,944	117,011
As of 30 September 2016 and 31 December 2015												
OTHER INFORMATIONS												
Segment Assets (2)												
Financial investments (3)	1,026,162	890,971	97,428	108,055	97,402	116,866	170	171	-	-	1,221,162	1,116,063
Non current assets held for sale	-	-	-	-	1,299,875	-	-	-	-	-	1,299,875	-
Other Assets	5,423,577	4,977,938	4,595,863	4,934,275	1,298,266	2,648,981	1,532,577	2,113,399	(2,141,738)	(2,997,625)	10,708,545	11,676,968
Total Consolidated Assets	6,449,739	5,868,909	4,693,291	5,042,330	2,695,543	2,765,847	1,532,747	2,113,570	(2,141,738)	(2,997,625)	13,229,582	12,793,031
Liabilities associated with non current assets held for sale	-	-	-	-	1,029,935	-	-	-	-	-	1,029,935	-
Other Liabilities	888,351	930,461	2,785,646	2,957,499	1,072,332	2,113,939	3,452,309	3,600,633	(2,141,737)	(2,997,625)	6,056,900	6,604,907
Total Consolidated Liabilities	888,351	930,461	2,785,646	2,957,499	2,102,267	2,113,939	3,452,309	3,600,633	(2,141,737)	(2,997,625)	7,086,835	6,604,907
Investment in Tangible and Intangible Assets	701,723	674,544	61,700	30,837	18,926	16,633	1,373	3,497	-	-	783,723	725,511

(1) EBITDA = Segmental income/EBIT + Amortizations + Provisions

(2) Net amount

(3) at the Equity Method

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Inter-segmental Sales and Services Rendered

(€ k)					
Segments	Exploration & Production	Refining & Marketing	Gas & Power	Others	TOTAL
Gas & Power	-	464	-	20,370	20,834
Refining & Marketing	313,307	-	109,111	40,064	462,482
Exploration & Production	-	246	-	10,556	10,802
Others	-	225	2	-	227
	313,307	935	109,113	70,990	494,345

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

- Gas & Power: natural gas sales for the production process of Matosinhos and Sines refineries (Refining and Marketing);
- Refining & Marketing: supply of fuel to all Group company vehicles;
- Exploration & Production: sales of crude oil to the Refining & Marketing segment; and
- Other: back-office and management services.

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

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

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

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

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8. Financial income and costs

Financial income and financial costs for the periods ended 30 September 2016 and 2015 are as follows:

Captions	(€ k)	
	September 2016	September 2015
Financial income:		
Interest on bank deposits	18,146	14,854
Interest and other income with related companies	4,641	3,816
Other financial income	1,409	2,092
	24,196	20,762
Financial costs:		
Interest on bank loans, overdrafts and others	(86,483)	(93,395)
Interest with related parties	(6,406)	(5,928)
Interests capitalised in fixed assets (Note 12)	71,507	65,621
Net interest on retirement benefits and other benefits	(7,493)	(7,609)
Charges relating to loans	(9,682)	(13,557)
Other financial costs	(6,955)	(7,776)
	(45,512)	(62,644)
	(21,316)	(41,882)

During the period ended 30 September 2016, the Group capitalised under the caption Fixed assets in progress, the amount of €71,507 k, regarding interests on loans obtained to finance capital expenditure on tangible and intangible assets during their construction phase (Note 12).

For the periods ended 30 September 2016 and 2015, the amounts capitalised correspond to 83% and 70% of the total interests incurred by the group, in the amount of €86,483 k and €93,395 k, respectively. The amount of capitalised interests is prorated by the investments in progress.

9. Income taxes

Income tax and Energy sector extraordinary contribution recognised in the period ended 30 September 2016 and 2015 are as follows:

Captions	(€ k)	
	September 2016	September 2015
Current income tax	107,024	65,792
"IRP" - Oil income Tax	5,824	15,983
"SPT" - Special Participation Tax	44,656	65,792
(Excess)/Insufficiency of income tax for the preceding year	3,767	(8,984)
Deferred tax	7,582	18,926
Exchange differences	(34)	(384) (a)
Income tax	168,819	157,125 (a)
Energy sector extraordinary contribution	60,382	59,755

(a) These amounts were restated considering the changes in the accounting classification referred in Note 2.23.

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As at 30 September 2016 and 31 December 2015, the Group has income tax payable amounting to €36,305 k and €9,214 k respectively.

Deferred taxes

The tax rates used by Galp group take into account the risk of substantively enacted tax rates do not become effective, which essentially depends on the reliability associated with the legal certainty of the legislative production.

This analysis takes into account the associated jurisdiction, the respective political risk and its legislative history.

As at 30 September 2016, the balance of deferred tax assets and liabilities is as follows:

(€ k)							
Deferred Taxes September 2016 - Assets							
Captions	Initial balance	Effect in profit and loss	Effect in equity	Effect of currency translation	Other adjustments	Assets held for sale Note 3.1	Ending balance
Adjustments to accruals and deferrals	6,512	(175)	-	-	-	(831)	5,506
Adjustments to tangible and intangible assets	41,214	10,259	-	997	(1,428)	(7)	51,035
Adjustments to inventories	631	56	-	-	-	-	687
Overlifting adjustments	927	(653)	-	(21)	-	-	253
Retirement benefits and other benefits	102,402	57	(4,753)	-	-	(12,106)	85,600
Double economical taxation	2,752	-	-	-	-	-	2,752
Financial instruments	254	-	143	-	-	-	397
Tax losses carried forward	102,430	(21,374)	-	3,548	1,426	-	86,030
Regulated revenue	8,541	1,258	-	-	240	(2,635)	7,404
Non deductible provisions	33,036	3,765	-	2,653	(1)	(1,286)	38,167
Potential foreign exchange differences Brazil	133,192	(25,463)	(108,573)	28,954	231	-	28,341
Others	30,243	839	-	1,885	3	(863)	32,107
	462,134	(31,431)	(113,183)	38,016	471	(17,728)	338,279

(€ k)					
Deferred Taxes September 2016 - Liabilities					
Captions	Initial balance	Effect in profit and loss	Effect of currency translation	Liabilities held for sale Note 3.1	Ending balance
Adjustments to accruals and deferrals	(13)	-	6	-	(7)
Adjustments to tangible and intangible assets	(40,132)	18,817	(3,760)	-	(25,075)
Adjustments to tangible and intangible assets Fair Value	(15,081)	859	-	3,462	(10,760)
Adjustments in Inventories	(181)	60	-	-	(121)
Underlifting Adjustments	(389)	277	9	-	(103)
Dividends	(27,612)	(765)	-	-	(28,377)
Regulated revenue	(22,622)	4,514	-	6,261	(11,847)
Accounting revaluations	(2,386)	157	-	1,168	(1,061)
Others	(968)	(70)	(10)	-	(1,048)
	(109,384)	23,849	(3,755)	10,891	(78,399)

Changes in deferred taxes reflected in Equity, correspond to:

- €4,753 k for changes in deferred taxes related to actuarial gains and losses;
- €143 k for changes in deferred taxes related to hedge reserves components;
- €108,573 k including €76,002 k related to the deferred taxes on the Exchange rate differences resulting from the financial contributions which are similar to "quasi capital" (Note 20) and €32,571 k related to non-controlling interests.

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

For more information see the notes to the financial statements as of 31 December 2015.

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10. Earnings per share

Earnings per share for the periods ended 30 September 2016 and 2015 are as follows:

	(€ k)	
	September 2016	September 2015
Income		
Income for purposes of calculating earnings per share (Consolidated net income of the period)	98,944	117,011
Number of shares		
Weighted average number of shares for purposes of calculation earnings per share (Note 19)	829,250,635	829,250,635
Basic and diluted earnings per share (amounts in Euros):	0.12	0.14

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

11. Goodwill

The difference between the amounts paid to acquire an equity share in Group companies and the fair value of the acquired companies' equity as at 30 September 2016 was as follows:

Subsidiaries	Acquisition year	Acquisition cost	Equity proportion at the acquisition date		Goodwill movement			
			%	Amount	December 2015	Currency exchange differences (d)	Assets held for sale Note 3.1	September 2016
Galp Energia España, S.A.								
Galp Comercialización Oil España, S.L.	(a)	2008	100.00%	129,471	37,725	-	-	37,725
Galp Distribución Oil España, S.A.U.	(b)	2008	100.00%	123,611	11,092	-	-	11,092
					48,817	-	-	48,817
Petróleos de Portugal - Petrogal, S.A.								
Galp Comercialização Portugal, S.A.	(c)	2008	100.00%	69,027	50,556	-	-	50,556
					50,556	-	-	50,556
Galp Swaziland (PTY) Limited		2008	100.00%	651	20,914	(513)	-	20,401
Galpgest - Petrogal Estaciones de Servicio, S.L.U.		2003	100.00%	1,370	5,568	-	-	5,568
		2007 and						
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.		2008	15.77%	4,031	4,329	-	-	4,329
Galp Moçambique, Lda.		2008	100.00%	2,978	3,893	(96)	-	3,797
Durienségás - Soc. Distrib. de Gás Natural do Douro, S.A.		2006	25.00%	1,454	1,640	-	(1,640)	-
Lusitaniagás - Companhia de Gás do Centro, S.A.		2002/3 and 2007/8/9	1.543%	856	584	-	(584)	-
Gasinsular - Combustíveis do Atlântico, S.A.		2005	100.00%	(353)	403	-	-	403
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.		2005	67.65%	580	278	-	-	278
Beiragás - Companhia de Gás das Beiras, S.A.		2003/6 and 2007	0.94%	107	51	-	(51)	-
Galp Sinopec Brazil Services (Cyprus)		2012	100.00%	1	2	-	-	2
					137,035	(609)	(2,275)	134,151

(a) The subsidiary Galp Comercialización Oil España, S.L. was incorporated in Galp Energia España, S.A., through a merger process, during the year ended 31 December 2010.

(b) The subsidiary Galp Distribución Oil España, S.A.U., was incorporated in Galp Energia España, S.A. through a merger process, during the year ended 31 December 2011.

(c) The subsidiary Galp Comercialização Portugal, S.A., was incorporated in Petróleos de Portugal - Petrogal, S.A. through a merger process, during the year ended 31 December 2010.

(d) The exchange differences result from the conversion of Goodwill recorded in local companies' currency to Group's reporting currency (euros) at the exchange rate prevailing on the date of the financial statements (Note 20).

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12. Tangible and intangible assets

Tangible and intangible assets as of 30 September 2016 and 31 December 2015 are comprised as follows:

	September 2016			December 2015		
	Gross acquisition cost	Accumulated amortisation, depreciation and impairment losses	Net Assets	Gross acquisition cost	Accumulated amortisation, depreciation and impairment losses	Net Assets
Tangible assets						
Land and natural resources	273,391	(1,912)	271,479	275,715	(1,947)	273,768
Buildings and other constructions	915,936	(687,825)	228,111	921,343	(675,855)	245,488
Machinery and equipment	8,025,064	(5,260,216)	2,764,848	7,473,925	(4,860,488)	2,613,437
Transport equipment	30,237	(28,028)	2,209	30,474	(27,705)	2,769
Tools and utensils	4,579	(4,143)	436	4,612	(4,070)	542
Administrative equipment	178,068	(170,484)	7,584	176,338	(167,146)	9,192
Reusable containers	158,644	(146,208)	12,436	159,212	(145,272)	13,940
Other tangible assets	89,789	(81,841)	7,948	89,336	(80,337)	8,999
Tangible assets in progress	2,419,711	-	2,419,711	2,047,588	-	2,047,588
Advances to suppliers of tangible assets	97	-	97	-	-	-
	12,095,516	(6,380,657)	5,714,859	11,178,543	(5,962,820)	5,215,723
Intangible assets						
Research and development costs	280	(280)	-	280	(279)	1
Industrial property and other rights	550,897	(326,456)	224,441	548,760	(305,555)	243,205
Reconversion of consumption to natural gas	551	(445)	106	551	(439)	112
Goodwill	11,858	(10,206)	1,652	11,858	(10,206)	1,652
Other intangible Assets	498	(498)	-	498	(498)	-
Service Concession Arrangements	-	-	-	1,743,641	(616,567)	1,127,074
Intangible assets in progress - Service Concession Arrangements	-	-	-	1,701	-	1,701
Intangible assets in progress	34,878	-	34,878	29,232	-	29,232
	598,962	(337,885)	261,077	2,336,521	(933,544)	1,402,977

Tangible and intangible assets are recorded in accordance with the accounting policy defined by the Group and disclosed in the notes to the consolidated financial statements as of 31 December 2015 (Note 2.3 and Note 2.4). The depreciation/amortisation rates that are being applied are disclosed in the same note.

The change net of increases and decreases noted in the caption Tangible and Intangible net assets for the period ended 30 September 2016 in the amount of €642,764 k is comprised by the following movements:

	Tangible		Intangible		Total	
	Gross Assets	Accumulated depreciation	Gross Assets	Accumulated amortisation	Gross Assets	Accumulated depreciation/amortisation
Balance at 1 January 2016	11,178,543	(5,962,820)	2,336,521	(933,544)	13,515,064	(6,896,364)
Additions	709,730	-	25,142	-	734,872	-
Additions by financial costs capitalisation (Note 8)	71,507	-	-	-	71,507	-
Write-offs/Disposals	(12,976)	6,294	(2,503)	1,841	(15,479)	8,135
Changes on impairments	(112,929)	3,592	(28)	-	(112,957)	3,592
Adjustments	262,579	(19,018)	(1,587)	(144)	260,992	(19,162)
Amortisation/Depreciation for the period	-	(409,094)	-	(52,985)	-	(462,079)
Assets held for sale (Note 3)	(938)	389	(1,758,583)	646,947	(1,759,521)	647,336
Total movements	916,973	(417,837)	(1,737,559)	595,659	(820,586)	177,822
Balance at 30 September 2016	12,095,516	(6,380,657)	598,962	(337,885)	12,694,478	(6,718,542)

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The amortisation and depreciation for the periods ended 30 September 2016 and 2015 (Note 6) and for the year ended 31 December 2015 are comprised as follows:

	September 2016			September 2015			December 2015			(€ k)
	Tangible	Intangible	Total	Tangible	Intangible	Total	Tangible	Intangible	Total	
Amortisation/depreciation for the period	409,094	22,069	431,163	346,737	21,868	368,605	473,169	29,340	502,509	
Amortisation for the period - Service Concession Arrangements	-	30,916	30,916	-	30,819	30,819	-	41,211	41,211	
Impairments	112,142	1,004	113,146	96,846	14,159	111,005	161,657	14,258	175,915	
Amortisation, depreciation and impairments (Note 6)	<u>521,236</u>	<u>53,989</u>	<u>575,225</u>	<u>443,583</u>	<u>66,846</u>	<u>510,429</u>	<u>634,826</u>	<u>84,809</u>	<u>719,635</u>	

Main events occurring during the period ended 30 September 2016:

The increases noted in tangible and intangible assets captions, amounting to €806,379 k, mainly include:

i) Exploration & Production segment

- €497,975 k regarding exploration and development investments in blocks in Brazil;
- €152,480 k regarding exploration investments in block 32 in Angola;
- €24,621 k regarding exploration and development investments in block 14 in Angola; and
- €20,388 k regarding exploration investments in block 4 in Mozambique.

ii) Gas & Power segment

- €18,792 k regarding natural gas infrastructure construction (network, plot and other infrastructures) of which the amount of €13,833 k is covered by IFRIC 12 (Note 5 and 6).

iii) Refining & Marketing Segment

- €14,583 k related with the Retail business unit and is due mainly to the improvement of stations, convenience stores, expansion of activities and development of information systems;
- €10,488 k related to industrial investments in the Sines and Matosinhos refineries;
- €9,330 k related to the 2016 partial stoppage at Matosinhos refinery;
- €7,990 k related to the Monobuoy intervention and TLP project;
- €7,699 k related to the stoppage of the Sines refinery;
- €6,435 k for other industrial investments; and
- €2,587 k related to the requalification project for gas cylinders.

In the period ended 30 September 2016, tangible and intangible assets amounting to a net €15,479 k were disposed and written-off, as a result of the update of the assets register that was performed in this period, mainly related to write-offs related to exploration and development expenses in blocks in Brazil amounting to €3,442 k and investments in the Retail business unit, due to improvements in stations, convenience stores, expansion activities and development of information systems, the majority of which were fully amortised.

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In the period ended 30 September 2016, impairments on tangible and intangible assets have been recognised amounting to €463,986 k which mainly include:

- €191,658 k for impairment losses on non-operated and operated blocks and other assets in Brazil and Angola;
- €86,789 k for impairment losses in exploration in Morocco;
- €76,219 k for impairment losses in the retail network in Portugal and Spain;
- €74,600 k for impairment losses in blocks in Namibia;
- €8,753 k for impairment losses in exploration in Aljubarrota (Portugal onshore);
- €7,670 k for impairment losses in exploration in Uruguay;
- €7,001 k for impairment losses in exploration in Mozambique; and
- €4,639 k for impairment losses in blocks in East Timor.

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

	(€ K)		
	Assets in progress	Impairments	Net
Research and exploration of oil in Brazil	1,441,004	(46,750)	1,394,254
Research and exploration of oil in Angola and Congo	730,354	(143,107)	587,247
Research in Mozambique	289,410	(7,001)	282,409
Research in Portugal	68,998	(8,753)	60,245
Industrial investments relating to refineries	57,922	-	57,922
Renewal and expansion of the network	42,301	(226)	42,075
Research in Namibia	41,962	(38,402)	3,560
Transportation and logistics	2,790	-	2,790
Conversion projects of the Sines and Matosinhos refineries	976	-	976
Research in S. Tomé and Príncipe	551	-	551
Research in Morocco	80,069	(80,069)	-
Research of oil in blocks 3 and 4 in Uruguay	7,670	(7,670)	-
Research in Timor	2,646	(2,646)	-
Other projects	22,657	-	22,657
	2,789,310	(334,624)	2,454,686

13. Government grants

As of 30 September 2016 and 31 December 2015 the amounts to be recognised as government grants in future years amount to €7,750 k and €253,679 k, respectively (Note 24), being the variation presented by some €238,926 k related to the intention to dispose part of the assets allocated to the subsidiary Galp Gás Natural Distribuição.

During the periods ended 30 September 2016 and 2015 government grants of €7,422 k and €10,122 k, respectively, were recognised in the income statement (Note 5).

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14. Other receivables

The non-current and current caption "Other receivables" as of 30 September 2016 and 31 December 2015 is detailed as follows:

(€ k)				
Captions	September 2016		December 2015	
	Current	Non current	Current	Non current
State and Other Public Entities:				
Value Added Tax - Reimbursement requested	3.943	-	539	-
"ISP" - Tax on Oil Products	243	-	558	-
Others	50.033	-	16.769	-
Loans granted to Sinopec Group	574.592	-	722.936	-
Advances to tangible and intangible suppliers	139.160	-	99.795	-
Underlifting	28.478	-	27.792	-
Carry from public participations interests	27.762	-	22.937	-
Over cash-call from partner Petrobras in operated blocks	19.585	-	18.817	-
Guarantees	12.478	-	12.541	-
Other receivables - associates, joint ventures and other related parties	6.678	-	5.821	90
Means of payment	5.283	-	7.276	-
Advances to suppliers	2.990	-	2.457	-
Personnel	1.631	-	1.588	-
Subsoil levies	52	-	24.750	28.068
Loans to costumers	51	1.358	124	1.355
Loans to associates, joint ventures and other related parties	-	29.852	-	30.271
Spanish Bitumen process	-	-	385	-
Ceding rights contract of telecommunications infrastructures usage	-	-	86	-
Other receivables	37.095	29.118	45.259	28.294
	910.054	60.328	1.010.430	88.078
Accrued income:				
Sales and services rendered not yet invoiced - Natural gas	61.241	-	109.809	-
Sales and services rendered not yet invoiced - Electricity	35.285	-	28.698	-
Adjustment to tariff deviation - "pass through" - ERSE regulation	22.983	-	29.424	-
Sales and services rendered not yet invoiced	12.055	-	7.903	-
Commercial discount on purchases	1.145	-	884	-
Adjustment to tariff deviation - Regulated revenue - ERSE regulation	1.084	499	23.231	17.551
Accrued management and structure costs	1.080	-	7.581	-
Sale of finished goods to be invoiced by the service stations	917	-	724	-
Compensation for the uniform tariff	819	-	1.032	-
Accrued interest	810	-	1.691	-
Adjustment to tariff deviation - Energy tariff - ERSE regulation	-	61.639	-	61.639
Financial neutrality - regulation ERSE	-	-	6.102	-
Other accrued income	10.115	32	8.531	63
	147.534	62.170	225.610	79.253
Deferred charges:				
Energy sector extraordinary contribution	22.147	91.358	23.370	107.663
Catalyser charges	15.129	-	20.070	-
Prepaid insurance	12.235	-	1.033	-
Prepaid rent	5.848	-	4.309	-
Other prepayments - Other external supplies and services	5.099	-	7.020	-
Prepaid rent relating to service stations concession contracts	3.233	26.452	2.894	25.633
Interest and other financial costs	999	-	180	-
Retirement benefits (Note 23)	-	5.243	-	176
Other deferred costs	4.563	153	13.076	99
	69.253	123.206	71.952	133.571
	1.126.841	245.704	1.307.992	300.902
Impairment of other receivables	(8.127)	(2.753)	(8.096)	(2.753)
	1.118.714	242.951	1.299.896	298.149

The movement occurred in the caption "Impairment of other receivables" for the period ended 30 September 2016 was as follows:

(€ k)						
Captions	Initial balance	Increases	Decreases	Adjustments	Assets held for sale	Ending balance
Other accounts receivable - Current	8,096	7	(3)	30	(3)	8,127
Other accounts receivable - Non current	2,753	-	-	-	-	2,753
	10,849	7	(3)	30	(3)	10,880

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The increase and decrease in the caption “Impairment of other receivables” in the net amount of €4 k is included in the caption “Provisions and impairment losses on receivables” (Note 6).

The caption “Loans granted” includes the amount of €574,592 k (US\$641,302 k) relating to a loan granted by the Group to Tip Top Energy, SARL (Company from Sinopec Group) on 28 March 2012, renewable every three months until September 2017, remunerated at a three-month LIBOR interest rate plus a spread and registered as a current asset.

The movement occurred in the caption Loans granted to Tip Top Energy, SARL, from the establishment of the contract to the period ended 30 September 2016 was as follows:

	USD	Exchange rate 30/09/2016	(€ k)
Loan 28/03/2012	1,228,626,253.42	1.1161	1,100,821
Interest capitalisation	67,696,254.87	1.1161	60,654
Interest receipts	(61,012,962.89)	1.1161	(54,666)
Partial receipts	(594,007,500.00)	1.1161	(532,217)
Accounts receivable	641,302,045.40	1.1161	574,592

During the period ended 30 September 2016 an amount of €3,829 k has been recognised under the caption Interest relating to loans granted to related companies.

The amount of €28,478 k recorded in the caption “Other receivables – underlifting” represents the amounts to be received by the Group for the lifting of barrels of crude oil below the production quota (underlifting) and is valued at the lower of the market price at the sale date and the market price on 30 September 2016.

The caption “Carry from public participation interests” amounting to €27,762 k refers to amounts receivable from public partners during the exploration period. Farm-in contracts agreed with partners consider that, during the exploration period, the Group is responsible for investment through cash calls and requested by the operator to the public partner up to their participation limit.

The caption “Means of payment” amounting to €5,283 k refers to amounts receivable for sales made with Visa/debit cards, which as of 30 September 2016 were pending receipt.

The caption “Guarantees” amounting to €12,478 k includes €11,663 k from payments on account and negotiated guarantees to support transactions and operations in the Spanish and French electricity markets.

The caption “Accrued income - sales and services rendered not yet invoiced – Natural gas and electricity”, amounting to €96,526 k, is mainly related with the billing of natural gas and electricity consumption in September, to be issued to customers in October and is detailed as follows:

Company	(€ k)		
	TOTAL	Natural gas	Electricity
Galp Gás Natural, S.A.	52,946	52,946	-
Galp Power, S.A.	30,399	3,944	26,455
Petróleos de Portugal - Petrogal, S.A.	4,094	-	4,094
Portcogeração, S.A.	4,033	-	4,033
Lisboagás Comercialização, S.A.	1,979	1,979	-
Galp Energia España, S.A.	1,475	1,047	428
Lusitaniagás Comercialização, S.A.	617	617	-
Setgás Comercialização, S.A.	357	357	-
Transgás, S.A.	351	351	-
Agrocer-Sociedade de Cogeração do Oeste S.A.	270	-	270
Carriço Cogeração - Sociedade de Geração de Electricidade e Calor, S.A.	5	-	5
	96,526	61,241	35,285

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The caption "Accrued income - sale of finished goods to be invoiced by the service stations" amounting to €913 k relates to consumptions up until 30 September 2016 through the Galp Frota loyalty card scheme and which will be invoiced in the following months.

Expenses recorded in deferred costs amounting to €29,685 k, relate to prepayments of rents regarding service station leases and are registered as a cost over the respective concession period, which varies between 17 and 32 years.

Galp holds collateral guarantees on receivables, namely bank guarantees and security deposits, which as of 30 September 2016, amount to approximately €104,453 k.

For additional comments on Energy Sector Extraordinary Contribution please refer to Note 25.

For more information see the notes to the financial statements as of 31 December 2015.

15. Trade receivables

The caption "Trade receivables" as of 30 September 2016 and 31 December 2015 includes the following detail:

Captions	(€ k)			
	September 2016		December 2015	
	Current	Non current	Current	Non current
Trade receivables - current accounts	940,503	1,081	797,927	24,162
Trade receivables - doubtful accounts	217,218	-	202,120	-
Trade receivables - notes receivable	2,081	-	4,261	-
	1,159,802	1,081	1,004,308	24,162
Impairment on trade receivables	(215,454)	-	(199,428)	-
	944,348	1,081	804,880	24,162

The non-current caption "Trade receivables - current accounts", amounting to €1,081 k and €24,162 k for the periods ended 30 September 2016 and 31 December 2015, respectively, relates to debts payment agreements from customers with maturities over one year.

The movements in the caption "Impairment of trade receivables" for the period ended 30 September 2016 were as follows:

Captions	(€ K)						
	Initial balance	Increases	Decreases	Utilisation	Adjustments	Assets held for sale	Ending balance
Trade receivables	199,428	22,524	(4,315)	(312)	(724)	(1,147)	215,454

The increase and decrease in the caption "Impairment of trade receivables" in the net amount of €18,209 k was recorded in the caption "Provision and impairment losses on receivables" (Note 6).

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16. Inventories

Inventories as of 30 September 2016 and 31 December 2015 are detailed as follows:

CAPTIONS	September 2016	December 2015
		(€ k)
Raw, subsidiary and consumable materials:		
Crude oil	106,998	126,476
Other raw materials	53,627	48,435
Raw material in transit	39,799	30,850
	200,424	205,761
Impairment on raw, subsidiary and consumable materials	(10,291)	(11,639)
	190,133	194,122
Finished and semi-finished products:		
Finished products	186,061	141,965
Semi-finished products	160,812	188,573
Finished products in transit	1,855	3,986
	348,728	334,524
Impairment on finished and semi-finished products	(1,422)	(3,677)
	347,306	330,847
Work in progress	228	156
	228	156
Goods	199,510	359,849
Goods in transit	159	1,477
	199,669	361,326
Impairment on goods	(1,505)	(13,933)
	198,164	347,393
	735,831	872,518

As of 30 September 2016, the caption "Goods", amounting to €199,669 k, corresponds mainly to the natural gas stored in pipelines in the amount of €36,386 k, stock of oil derivative products from the subsidiaries Galp Energia España, S.A., Empresa Nacional de Combustíveis - Enacol, S.A.R.L. and Petrogal Moçambique, Lda. in the amounts of €142,498 k, €4,545 k and €3,945 k respectively.

As of 30 September 2016 and 31 December 2015, the Group's liability to competitors in relation to strategic reserves, which are satisfied by sales in advance, amounted to €30,277 k and €30,002 k respectively (Note 24).

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

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The movement in Inventories impairment captions for the period ended 30 September 2016 is as follows:

Captions							(€ k)	
	Initial balance	Increases	Decreases	Utilisation	Adjustments	Assets held for sale	Ending balance	
Impairment on raw, subsidiary and consumable materials	11,639	42	(1,235)	-	-	(155)	10,291	
Impairment on finished and semi-finished products	3,677	2	(2,207)	-	(50)	-	1,422	
Impairment on goods	13,933	53	(12,601)	(63)	183	-	1,505	
	<u>29,249</u>	<u>97</u>	<u>(16,043)</u>	<u>(63)</u>	<u>133</u>	<u>(155)</u>	<u>13,218</u>	

The net balance of increases and decreases, amounting to €15,946 k was recorded against the caption "Cost of sales - Impairment in inventories" in the income statement (Note 6). This decrease is mainly related to the evolution of market prices.

17. Other financial investments

Other financial investments as of 30 September 2016 and 31 December 2015 are detailed as follows:

Captions	(€ k)			
	September 2016		December 2015	
	Current	Non current	Current	Non current
Financial derivatives at fair value through profit and loss (Note 27)				
Swaps and Options over Commodities	8,506	7,263	4,458	1,041
	<u>8,506</u>	<u>7,263</u>	<u>4,458</u>	<u>1,041</u>
Other Financial Assets				
Other	-	22,814	-	23,389
	-	<u>22,814</u>	-	<u>23,389</u>
	<u>8,506</u>	<u>30,077</u>	<u>4,458</u>	<u>24,430</u>

As of 30 September 2016 and 31 December 2015, the derivative financial instruments are valued at their fair value on those dates (Note 27).

18. Cash and equivalents

For the periods ended 30 September 2016, 31 December 2015 and 30 September 2015 the caption "Cash and equivalents" is detailed as follows:

Captions	(€ k)		
	September 2016	December 2015	September 2015
Cash	4,618	3,589	5,122
Cash Deposits	422,060	263,519	168,996
Term deposits	4,361	5,866	1,017
Other negotiable securities	101,367	69,147	52,425
Other treasury applications	646,265	788,485	977,438
Cash and cash equivalents in the consolidated statement of financial position	<u>1,178,671</u>	<u>1,130,606</u>	<u>1,204,998</u>
Bank overdrafts (Note 22)	(137,473)	(85,755)	(117,590)
Cash and cash equivalents in the consolidated statement of cash flow	<u>1,041,198</u>	<u>1,044,851</u>	<u>1,087,408</u>

The caption "Other negotiable securities" mainly includes:

- €94,504 k regarding bank deposit certificates;
- €5,714 k of electricity futures, CO₂ futures and futures over commodities (Brent).

These futures are recorded in this caption due to their high liquidity (Note 27).

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

	(€ k)	
Companies	September 2016	December 2015
Galp Energia E&P, B.V.	537,814	666,662
Galp Sinopec Brazil Services B.V.	94,078	91,853
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	4,000	3,700
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	4,000	6,800
Petrogal Brasil, S.A.	3,521	589
Galp Energia Brasil S.A.	1,907	-
Galp Exploração Serviços do Brasil, Lda.	945	1,881
Petróleos de Portugal - Petrogal, S.A. Sucursal en España	-	13,000
Beiragás - Companhia de Gás das Beiras, S.A.	-	4,000
	646,265	788,485

The funds that Galp has classified as Cash and equivalents, in various geographies, have no restrictions or relevant legal conditions in order to be used or distributed as dividends to their shareholders (subject to the legal requirements of the Commercial Company Code in each country).

19. Share capital

Shareholder structure

The share capital of Galp is comprised of 829,250,635 shares. Of these, 771,171,121 (93% of the share capital) are traded in the Euronext Lisbon stock exchange. The remaining 58,079,514 shares, representing c.7% of the share capital, are indirectly held by the Portuguese State through Parpública – Participações Públicas, SGPS, S.A. (Parpública) and are not listed.

According to public information, with the sale of shares by Amorim Energia, B.V., representing around 5% of the share capital of Galp, and which was completed in September 2016, free float increased from 54.66% on 31 December 2015 to 59.66% as of 30 September 2016.

The Company's shareholder structure as of 30 September 2016 and 31 December 2015 was held as follows:

2016

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

2015

	Number of shares	% of Capital	% of Voting rights
Amorim Energia, B.V.	317,934,693	38.34%	38.34%
Parpública – Participações Públicas, SGPS, S.A.	58,079,514	7.00%	7.00%
Free-float	453,236,428	54.66%	54.66%
Total	829,250,635	100.00%	-

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20. Reserves

As of 30 September 2016 and 31 December 2015 "Translation reserves" and "Other reserves" are detailed as follows:

	(€ k)	
Captions	September 2016	December 2015
Translation reserves:		
Reserves - financial allocations ("quasi capital")	(202,990)	(426,523)
Reserves - Tax on financial allocations ("quasi capital") (Note 9)	80,735	156,737
	<u>(122,255)</u>	<u>(269,786)</u>
Reserves - Translation of financial statements	245,788	265,178
Reserves - Goodwill currency update (Note 11)	3,766	4,375
	<u>127,299</u>	<u>(233)</u>
Hedging reserves:		
Reserves - financial derivatives (Note 27)	(3,020)	(1,920)
Reserves - Deferred tax on financial derivatives (Note 9)	397	254
	<u>(2,623)</u>	<u>(1,666)</u>
Other reserves:		
Legal reserves	165,850	165,850
Free distribution reserves	27,977	27,977
Special reserves	(443)	(443)
Reserves - Capital increase in subsidiaries Petrogal Brasil, S.A. and Galp Sinopec Brazil Services B.V.	2,493,088	2,493,088
Reserves - Increase of 10.7532% in 2012 and 0.3438% in 2013 in the participation in the share capital of the subsidiary Lusitaniagás - Companhia de Gas do Centro, S.A.	(2,027)	(2,027)
Reserves - Increase of 33.05427% in 2015 in the participation in the share capital of the subsidiary Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	(571)	(571)
Reserves - Increase of 33.0541% in 2015 in the participation in the share capital of the subsidiary Setgás Comercialização, S.A.	450	450
Reserves - Increase of 99% in the participation in the share capital of the subsidiary Enerfuel, S.A.	(31)	(31)
	<u>2,684,293</u>	<u>2,684,293</u>
	<u>2,808,969</u>	<u>2,682,394</u>

Translation reserves:

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

- €245,788 k relating to positive exchange differences resulting from the translation of financial statements in foreign currency to Euros;
- €202,920 k relating to negative exchange differences on the financial allocations from Galp Exploração e Produção Petrolífera, S.A., Petróleos de Portugal - Petrogal, S.A., Petrogal Brazil, B.V., Galp Sinopec Brazil Services B.V. and Winland International Petroleum, SARL (W.I.P.) to Petrogal Brasil, S.A. stated in Euros and US Dollars, remunerated and not remunerated, and for which there is no intention of reimbursement, and as such are similar to share capital ("quasi capital"), thus being considered an integral part of the net investment in that foreign operational unit in accordance with IAS 21;
- €3,766 k regarding positive exchange differences resulting from the translation of Goodwill.

Hedging reserves:

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

In the period ended 30 September 2016, the amount of €3,020 k is related with the fair value of financial derivatives - cash flow hedges and €397 k relates to the respective tax impact (Note 9).

Other reserves:

During the period ended 30 September 2016, no significant changes have occurred in Other Reserves. For more information see the notes to the financial statements as of 31 December 2015.

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21. Non-controlling interests

As of 30 September 2016 and 2015, the caption "Non-controlling interests" included in equity refers to the following subsidiaries:

	% Non-controlling interests December 2015	December 2015	Share capital and reserves	Allocated Dividends (b)	Prior year results	Translation reserves	Retained earnings - Actuarial gains and losses	Net income for the period	September 2016	% Non-controlling interests September 2016
Galp Sinopec Brazil Services B.V.	30.00%	1,268,700	-	-	-	(31,145)	-	17,844	1,255,399	30.00%
Petrogal Brasil, S.A.	30.00%	105,140	-	-	-	90,699	-	6,483	202,322	30.00%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	0.07%	59	-	(30)	-	-	-	1	30	0.07%
Empresa Nacional de Combustíveis - Enacol, Beiragás - Companhia de Gás das Beiras, S.A. (c)	51.71%	19,703	-	(624)	10	-	-	1,686	20,775	51.71%
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	40.50%	17,096	(2)	(810)	(5)	-	-	1,196	17,475	40.50%
Lusitaniagás - Companhia de Gás do Centro, S.A.	20.00%	2,874	-	(490)	-	-	-	782	3,166	20.00%
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	3.16%	1,999	-	(225)	-	-	-	132	1,906	3.16%
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	25.00%	1,236	-	(353)	-	-	-	419	1,302	25.00%
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	32.35%	1,039	-	(238)	-	-	(2)	169	968	32.35%
Carricho Cogeração - Sociedade de Geração de Electricidade e Calor, S.A. (a)	25.00%	631	-	(481)	-	-	-	482	632	25.00%
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda. (a)	35.00%	(2,240)	-	-	-	-	-	(155)	(2,395)	35.00%
		(191)	-	-	-	-	-	14	(177)	35.00%
		1,416,046	(2)	(3,251)	5	59,554	(2)	29,053	1,501,403	

(€ k)

	% Non-controlling interests December 2014	December 2014	Allocated Dividends (b)	Prior year results	Translation reserves	Retained earnings - Actuarial gains and losses	Net income for the period (*)	September 2015 (*)	% Non-controlling interests September 2015
Galp Sinopec Brazil Services B.V.	30.00%	1,127,303	-	-	94,326	-	11,421	1,233,050	30.00%
Petrogal Brasil, S.A.	30.00%	225,790	-	-	(139,386)	-	18,440	104,844	30.00%
Setgás - Sociedade de Produção e Distribuição de Gás, S.A.	33.12%	23,804	-	(2)	-	(2)	1,419	25,219	33.12%
Empresa Nacional de Combustíveis - Enacol, S.A.R.L.	51.71%	20,247	(608)	(1)	-	-	(128)	19,510	51.71%
Beiragás - Companhia de Gás das Beiras, S.A.	40.50%	15,653	-	(1)	-	-	1,136	16,788	40.50%
Petromar - Sociedade de Abastecimentos de Combustíveis, Lda.	20.00%	2,622	-	(456)	-	-	500	2,666	20.00%
Lusitaniagás - Companhia de Gás do Centro, S.A.	3.16%	1,771	-	-	-	-	166	1,937	3.16%
Sempre a Postos - Produtos Alimentares e Utilidades, Lda.	25.00%	1,180	(297)	-	-	-	370	1,253	25.00%
Saaga - Sociedade Açoreana de Armazenagem de Gás, S.A.	32.35%	1,100	(219)	(4)	-	(4)	170	1,043	32.35%
Setgás Comercialização, S.A.	33.05%	999	-	-	-	-	(36)	963	33.05%
CLCM - Companhia Logística de Combustíveis da Madeira, S.A.	25.00%	643	(493)	-	-	-	317	467	25.00%
Carricho Cogeração - Sociedade de Geração de Electricidade e Calor, S.A. (a)	35.00%	(709)	-	-	-	-	(1,496)	(2,205)	35.00%
Petrogás Guiné Bissau - Importação, Armazenagem e Distribuição de Gás, Lda. (a)	35.00%	(219)	-	-	-	-	(8)	(227)	35.00%
		1,420,184	(1,616)	(464)	(45,060)	(6)	32,271	1,405,309	

(*) These amounts were restated considering the changes in the accounting classification referred in Note 2.23.

(a) As of 30 September 2016 and 2015, the subsidiary presents negative equity. Accordingly, the Group only recognised accumulated losses in the proportion of the capital held in that subsidiary, reason why the non-controlling interest's presents a debtor balance.

(b) Of the amount of €3,251 k of allocated dividends, €3.240 k were paid in the period ended 30 September 2016 (Note 30).

(c) The subsidiary Beiragás – Companhia de Gás das Beiras, S.A., previously held by 59.50468%, is now owned at 59.51941% by the Group. From the increase of 0.01473% was recognised in the caption Non-Controlling Interests the negative amount of €7 k related to the change in the percentage held by the Group (Note 3.1 b1)).

(d) The negative amount of €2 k corresponds to the change in the Non-Controlling Interests of the captions Share capital and Share premium, and the negative amount of €5 k corresponds to the change in the Non-Controlling Interests of the caption Retained Earnings up to the date of the financial interest increase.

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22. Loans**Detail of loans**

Loans obtained as of 30 September 2016 and 31 December 2015 were as follows:

	(€ k)			
	September 2016		December 2015	
	Current	Non current	Current	Non current
Bank loans:				
Loans	145,676	964,373	162,439	1,152,214
Bank overdrafts (Note 18)	137,473	-	85,755	-
Discounted notes	887	-	2,174	-
	284,036	964,373	250,368	1,152,214
<i>Origination Fees</i>	(812)	(934)	(3,578)	(1,182)
	283,224	963,439	246,790	1,151,032
Other loans obtained:				
IAPMEI/SIDER	1	384	1	384
	1	384	1	384
	283,225	963,823	246,791	1,151,416
Bonds and Notes:				
Bonds	477,500	670,000	250,000	920,000
Notes	-	1,000,000	-	1,000,000
	477,500	1,670,000	250,000	1,920,000
<i>Origination Fees</i>	(6,321)	(5,363)	(4,244)	(11,891)
	471,179	1,664,637	245,756	1,908,109
	754,404	2,628,460	492,547	3,059,525

Current and non-current loans, excluding origination fees, bank overdrafts and discounted notes, have the following repayment plan as of 30 September 2016:

	(€ k)		
	Loans		
Maturity	Total	Current	Non current
2016	2,065	2,065	-
2017	672,780	621,112	51,668
2018	628,695	-	628,695
2019	698,988	-	698,988
2020	649,372	-	649,372
2021	535,091	-	535,091
2022	25,943	-	25,943
2023 and subsequent years	45,000	-	45,000
	3,257,934	623,177	2,634,757

As of 30 September 2016 and 31 December 2015, Loans obtained are expressed in the following currencies:

		September 2016		December 2015	
Currency		Total initial amount	Due amount (€k)	Total initial amount	Due amount (€k)
United States Dollars	USD	126,000	56,447	126,000	115,734
Cape Verde Escudos	CVE	-	-	48,377	439
Euro	EUR	4,035,353	3,201,487	3,662,172	3,368,865
			3,257,934		3,485,038

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The average interest rate of the loans, including costs associated with overdrafts, incurred by the Group, on the first nine months of 2016 and in the year 2015 amounted to 3.48% and 3.75%, respectively.

Description of the main loans

Commercial paper issuance

As of 30 September 2016, the Group has contracted commercial paper programs amounting to €940,000 k which are fully underwritten, and split into €490,000 k medium and long-term and €450,000 k short term. Of these amounts the Group has used the €490,000 k medium and long-term program.

These instruments bear interest at the Euribor rate applicable for the respective period of issuance, plus variable spreads defined in the contractual terms of the commercial paper programs subscribed to by the Group. The referred interest rates are applicable to the amount of each issuance and remain unchanged during the respective period of the issue.

Bank loans

Detail of the main bank loans as of 30 September 2016:

(€ k)

Entity	Due amount	Interest rate	Maturity	Reimbursement
Banco Itaú	56,447	Libor 6M + spread	April 17	April 17
UniCredit Bank Austria	150,000	Euribor 6M + spread	April 20	April 20
	206,447			

Additionally, the Group has recorded loans amounting to €24,113 k, obtained by the companies Agroger - Sociedade de Cogeração do Oeste S.A. and CLCM – Companhia Logística de Combustíveis da Madeira, S.A.

Detail of the loans obtained from the European Investment Bank (EIB) as of 30 September 2016:

(€ k)

Entity	Due amount	Interest rate	Maturity	Reimbursement
EIB (Oporto cogeneration)	50,000	Fixed rate	October '17	October '17
EIB (Instalment A - Sines cogeneration)	19,286	Fixed rate	September '21	Semi-annual instalments beginning in March '10
EIB (Instalment B - Sines cogeneration)	10,205	Euribor 6M + Spread	March '22	Semi-annual instalments beginning in September '10
EIB (Instalment A - refinery conversion)	186,000	Revisable fixed rate	February '25	Semi-annual instalments beginning in August '12
EIB (Instalment B - refinery conversion)	124,000	Fixed rate	February '25	Semi-annual instalments beginning in August '12
	389,491			

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

The remaining loan with the EIB, amounting to €124,000 k, is guaranteed by a bank syndicate.

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Bonds

Detailed information for bonds as of 30 September 2016:

(€ k)

Emission	Due amount	Interest rate	Maturity	Reimbursement
GALP ENERGIA/2013-2017 €600 M. FRN	22,500	Euribor 6M + spread	May 17	May 17
GALP ENERGIA/2016-2017 €455 M. FRN	455,000	Euribor 6M + spread	November 16	November 16
GALP ENERGIA/2012-2018 FRN	260,000	Euribor 3M + spread	February 18	February 18
GALP ENERGIA/2013 - 2018	110,000	Euribor 3M + Spread	March 18	March 18
GALP ENERGIA/2013-2018 €200 M.	200,000	Euribor 6M + spread	April 18	April 18
GALP ENERGIA/2012-2020	100,000	Euribor 6M + spread	June 20	June 20
	1,147,500			

Galp Energia, SGPS, S.A. pursuant to the applicable terms and conditions, has exercised the call option with respect to the total outstanding amount of the notes representing the bond issue EUR 455,000,000.00 Floating Rate Notes Due 2017 (CVM Code: GALKOM).

The redemption of the referred notes will be made at principal amount thereof plus accrued interest, and will occur on 21 November 2016, payment day of current Interest Period, followed by the cancellation of such notes.

Notes Issuance/Emission

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

Detail by issuance/emission, as of 30 September 2016:

(€ k)

Emission	Due amount	Interest rate	Maturity	Reimbursement
Galp 4.125% 01.2019	500,000	Fixed rate 4.125%	January 2019	January 2019
Galp 3.000% 01.2021	500,000	Fixed rate 3.000%	January 2021	January 2021
	1,000,000			

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23. Post-employment and other employee benefits

On 30 September 2016 and 31 December 2015, the net assets of the Petrogal Pension Fund and Sacor Maritima Pension Fund, valued at fair value, were as follows according to the reports submitted by the respective fund management companies:

	(€ k)	
	September 2016	December 2015
Bonds	176,164	182,803
Shares	52,425	61,862
Alternative Investments	8,811	10,066
Real Estate	32,975	32,840
Liquidity	23,226	30,039
Total	293,601	317,610

On 30 September 2016 and 31 December 2015, the Group had the following amounts related to liabilities for retirement benefits and other benefits:

Captions	(€ k)					
	September 2016			December 2015		
	Assets (Note 14)	Liabilities	Equity	Assets (Note 14)	Liabilities	Equity
Post employment benefits:						
Relating to the Pension Fund	5,243	(1,019)	34,357	176	(4,835)	42,009
Retired Employees	-	(335)	2,001	-	(3,433)	2,001
Pre-retirement	-	(63,044)	9,006	-	(67,175)	9,006
Early retirement	-	(63,321)	5,806	-	(83,152)	5,806
Retirement bonus	-	(6,945)	43	-	(6,919)	43
Voluntary social insurance	-	(2,004)	3,543	-	(2,319)	3,543
Other	-	(401)	(91)	-	(406)	(91)
Other benefits:						
Healthcare	-	(198,075)	66,625	-	(241,635)	85,769
Life insurance	-	(2,685)	66	-	(3,129)	66
Defined contribution plan minimum benefit	-	(9,383)	(1,621)	-	(8,537)	(1,621)
	5,243	(347,212)	119,735	176	(421,540)	146,531

The changes occurred in equity in the period ended 30 September 2016 were as follows:

	(€ k)		
	December 2015	Gains/Losses	September 2016
Actuarial gains and losses - Pension fund	146,531	(26,796)	119,735
Tax related to the actuarial gains and losses component - Pension fund	(26,129)	4,752	(21,377)
Retained earnings - Actuarial gains and losses - Pension fund	120,402	(22,044)	98,358

As of June 2016, Galp performed an evaluation on the discount rate applicable to liabilities for retirement benefits and other benefits, having decided to maintain the discount rate used as of December 2015. This decision is mainly driven by the uncertainty installed in the financial markets, as a consequence of the United Kingdom decision to exit the European Union and the debt issuance made in June by the Central European Bank. Galp will reassess this situation at year end, evaluating the need to make any adjustment considering the performance of the reference rates.

For more information see the notes to the financial statements as of 31 December 2015.

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24. Other payables

As of 30 September 2016 and 31 December 2015 the non-current and current captions "Other payables" were as follows:

(€ k)

Captions	September 2016		December 2015	
	Current	Non current	Current	Non current
State and other public entities:				
Value Added Tax payables	205,656	-	175,698	-
"ISP" - Tax on oil products	117,178	-	90,904	-
Personnel and Corporate Income Tax Withheld	5,500	-	8,500	-
Social Security contributions	5,459	-	6,301	-
Other taxes	20,420	-	19,519	-
Tangible and intangible assets suppliers	131,136	86,604	146,116	88,182
Advances on sales (Note 16)	30,277	-	30,002	-
Overlifting	18,434	-	21,447	-
Personnel	5,176	-	4,946	-
"ISP" - Congeners debit	5,046	-	1,821	-
Guarantee deposits and guarantees received	2,657	3,074	2,723	2,915
Trade receivables credit balances	1,557	-	3,782	-
Trade receivables advance payments	1,217	-	2,999	-
Other payables - Associates, affiliates and related companies	461	121	3,652	121
Loans - Associates, affiliates and related companies	365	168,599	365	172,842
Other payables - Other shareholders	-	-	3,495	-
Loans - Other shareholders	-	1,205	-	1,653
Other creditors	38,851	408	25,966	621
	589,390	260,011	548,236	266,334
Accrued costs:				
External supplies and services	97,933	-	111,293	-
Accrued interest	45,621	-	53,582	-
Holiday , holiday allowance and corresponding contributions	29,667	-	28,967	-
Productivity bonuses	12,817	3,073	28,457	8,369
Adjustment to tariff deviation - other activities - "ERSE" regulation	5,533	-	16,707	-
Adjustment to tariff deviation - regulated revenue - "ERSE" regulation	3,908	11,543	7,559	16,174
Discounts, bonuses and rappel related to sales	3,391	-	2,139	-
Financial costs	930	-	876	-
Accrued personnel costs - other	532	-	64	-
Fastgalp prizes	380	-	2,576	-
Accrued insurance premiums	343	-	992	-
Financial neutrality - "ERSE" regulation	-	-	161	-
Adjustment to tariff deviation - energy tariff - "ERSE" regulation	-	17,003	-	15,831
Other accrued costs	13,632	524	16,351	-
	214,687	32,143	269,724	40,374
Deferred income:				
Investment government grants (Note 13)	1,147	6,603	10,142	243,537
Services rendered	16,886	-	4,322	-
Optic fibre	-	-	404	991
Others	14,795	44	11,505	51
	32,828	6,647	26,373	244,579
	836,905	298,801	844,333	551,287

The caption "Advances on sales" amounting to €30,277 k is related with Group liabilities with competitors for strategic reserves (Note 16).

The non-current caption "Tangible and intangible assets suppliers" refers essentially to land use rights.

The amount of €18,434 k presented in the caption "Other payables - Overlifting" represents the Group's liability in respect of excess crude oil lifted considering its production quota and is measured as described in Note 2.7 e) of the notes to the consolidated financial statements for the year ended 31 December 2015.

The amount of €5,046 k recorded in the caption "ISP – Congeners Debit" is related to the fact that the bonded warehouse is confined to Galp. Therefore, it is Galp's responsibility to collect the "ISP" (tax on petroleum products) from counterparties (partners/competitors) and to deliver it over to the State.

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The amount of €2,657 k recorded in the caption "Guarantee deposits and guarantees received" includes €2,130 k relating to Petrogal's liability as of 30 September 2016 for customer deposits received for gas containers in use, that were recorded at acquisition cost, which corresponds to their approximate fair value.

The amount of €168,599 k recorded in the caption "Loans – associates, affiliates and related companies" refers to the following:

- In March 2012, Winland International Petroleum, SARL, granted loans amounting to €168,599 k (US\$188,173,000). This amount is recorded in the caption "Loans – associates, affiliates and related companies" (non-current) and is related to shareholders loans obtained by 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 September 2016 the amount of €6,372 k is recognised under the caption "Interest with related parties".

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

Government investment grants are recognised as income over the useful life of the assets. The amount to be recognised in future periods amounts to €7,750 k (Note 13).

25. Provisions

The changes in provisions in the period ended 30 September 2016 were as follows:

Captions								(€ k)	
	Initial balance	Increases	Decreases	Utilisation	Transfers	Adjustments	Assets held for sale	Ending Balance	
Lawsuits	29,179	727	(7,965)	(325)	90	3,390	(429)	24,667	
Financial investments (Note 4)	4,115	32	(393)	-	-	465	-	4,219	
Taxes	33,405	-	(551)	-	-	(926)	-	31,928	
Environment	2,208	-	-	-	-	-	-	2,208	
Abandonment of blocks	128,795	31,193	-	-	-	(3,704)	-	156,284	
Other risks and charges	231,060	32,468	701	(10,393)	(90)	(315)	(31,290)	222,141	
	<u>428,762</u>	<u>64,420</u>	<u>(8,208)</u>	<u>(10,718)</u>	<u>-</u>	<u>(1,090)</u>	<u>(31,719)</u>	<u>441,447</u>	

The increase in provisions, net of the decreases, in the period ended 30 September 2016 was as follows:

	(€ k)
Energy sector extraordinary contribution - CESE I	27,936
Capitalisation of blocks abandonment costs provision	25,648
Provisions for the period (Note 6)	6,636
Energy sector extraordinary contribution - CESE II	2,919
Estimate for additional payments of Petroleum income tax in Angola	(551)
Income from investments in associates and joint ventures (Note 4)	(361)
Estimate for additional payments of Special participation in Brazil	(6,015)
	<u>56,212</u>

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Lawsuits

The provision for current lawsuits amounts to €24,667 k and includes mainly: an amount of €4,180 k relating to a liability for fines imposed by the Competition Authority relating to contracts with distributors in the LPG business and an amount of €14,590 k related to the provision of the estimate for payment of an additional amount of the special participation tax in Brazil. The amount of €3,390 k in the caption "Adjustments" corresponds to exchange differences arising from the translation of the functional currency to the reporting currency of the Group (EUR), mainly related to that provision.

The caption "Assets held for sale" in the amount of €429 k corresponds to the provision reclassified in accordance with Note 3.

Financial investments

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

Taxes

The caption Tax provisions, amounting to €31,928 k includes mainly:

- €20,684 k of additional liquidations of Oil Income Tax ("IRP");
- €7,394 k concerning a tax contingency, related with a correction to the 2001 and 2002 corporate income tax of the subsidiary Petrogal; and
- €3,377 k concerning the tax risk associated with the sale of the participation held in ONI, SGPS to Galp Energia, SGPS, S.A..

The adjustment reflected in the caption "Taxes" in the negative amount of €926 k mainly corresponds to the exchange difference of the initial balance of Oil Income Tax ("IRP") additional liquidations.

Environmental issues

The amount of €2,208 k presented in the caption Environmental provisions is related to the costs associated with the soil decontamination of certain facilities occupied by the Group, where due to legal obligation a decision has already been taken to carry out the decontamination.

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Abandonment of blocks

The amount of €156,284 k recorded in provisions for the abandonment of blocks is destined to cover all costs to be incurred with the dismantling of assets and soil decontamination at the end of the useful life of those areas. The changes in provisions for the abandonment of blocks in the period ended were as follows:

	(€ k)					
	Initial balance	Increases	NPV interests increase	Exchange differences (a)	Exchange differences (b)	Ending balance
Blocks in Brazil						
- Lula and pipeline	24,328	14,868	589	4,640	(6,036)	38,389
- Andorinha	618	-	16	118	-	752
- Rabo Branco	704	-	7	134	(533)	312
- Iracema	18,371	7,889	452	3,504	(3,562)	26,654
	<u>44,021</u>	<u>22,757</u>	<u>1,064</u>	<u>8,396</u>	<u>(10,131)</u>	<u>66,107</u>
Blocks in Angola						
- Block 1	1,209	5,545	-	-	82	6,836
- Block 14 - Kuito	15,949	-	349	(392)	-	15,906
- Block 14 - BBLT	14,406	-	315	(354)	-	14,367
- Block 14 - TL	51,321	-	1,122	(1,259)	-	51,184
- Block 14 - K	1,889	-	41	(46)	-	1,884
	<u>84,774</u>	<u>5,545</u>	<u>1,827</u>	<u>(2,051)</u>	<u>82</u>	<u>90,177</u>
Total	<u>128,795</u>	<u>28,302</u>	<u>2,891</u>	<u>6,345</u>	<u>(10,049)</u>	<u>156,284</u>

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

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

Other risks and charges

As at 30 September 2016 the caption "Provisions – other risks and charges", amounting to €222,141 k, mainly comprises:

- €4,561 k concerning processes related to sanctions applied by customs authorities due to the late submission of the customs destination declaration of some cargo shipments received in Sines;
- €51,876 k relating to the provision to cover the Energy sector extraordinary contribution "CESE I":

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

As it intends to challenge the Law, the Group decided to record the total value of the liability amounting to €80,963 k under the "Provisions" caption, having reflected the amount of €29,087 k in the caption "Assets held for sale". The total value of the liability on 31 December 2015 amounted to €53,027 k. In the period ended 30 September 2016, the provision was reinforced by €27,936 k (Note 9), and recognised in the income statement under the caption "Energy sector extraordinary contribution";

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- €160,738 k relating to the provision to cover the Energy sector extraordinary contribution "CESE II":

In the period ended 31 December 2015, the Group was subject to a special tax (Energy Sector Extraordinary Contribution "CESE II"), pursuant to Law 33/2015 of 27 April and Order No. 157 - B/2015 of 28 May, which focuses on the value of future sales, based on the four existing long term sourcing contracts which are on a take-or-pay basis. Resulting from the respective Law and Order, Galp recorded a total payable amount of €156,156 k, which will be settled in instalments of €52,052 k in May of each of the years 2015, 2016 and 2017, respectively, and accrued the amount of €4,582 k related to interests.

As it intends to challenge the Law and Regulation, Galp group has accounted for the total value of the liability amounting to €160,738 k under the "Provisions" caption and the respective cost is being deferred under the caption "Other receivables - Deferred costs" over the useful life of the contracts. In the period ended 30 September 2016, the Group recognised in the income statement under the caption Energy sector extraordinary contribution the amount of €20,446 k (Note 9) and the current and non-current captions "Other receivables - Deferred costs" amount to €22,147 k and €91,358 k, respectively (Note 14).

In the period ended 30 September 2016 the amount of €12,000 k (Note 9) was also paid and recognised in the income statement under the caption Energy sector extraordinary contribution, relating to the National Fund for Energetic Efficiency ("Fondo Nacional de Eficiência Energética (FNEE)"), in relation to the Group companies headquartered in Spain.

- €1,844 k to cover the impairment of the assets of the affiliate Moçamgalp Agroenergias de Moçambique, S.A.; and
- €2,153 k to cover charges received for the year 2012 made by the Lisbon Port Administration, for the use of the Cabo Ruivo land occupation as claimed by the Company, which was reclassified to the caption "Assets held for sale".

26. Trade payables

As of 30 September 2016 and 31 December 2015 the amounts recorded in the caption "Trade payables" were as follows:

	(€ k)	
Captions	September 2016	December 2015
Trade payables - current accounts	281,941	367,891
Trade payables - pending invoices	347,267	288,455
	629,208	656,346

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

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27. Other financial instruments – financial derivatives

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

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

In accordance with IFRS 13 an entity must classify the fair value measurement, based on a fair value hierarchy that reflects the meaning of the inputs used in measurement. The fair value hierarchy must have the following levels:

- Level 1 - the fair value of assets or liabilities is based on active liquid market quotation at the date of the statement of financial position;
- Level 2 - the fair value of assets or liabilities is determined through valuation models based on observable market inputs;
- Level 3 - the fair value of assets or liabilities is determined through valuation models, whose main inputs are not observable in the market.

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

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

The fair value of the remaining financial derivatives (Swaps, Forwards and Options) booked were determined by financial entities using observable market inputs and using generally accepted techniques and models (Level 2).

Derivative financial instruments portfolio as of 30 September 2016 and 31 December 2015 are detailed as follows:

	Fair value as of 30 September 2016					Fair value as of 31 December 2015				
	Assets		Liabilities		Equity	Assets		Liabilities		Equity
	Current	Non current	Current	Non current		Current	Non current	Current	Non current	
Commodities Financial Derivatives										
Swaps (Note 17)	8.506	7.263	(4.191)	(331)	39	4.458	1.041	(29.091)	(2.498)	-
Futures (Note 18)	5.714	-	-	-	(1.805)	4.241	-	-	-	(1.134)
	14.220	7.263	(4.191)	(331)	(1.766)	8.699	1.041	(29.091)	(2.498)	(1.134)
Currency Financial Derivatives										
Non-deliverable Forwards	-	-	(1.237)	-	-	-	-	(277)	-	-
Forwards	-	-	-	-	-	-	-	(103)	-	-
			(1.237)					(380)		
	14.220	7.263	(5.428)	(331)	(1.766)	8.699	1.041	(29.471)	(2.498)	(1.134)

(€ k)

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The MTM (Mark-to-Market) of the derivative financial liabilities amounts to €5,759 k. Of this amount, €5,428 k are classified as current liabilities and will be realised over one year. The amount presented in non-current liabilities, amounting to €331 k will be realised over the period of two years (meaning, in 2018).

The accounting impact as of 30 September 2016 and 30 September 2015 in the income statement is presented in the following table:

	30 September 2016				30 September 2015				(€ k)
	Income statement			Equity	Income statement			Equity	
	Potential (MTM)	Real	MTM+Real	Potential (MTM)	Potential (MTM)	Real	MTM+Real	Potential (MTM)	
Commodities Financial Derivatives									
Swaps	37.083	(9.594)	27.490	301	(16.625)	(79.852)	(96.477)	-	-
Swaps Fair value hedge	(9.182)	-	(9.182)	-	1.109	-	1.109	-	-
Options	-	-	-	-	65	-	65	-	-
Futures	3.343	(41.012)	(37.669)	(938)	(9.049)	16.689	7.640	5.407	5.407
	31.244	(50.606)	(19.361)	(637)	(24.500)	(63.163)	(87.663)		5.407
Currency Financial Derivatives									
Non-deliverable Forwards	(960)	(8.415)	(9.375)	-	(331)	5.791	5.460	-	-
Forwards	103	1.867	1.970	-	529	(3.905)	(3.376)	-	-
Currency Interest Rate Swaps	-	-	-	-	(3.195)	21.820	18.625	-	-
	(857)	(6.548)	(7.405)	-	(2.997)	23.706	20.709	-	-
	30.387	(57.154)	(26.766)	(637)	(27.497)	(39.457)	(66.954)		5.407

Note:

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

Real - value of closed positions.

The potential value of MTM (Mark-to-Market) recognised under the caption "Income from financial instruments" includes the potential value of the interest component of Currency Interest Rate Swaps financial derivatives and Commodities derivatives, in the positive amount of €31,244 k, as shown in the following table:

	(€ k)	
	September 2016	September 2015
Income on Financial Instruments		
Commodities Financial Derivatives		
Swaps	27,901	(15,516)
Options	-	(9,049)
Futures	3,343	65
Currency Financial derivatives		
Currency Interest Rate Swaps (Interest)	-	51
Other trading operations	-	6,449
	31,244	(18,000)

The real value of financial derivatives recognised in the "Cost of sales" caption amounts to negative €50,606 k comprising financial derivatives over commodities and of this amount negative €14,400 k are related to the Contango operations.

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The difference between potential (MTM) and the amount reflected in the table above is recognised in the caption "Exchange gains/(losses)" in the income statement in the negative amount of €857.

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

Fair Value changes in Equity	(€ k)	
	September 2016	September 2015
Group companies	(637)	5,407
Non-controlling interests	-	-
	(637)	5,407
Associates and joint ventures	(513)	(112)
	(1,150)	5,295

Financial derivatives open positions have the following nominal values:

		(€ k)	
		30 September 2016	
		Maturity	
		< 1 year	> 1 year
Commodities Financial Derivatives			
Swaps	Buy	46.589	67.241
	Sell	24.890	36.262
Futures	Buy	46.148	11.158
	Sell	4.273	-
Currency Financial Derivatives			
Non-deliverable Forwards	Buy	35.202	-
	Sell	-	-
		98.776	42.137

Note: Equivalent nominal value in thousand Euro

Galp group has financial derivatives over commodities recognised as fair value hedge (fair value hedge and cash-flow hedge). These financial derivatives have been contracted for the reduction of risks associated with contracts signed with customers and suppliers. Accordingly, until the third quarter of 2016 was recorded in the income statement, under the MTM (Mark-to-market) caption and in Accruals and Deferrals captions the negative amount of €9,182 k, related to the fair value hedge and in Equity, under the caption Hedging reserves, the negative amount of €637 k relating to cash-flow hedge.

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

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28. Related parties

During the period ended 30 September 2016, there were no significant changes in the Related parties, when compared to the consolidated financial statements of the Group on 31 December 2015. For more information see the notes to the financial statements as of 31 December 2015.

29. Remuneration of the board

The remuneration of the board members of Galp for the periods ended 30 September 2016 and 2015 is detailed as follows:

	September 2016						September 2015					
	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total	Salary	Pension plans	Allowances for rent, travel expenses and others	Bonuses	Other charges and adjustments	Total
Board members of Galp Energia SGPS												
Executive management	2,484	540	207	(1,564)	30	1,697	2,532	617	227	1,708	303	5,387
Non-executive management	410	-	-	-	-	410	431	-	-	-	-	431
Supervisory board	69	-	-	-	-	69	65	-	-	-	-	65
General Assembly	4	-	-	-	-	4	4	-	-	-	-	4
	2,967	540	207	(1,564)	30	2,180	3,032	617	227	1,708	303	5,887
Board members of subsidiaries												
Executive management	934	-	-	(35)	-	899	969	-	-	-	-	969
General Assembly	39	-	-	-	-	39	7	-	-	-	-	7
	973	-	-	(35)	-	938	976	-	-	-	-	976
	3,940	540	207	(1,599)	30	3,118	4,008	617	227	1,708	303	6,863

Of the total amount of €3,118 k recorded in the period ended 30 September 2016, the amount of €3,142 k was recorded as employee costs (Note 6) and - €24 k was recorded as external supplies and services. Of the total amount of €6,863 k recorded in the period ended 30 September 2015, the amount of €6,167 k was recorded as employee costs (Note 6) and €696 k was recorded as external supplies and services.

The negative amount of €1,599 k in the caption Bonuses as of 30 September 2016 corresponds to the adjustment of the excessive estimate of long-term incentives (LTI).

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

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

30. Dividends

In accordance with the deliberation of the General Meeting of Shareholders held on 5 May 2016, dividends amounting to €343,907 k relating to the distribution of the net income for the year 2015 and distribution of retained earnings, having been allocated and paid anticipated dividends in the amount of €171,954 k in 24 September 2015 and the remaining €171,953 k paid in 27 May 2016.

Additionally, the Board of Directors approved an interim dividend in the amount of €206,344 k, fully paid on 26 September 2016.

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In the period of nine months ended 30 September 2016 dividends amounting to €3,240 k were paid by subsidiaries of the Galp Group to minority shareholders (Note 21 b)).

As a consequence of the above, during the period ended 30 September 2016, the Group paid dividends amounting to €381,537 k.

31. Oil and gas reserves

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

Information on reserves can be found in the attached document to the consolidated financial statements, as of 31 December 2015, entitled "Supplementary Information on Oil and Gas (unaudited)".

32. Financial risk management

During the period ended 30 September 2016, there were no situations other than those already mentioned in the financial risk management note disclosed in the consolidated financial statements of the Group as of 31 December, 2015. For further information refer to the consolidated financial statements of the Group at 31 December 2015 and its respective notes.

33. Contingent assets and liabilities

During the period ended 30 September 2016, there were no significant changes in contingent assets and liabilities, as compared to the consolidated financial statements of the Company on 31 December 2015. For further information refer to the Group's consolidated financial statements as of 31 December 2015 and its respective notes.

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

The captions "Financial assets" and "Financial liabilities" are recorded at carrying value and do not present differences to their fair value, with the exception of the bonds. The fair value of the bonds was measured based on observable market inputs, thus the classification of the fair value hierarchy was Level 2.

Assets available for sale (which are equity instruments not admitted to trading on regulated markets) are recorded at cost.

For more information see the notes to the financial statements as of 31 December 2015.

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35. Information on environment matters

Cost incurred with CO₂ emissions measured at the respective acquisition costs, is accounted for in Operating costs and amounts to €3,186 k as of September 2016.

Galp acquired Futures on CO₂ reaching maturity as of December 2016 and December 2017, for the acquisition of 1,166,000 ton of CO₂ with an average price of €5.40/ton of CO₂ and 825,000 ton of CO₂ with an average price of €4.49/ton of CO₂.

Since Galp holds in its portfolio sufficient licenses to address the obligations arising from CO₂ emissions, no provisions were recognised to fill any existing deficits.

No other significant changes noted until the third quarter of the year.

For more information on environmental matters see the notes to the financial statements as of 31 December 2015.

36. Subsequent events

Galp Energia, SGPS, S.A. pursuant to the applicable terms and conditions, has exercised the call option with respect to the total outstanding amount of the notes representing the bond issue EUR 455,000,000.00 Floating Rate Notes Due 2017 (CVM Code: GALKOM).

The redemption of the referred notes will be made at principal amount thereof plus accrued interest, and will occur on 21 November 2016, payment day of current Interest Period, followed by the cancellation of such notes.

On 27 October 2016, Galp Energia, SGPS, S.A. (Galp), through its subsidiary Galp Gas & Power, SGPS, S.A. has completed the sale of 22.5% of Galp Gás Natural Distribuição, S.A. (GGND) to Meet Europe, owned by Marubeni Corporation (50%) and by Toho Gas Co., Ltd. (50%). The final consideration amounted to €141 m, based on the initial consideration agreed increased by the adjustments established in the SPA. Taking into consideration that GGND proceeded, in September, to the reimbursement of the shareholder loan granted by Galp in the amount of €568 m, the total cash inflow from this transaction amounted to €709 m.

GGND will now cease to fully consolidate on the Group' financial statements, and therefore its contribution will be presented in the caption "Income from financial investments", based on the equity method.

37. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 27 October 2016.

38. Explanation added for translation

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

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THE BOARD OF DIRECTORS:

Chairman:

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

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

12. Definitions

Benchmark refining margin

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

Rotterdam hydrocracking margin

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

Rotterdam cracking margin

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

Rotterdam aromatics margin

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

Rotterdam base oils margin

Base oils refining margin: -100% Arabian Light, +3.5% LGP FOB Seagoing (50% Butane + 50% Propane), +13.0% Naphtha NWE FOB Bg., +4.4% Jet NWE CIF, +34.0% ULSD 10 ppm NWE CIF, +4.5% VGO 1.6% NWE FOB Cg., +14%; Base Oils FOB, +26% HSFO 3.5% NWE Bg.; Consumptions: -6.8% LSFO 1% CIF NWE Cg.; Losses: 7.4%; Terminal rate: \$1/ton; Ocean loss: 0.15% over Arabian Light; Freight 2015: WS Aframax (80 kts) Route Sullom Voe / Rotterdam – Flat \$7.60/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 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 ajustado (RCA)

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

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ABBREVIATIONS

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

bbl: barrel of oil

BBLT: Benguela, Belize, Lobito and Tomboco

bcm: billion cubic metres

Bg: Barges

bn: billion

boe: barrels of oil equivalent

BP: British Petroleum

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

Cg: Cargoes

CIF: Costs, Insurance and Freights

CMVM: Portuguese Securities Market Commission

CORES: *Corporación de Reservas Estratégicas de Productos Petrolíferos*

CTA: Cumulative Translation Adjustment

DD&A: Depreciation, Depletion & Amortisation

D&P: Development & Production

E&P: Exploration & Production

Ebit Earnings before interest and taxes.

Ebitda: Ebit plus depreciation, amortisation and provisions.

EPC: Engineering, Procurement, Construction

EUR/€: Euro

FOB: Free on Board

FPSO: Floating, production, storage and offloading unit

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

G&P: Gas & Power

GGND: Galp Gás Natural Distribuição, S.A.

GWh Gigawatt per hour

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards.

IRP: Oil income tax

ISP: Tax on oil products

JKM: Japan Korea Marker

k: thousand

kbbl: thousands of barrels

kboe: thousands of barrels of oil equivalent

kboepd: thousands of barrels of oil equivalent per day

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

NBP: National Balancing Point

NG: natural gas

n.s.: no significance

NWE: Northwestern Europe

p.p.: percentage points

R&M: Refining & Marketing

PSA: Production Sharing Agreement

RC: Replacement Cost

RCA: Replacement Cost Adjusted

T: tonnes

USA: United States of America

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

VGO: vacuum gas oil

WAC: weighted-average cost

YoY: year-on-year

CAUTIONARY STATEMENT

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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.

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