2nd Quarter and 1st Half 2019

Results & Consolidated information

July, 2019

galp

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1. Second quarter and first half of 2019 highlights

Second quarter 2019

- CFFO was €613 m and FCF was €342 m, or €7 m after dividend payments.
- Consolidated RCA Ebitda of €615 m, considering IFRS 16:
  - E&P: RCA Ebitda was €408 m, down 1% YoY, reflecting a lower oil price environment, which offset the higher production and the stronger U.S. Dollar against the Euro.

    Working interest production increased 3% YoY to 111.7 kboepd, supported by the contribution of block 32, in Angola, where the Kaombo South FPSO started operations in April. In Brazil, despite the ramp-up of FPSO #8 and #9, production to Galp was impacted by Lula's unitisation (stake diluted from 10% to c.9.2%, effective as of April 1st) and by maintenance activities.
  - R&M: RCA Ebitda was €142 m, a 19% decrease YoY, due to weaker refining margins and lower raw materials processed.
  - G&P: RCA Ebitda increased €23 m YoY to €57 m, benefiting from sourcing opportunities and a stronger performance from the natural gas and electricity commercial activity.
- RCA Ebit was down YoY to €386 m, considering a negative impact from depreciation charges given the increased number of production areas in the upstream.
- RCA net income was €200 m. IFRS net income was €231 m, with non-recurring items of €14 m and an inventory effect of €17 m.
- Capex totalled €236 m in the quarter, of which 75% allocated to the E&P business, mostly focused on Lula's execution and the LNG project in Mozambique, and including the payment related with the 3% stake acquisition in BM-S-8 block.

First half 2019

- CFFO amounted to €1.0 bn, benefiting from the increased contribution from the upstream business, although partially offset by a weaker R&M performance.
- RCA Ebitda was €1.1 bn, a 2% increase YoY, considering the positive impact from the application of the IFRS 16 standard. Excluding such effect, RCA Ebitda would have been slightly down reflecting the lower contribution from R&M, pressured by a weaker refining performance during the period.
- Total investment reached €385 m with E&P accounting for 80% of capex and the remaining mainly focused on the improvement of refining energy efficiency.
- FCF reached €501 m, or €98 m already considering dividends paid to non-controlling interests of €107 m and to shareholders of €296 m.

FY2019 guidance update

- Maintaining WI production growth target of 8 – 12% YoY.
- RCA Ebitda estimated above €2.2 bn (previously €2.1 – 2.2 bn), considering the operating performance during the first half and the expected macro environment.
- Capex expected at c.€0.9 bn (previously c.€1 bn).
- Brent price now considered at c.$65/bbl (previously c.$60/bbl) and Galp refining margin assumed at c.$4/boe (previously $5 – 6/boe).

Note: As of January 1, 2019, Galp adopted the IFRS 16 accounting standard. 2018 figures were not restated according to this accounting standard. For comparison purposes, the report also includes 2019 adjusted figures excluding the IFRS 16 impacts.

Financial data

€m (IFRS, except otherwise stated)

Quarter						First Half			
2Q18	1Q19	2Q19	Var. YoY			2018	2019	Var. YoY	
628	**494**	**615**	**(13)**	**(2%)**	**RCA Ebitda**	**1,083**	**1,109**	**26**	**2%**
411	374	408	(4)	(1%)	Exploration & Production	704	782	78	11%
174	70	142	(32)	(19%)	Refining & Marketing	297	212	(84)	(28%)
34	47	57	23	68%	Gas & Power	68	105	37	54%
457	**278**	**386**	**(72)**	**(16%)**	**RCA Ebit**	**735**	**663**	**(72)**	**(10%)**
328	256	278	(49)	(15%)	Exploration & Production	538	534	(4)	(1%)
93	(21)	48	(45)	(48%)	Refining & Marketing	126	27	(100)	(79%)
29	42	53	24	81%	Gas & Power	58	95	38	65%
251	**103**	**200**	**(52)**	**(21%)**	**RCA Net income**	**386**	**303**	**(84)**	**(22%)**
332	**(8)**	**231**	**(101)**	**(30%)**	**IFRS Net income**	**462**	**223**	**(239)**	**(52%)**
11	(126)	14	4	36%	Non-recurring items	(28)	(111)	84	n.m.
70	15	17	(53)	(76%)	Inventory effect	103	32	(71)	(69%)
604	**396**	**613**	**9**	**2%**	**Cash flow from operations**	**849**	**1,010**	**161**	**19%**
217	**149**	**236**	**19**	**9%**	**Capex**	**364**	**385**	**21**	**6%**
398	**159**	**342**	**(56)**	**(14%)**	**Free cash flow**	**427**	**501**	**74**	**17%**
146	**91**	**7**	**(140)**	**(95%)**	**Post-dividend free cash flow**	**175**	**98**	**(77)**	**(44%)**
1,738	**1,603**	**1,598**	**(140)**	**(8%)**	**Net debt**	**1,738**	**1,598**	**(140)**	**(8%)**
0.9x	**0.7x**	**0.7x**	**-**	**-**	**Net debt to RCA Ebitda[1]**	**0.9x**	**0.7x**	**-**	**-**

[1] Ratio considers the LTM Ebitda RCA (€2,151 m at 30 June 2019), adjusted for the impact from the application of the IFRS 16 standard (€93 m at 30 June 2019).

Operational data

Quarter						First Half			
2Q18	1Q19	2Q19	Var. YoY			2018	2019	Var. YoY	
108.1	112.6	111.7	3.6	3%	Average working interest production (kboepd)	106.1	112.2	6.0	6%
106.7	110.8	109.7	3.0	3%	Average net entitlement production (kboepd)	104.7	110.3	5.6	5%
(10.6)	(8.9)	(7.8)	(2.9)	(27%)	Oil & gas realisations - Dif. to Brent (USD/boe)	(9.7)	(8.0)	(1.6)	(17%)
28.9	22.6	26.1	(2.8)	(10%)	Raw materials processed (mmboe)	54.1	48.7	(5.4)	(10%)
6.0	2.3	3.0	(3.0)	(50%)	Galp refining margin (USD/boe)	4.7	2.7	(2.0)	(43%)
4.6	3.6	4.4	(0.2)	(4%)	Oil sales to direct clients (mton)	8.7	8.1	(0.6)	(7%)
1,133	1,149	1,205	72	6%	NG sales to direct clients (mm^3)	2,358	2,354	(4)	(0%)
759	814	682	(76)	(10%)	NG/LNG trading sales (mm^3)	1,508	1,497	(11)	(1%)

Market indicators

Quarter						First Half			
2Q18	1Q19	2Q19	Var. YoY			2018	2019	Var. YoY	
1.19	1.14	1.12	(0.07)	(6%)	Average exchange rate EUR:USD	1.21	1.13	(0.08)	(7%)
4.30	4.28	4.40	0.11	3%	Average exchange rate EUR:BRL	4.14	4.34	0.20	5%
74.4	63.1	68.9	(5.5)	(7%)	Dated Brent price (USD/bbl)	70.6	66.0	(4.6)	(7%)
(2.2)	(0.2)	(1.2)	(0.9)	(43%)	Heavy-light crude price spread[1] (USD/bbl)	(1.9)	(0.7)	(1.1)	(61%)
22.2	21.3	14.9	(7.3)	(33%)	Iberian MIBGAS natural gas price (EUR/MWh)	22.2	21.1	(1.1)	(5%)
21.1	18.4	12.4	(8.8)	(41%)	Dutch TTF natural gas price (EUR/MWh)	21.2	18.1	(3.1)	(15%)
8.8	6.6	4.9	(3.9)	(44%)	Japan/Korea Marker LNG price (USD/mmbtu)	9.1	5.8	(3.4)	(37%)
16.3	16.1	16.7	0.4	2%	Iberian oil market (mton)	32.0	32.8	0.8	2%
7,898	10,194	9,279	1,380	17%	Iberian natural gas market (mm^3)	17,977	19,473	1,495	8%

Source: Platts for commodities prices; MIBGAS for Iberian natural gas price; APETRO and CORES for Iberian oil market; Galp and Enagás for Iberian natural gas market.
[1] Urals NWE dated for heavy crude; dated Brent for light crude.

2. Exploration & Production

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

Quarter							First Half				
2Q18	1Q19	2Q19	2Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
108.1	**112.6**	**111.7**		**3.6**	**3%**	**Average working interest production[1] (kboepd)**	**106.1**	**112.2**		**6.0**	**6%**
94.6	99.5	99.4		4.8	5%	Oil production (kbpd)	93.1	99.4		6.3	7%
106.7	**110.8**	**109.7**		**3.0**	**3%**	**Average net entitlement production[1] (kboepd)**	**104.7**	**110.3**		**5.6**	**5%**
5.3	8.7	12.1		6.8	n.m.	Angola	5.4	10.4		5.0	92%
101.4	102.1	97.6		(3.8)	(4%)	Brazil	99.3	99.8		0.6	1%
(10.6)	**(8.9)**	**(7.8)**		**(2.9)**	**(27%)**	**Oil and gas realisations - Dif. to Brent (USD/boe)**	**(9.7)**	**(8.0)**		**(1.6)**	**(17%)**
6.1	**5.1**	**5.4**		**(0.7)**	**(12%)**	**Royalties (USD/boe)**	**5.8**	**5.2**		**(0.5)**	**(9%)**
7.7	**3.8**	**4.6**	**8.5**	**(3.0)**	**(40%)**	**Production costs (USD/boe)**	**8.4**	**4.2**	**8.0**	**(4.2)**	**(49%)**
10.2	**13.5**	**14.5**	**12.0**	**4.3**	**42%**	**DD&A[2] (USD/boe)**	**10.6**	**14.0**	**11.5**	**3.4**	**32%**
411	**374**	**408**	**374**	**(4)**	**(1%)**	**RCA Ebitda**	**704**	**782**	**715**	**78**	**11%**
83	119	129	106	46	55%	Depreciation, Amortisation and Impairments[2]	166	248	203	82	49%
-	-	-	-	-	n.m.	Provisions	-	-	-	-	n.m.
328	**256**	**278**	**267**	**(49)**	**(15%)**	**RCA Ebit**	**538**	**534**	**512**	**(4)**	**(1%)**
328	**56**	**281**	**270**	**(46)**	**(14%)**	**IFRS Ebit[3]**	**538**	**337**	**315**	**(201)**	**(37%)**
10	**16**	**17**	**17**	**7**	**68%**	**Net Income from E&P Associates**	**23**	**33**	**33**	**9**	**41%**

[1] Includes natural gas exported; excludes natural gas used or reinjected.
[2] Includes abandonment provisions.
[3] 1Q19 and 1H19 includes unitisation impact.

Operations

Second quarter

Working interest (WI) production increased 3% YoY to 111.7 kboepd, driven by the Kaombo project in Angola, as well as the ongoing ramp-up of the Lula project in Brazil. Natural gas amounted to 11% of Galp's total production.

In Brazil, production was lower YoY, with the ramp-up of FPSO #8 and #9 offset by Galp's stake adjustment from 10% to 9.209% in the Lula and South of Lula unitised area, which became effective as of April 1st, 2019, and by the maintenance performed in FPSO #1, #2 and #3 during the period.

In Angola, WI production increased 7.4 kbpd YoY to 14.1 kbpd, supported by block 32 contribution, with Kaombo South FPSO first oil on April 1st and the first unit, Kaombo North, continuing to ramp-up.

Net entitlement production increased YoY, to 109.7 kboepd.

First half

Average WI production during the first half of 2019 was 112.2 kboepd, 6% higher YoY, supported by the start of production of block 32 in Angola and the progress of the Lula field in Brazil, despite the unitisation effect.

Net entitlement production increased 5% YoY, to 110.3 kboepd.

Results

Second quarter

RCA Ebitda was €408 m, slightly down YoY, reflecting the lower oil prices environment, which more than offset the higher production in the period, stronger U.S. Dollar against the Euro and the application of IFRS 16 accounting standard.

Production costs were €41 m, excluding costs related with operating leases of €34 m due to the application of IFRS 16. In unit terms, and on a net entitlement basis, production costs were $4.6/boe. Excluding the impacts from accounting changes, production costs increased YoY to $8.5/boe, considering the ramp-up of FPSOs #8 and #9.

Amortisation and depreciation charges (including abandonment provisions) increased €46 m YoY to €129 m, reflecting the higher operating asset base, namely in Angola, as well as the €23 m impact from IFRS 16. On a net entitlement basis, DD&A was $14.5/boe, or $12.0/boe on a comparable YoY basis.

RCA Ebit was €278 m, down 15% YoY.

First half

RCA Ebitda was €782 m, up 11% YoY, on the back of the higher production in the period and stronger USD:EUR exchange rate, reflecting as well the application of IFRS 16. Still, operating results were partially offset by weaker oil prices.

Production costs were €75 m, excluding costs related with operating leases of €67 m. In unit terms, and on a net entitlement basis, production costs were $4.2/boe or $8.0/boe on a comparable YoY basis.

Amortisation and depreciation charges (including abandonment provisions) amounted to €248 m, an increase of €82 m YoY, impacted by the higher asset base deployed and IFRS 16 effects of €45 m. On a net entitlement basis, DD&A was $14.0/boe, (or $11.5/boe on a comparable YoY basis, not considering IFRS 16).

RCA Ebit was €534 m, slightly down YoY.

Other E&P highlights

ANP approved in June the pending transaction related with BM-S-8 and therefore the Greater Carcará partners' interests are now aligned between the license and the Carcará North area, with Galp holding a 20% stake across the project. Still on the Greater Carcará project, the partners concluded the drilling of Carcará East appraisal well and are now performing a DST.

3. Refining & Marketing

€m (RCA, except otherwise stated)

Quarter							First Half				
2Q18	1Q19	2Q19	2Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
6.0	**2.3**	**3.0**		**(3.0)**	**(50%)**	**Galp refining margin (USD/boe)**	**4.7**	**2.7**		**(2.0)**	**(43%)**
2.2	**2.4**	**2.3**		**0.1**	**2%**	**Refining cost (USD/boe)**	**2.2**	**2.4**		**0.1**	**5%**
0.2	**0.2**	**0.1**		**(0.1)**	**(50%)**	**Refining margin hedging[1] (USD/boe)**	**0.3**	**0.1**		**(0.2)**	**(57%)**
28.9	**22.6**	**26.1**		**(2.8)**	**(10%)**	**Raw materials processed (mmboe)**	**54.1**	**48.7**		**(5.4)**	**(10%)**
26.4	19.9	23.0		(3.4)	(13%)	Crude processed (mmbbl)	49.8	43.0		(6.8)	(14%)
4.6	**3.6**	**4.4**		**(0.2)**	**(4%)**	**Total oil products sales (mton)**	**8.7**	**8.1**		**(0.6)**	**(7%)**
2.1	2.1	2.3		0.2	8%	Sales to direct clients (mton)	4.1	4.4		0.2	6%
174	**70**	**142**	**129**	**(32)**	**(19%)**	**RCA Ebitda**	**296**	**212**	**188**	**(84)**	**(28%)**
81	92	94	84	13	16%	Depreciation, Amortisation and Impairments	169	186	166	16	10%
0	(0)	(0)	(0)	(0)	n.m.	Provisions	0	(0)	(0)	(1)	n.m.
93	**(21)**	**48**	**46**	**(45)**	**(48%)**	**RCA Ebit**	**126**	**27**	**22**	**(100)**	**(79%)**
200	**7**	**101**	**98**	**(100)**	**(50%)**	**IFRS Ebit**	**275**	**108**	**103**	**(167)**	**(61%)**
(0)	**(2)**	**6**	**6**	**6**	**n.m.**	**Net Income from R&M Associates**	**1**	**3**	**3**	**2**	**n.m.**

[1] Impact on Ebitda.

Operations

Second quarter

Raw materials processed in Galp's refining system were 26.1 mmboe during the quarter, 10% lower YoY. Crude oil accounted for 88% of raw materials processed, of which 86% corresponded to medium and heavy crudes.

Middle distillates (diesel and jet) accounted for 49% of production, gasoline for 23% and fuel oil for 13%. Consumption and losses accounted for 8% of raw materials processed.

Total product sales decreased 4% YoY, with lower refining throughput reducing exports. Volumes sold to direct clients increased 8% YoY to 2.3 mton following the positive demand evolution and considering 2Q18 had been impacted by temporary lower naphtha demand from a large client.

First half

Raw materials processed were 48.7 mmboe during the period, 10% lower YoY due to operational restrictions in the refining system. Crude oil accounted for 88% of raw materials processed, of which 85% corresponded to medium and heavy crudes.

Middle distillates (diesel and jet) accounted for 46% of production, gasoline for 24% and fuel oil for 14%. Consumption and losses accounted for 8% of raw materials processed.

Total product sales decreased 7% YoY, driven by fewer exports considering lower refining throughput. Volumes sold to direct clients increased 6% YoY to 4.4 mton following the positive demand evolution in Iberia.

Results

Second quarter

RCA Ebitda for the R&M business was €142 m, considering the application of IFRS 16 (positive €13 m impact in Ebitda). Results reflected a lower YoY contribution from the refining activity, despite the solid performance from the marketing activity.

Galp's refining margin was down YoY to $3.0/boe, mainly due to weaker middle and light distillates cracks and aromatics margins, together with lower sourcing optimisation opportunities.

Refining costs were €53 m, in line YoY, or $2.3/boe in unit terms which reflects the lower utilisation. Refining margin hedging operations contributed with €2 m to Ebitda during the quarter.

The marketing activity was supported by higher sales to direct clients.

RCA Ebit was €48 m. IFRS Ebit was €101 m, with a positive inventory effect of €27 m and a non-recurring item of €25 m related to a gain from the sale of a logistics asset.

First half

RCA Ebitda for the R&M business was €212 m, considering the application of the IFRS 16 (positive €25 m impact in Ebitda). Results were impacted by a lower contribution from the refining activity.

Galp's refining margin was down YoY to $2.7/boe, reflecting higher operational restrictions in the refining system during the first quarter and a weaker international refining environment.

Refining costs stood in line at €101 m, or $2.4/boe in unit terms, while margin hedging operations contributed with €6 m during the period.

The oil products marketing activity benefited from robust sales to direct clients.

RCA Ebit was €27 m, while IFRS Ebit was €108 m, with a positive inventory effect of €55 m and a non-recurring item of €25 m.

4. Gas & Power

€m (RCA, except otherwise stated)

Quarter							First Half				
2Q18	1Q19	2Q19	2Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
1,892	**1,963**	**1,887**		**(5)**	**(0%)**	**NG/LNG total sales volumes (mm^3)**	**3,866**	**3,851**		**(16)**	**(0%)**
1,133	1,149	1,205		72	6%	Sales to direct clients (mm^3)	2,358	2,354		(4)	(0%)
759	814	682		(76)	(10%)	Trading (mm^3)	1,508	1,497		(11)	(1%)
977	**841**	**788**		**(189)**	**(19%)**	**Sales of electricity to direct clients (GWh)**	**2,054**	**1,629**		**(425)**	**(21%)**
343	**339**	**328**		**(15)**	**(4%)**	**Sales of electricity to the grid (GWh)**	**696**	**667**		**(29)**	**(4%)**
34	**47**	**57**	**57**	**23**	**68%**	**RCA Ebitda**	**68**	**105**	**104**	**37**	**54%**
22	36	46	46	24	n.m.	Supply & Trading	44	82	82	38	87%
12	11	11	11	(0)	(4%)	Power	24	22	22	(1)	(6%)
5	5	5	4	(0)	(8%)	Depreciation, Amortisation and Impairments	10	9	9	(1)	(7%)
0	-	-	-	(0)	n.m.	Provisions	0	-	-	(0)	n.m.
29	**42**	**53**	**53**	**24**	**81%**	**RCA Ebit**	**58**	**95**	**95**	**38**	**65%**
35	**38**	**48**	**48**	**14**	**39%**	**IFRS Ebit**	**64**	**87**	**87**	**23**	**35%**
25	**23**	**24**	**24**	**(0)**	**(1%)**	**Net Income from G&P Associates**	**49**	**47**	**47**	**(2)**	**(4%)**

Operations

Second Quarter

Total volumes sold of NG/LNG stood in line YoY at 1,887 mm^3, with the increase in sales to direct clients offset by lower trading volumes, mostly LNG. Sales to direct clients increased 72 mm^3 YoY to 1,205 mm^3, following a better performance from the industrial segment in Iberia.

Sales of electricity to direct clients were 788 GWh, down 19% YoY, due to the lower volumes sold to wholesale clients.

Sales of electricity to the grid were slightly down to 328 GWh during the period.

First Half

Sales of NG/LNG were 3,851 mm^3, in line YoY. Trading volumes slightly decreased, with stronger network trading volumes nearly offsetting fewer LNG trading opportunities following the end of long-term structured contracts during 2018. Sales to direct clients were also stable at 2,354 mm^3, with lower sales to the electric segment offsetting a better performance from the industrial clients in Iberia.

Sales of electricity to direct clients were 1,629 GWh, down 21% YoY, on the back of lower volumes to industrial clients.

Electricity sales to the grid were slightly down to 667 GWh.

Results

Second Quarter

RCA Ebitda increased €23 m YoY to €57 m, benefiting from market sourcing opportunities and a better performance from the natural gas and electricity commercial activity in Iberia.

Ebitda for the Power generation activity was stable at €11 m.

RCA Ebit was €53 m, while IFRS Ebit was €48 m.

Results from associated companies were €24 m, of which €7 m related to Galp Gás Natural Distribuição, S.A. (GGND).

First Half

RCA Ebitda increased €37 m YoY to €105 m, supported by a higher contribution from the sales of natural gas and electricity to direct clients, but also benefiting from sourcing optimisation and stronger network trading results.

Ebitda for the Power generation activity was slightly down to €22 m, in line with volumes' contraction.

RCA Ebit was €95 m, while IFRS Ebit was €87 m.

Results from associated companies were €47 m, of which €12 m related to GGND.

Other G&P highlights

During June, Galp announced the signature of an agreement with Sonatrach to ensure the sourcing of 2.5 billion cubic metres per year of natural gas from Algeria to Iberia, through the existing international pipelines routes. The contract will be in place for up to 10 years.

5. Financial Data

5.1. Income Statement

€m (RCA, except otherwise stated)

Quarter							First Half				
2Q18	1Q19	2Q19	2Q19 (w/o IFRS16)	Var. YoY			2018	2019	2019 (w/o IFRS16)	Var. YoY	
4,546	3,558	4,587	4,587	41	1%	Turnover	8,437	8,145	8,145	(292)	(3%)
(3,394)	(2,698)	(3,516)	(3,516)	122	4%	Cost of goods sold	(6,344)	(6,215)	(6,215)	(129)	(2%)
(459)	(393)	(404)	(453)	(55)	(12%)	Supply & Services	(904)	(797)	(889)	(107)	(12%)
(72)	(82)	(73)	(73)	1	2%	Personnel costs	(154)	(155)	(155)	1	1%
9	107	22	22	13	n.m.	Other operating revenues (expenses)	54	129	129	75	n.m.
(2)	2	(1)	(1)	(1)	(63%)	Impairments on accounts receivable	(7)	1	1	7	n.m.
628	**494**	**615**	**566**	**(13)**	**(2%)**	**RCA Ebitda**	**1,083**	**1,109**	**1,016**	**26**	**2%**
741	**314**	**666**	**617**	**(75)**	**(10%)**	**IFRS Ebitda**	**1,238**	**980**	**887**	**(258)**	**(21%)**
(171)	(216)	(229)	(194)	59	34%	Depreciation, Amortisation and Impairments	(348)	(446)	(380)	98	28%
(0)	0	0	0	0	n.m.	Provisions	(0)	0	0	1	n.m.
457	**278**	**386**	**372**	**(72)**	**(16%)**	**RCA Ebit**	**735**	**663**	**636**	**(72)**	**(10%)**
570	**102**	**437**	**423**	**(133)**	**(23%)**	**IFRS Ebit**	**890**	**539**	**512**	**(351)**	**(39%)**
35	36	47	47	12	33%	Net income from associates	74	83	83	9	13%
37	1	(10)	(3)	(46)	n.m.	Financial results	28	(8)	34	(36)	n.m.
(8)	(2)	(5)	(5)	(3)	(35%)	Net interests	(25)	(7)	(7)	(18)	(72%)
13	6	5	5	(8)	(63%)	Capitalised interest	26	11	11	(15)	(58%)
(5)	(6)	7	(9)	12	n.m.	Exchange gain (loss)	(18)	1	(1)	19	n.m.
36	31	15	15	(22)	(60%)	Mark-to-market of hedging derivatives	50	46	46	(4)	(8%)
-	(22)	(23)	0	(23)	n.m.	Operating leases interest (IFRS 16)	-	(45)	0	(45)	n.m.
0	(7)	(8)	(8)	(8)	n.m.	Other financial costs/income	(5)	(15)	(15)	9	n.m.
529	**315**	**424**	**417**	**(106)**	**(20%)**	**RCA Net income before taxes and minority interests**	**837**	**738**	**754**	**(98)**	**(12%)**
(230)	(173)	(190)	(188)	(40)	(17%)	Taxes	(373)	(363)	(369)	(10)	(3%)
(124)	(110)	(125)	(125)	1	1%	Taxes on oil and natural gas production[1]	(212)	(235)	(235)	23	11%
(48)	(39)	(34)	(32)	(14)	(30%)	Non-controlling interests	(77)	(72)	(75)	(5)	(6%)
251	**103**	**200**	**197**	**(52)**	**(21%)**	**RCA Net income**	**386**	**303**	**310**	**(84)**	**(22%)**
11	(126)	14	14	4	36%	Non-recurring items	(28)	(111)	(111)	84	n.m.
262	**(23)**	**214**	**211**	**(48)**	**(18%)**	**RC Net income**	**359**	**191**	**199**	**(167)**	**(47%)**
70	15	17	17	(53)	(76%)	Inventory effect	103	32	32	(71)	(69%)
332	**(8)**	**231**	**228**	**(101)**	**(30%)**	**IFRS Net income**	**462**	**223**	**231**	**(239)**	**(52%)**

[1] Includes SPT payable Pin Brazil and IRP payable in Angola.

Second quarter

RCA Ebitda decreased 2% YoY to €615 m, considering the application of the IFRS 16 standard, which had a positive effect during the quarter of €49 m. Ebitda was impacted by the weaker macro environment YoY, both in terms of commodity prices and international refining margins. IFRS Ebitda was €666 m, considering an inventory effect of €23 m and non-recurring items of €28 m.

RCA Ebit was down YoY to €386 m, considering a €35 m impact in depreciation charges from the application of the IFRS 16 standard and higher DD&A in the upstream segment. IFRS Ebit was €437 m.

During the quarter, financial results were negative by €10 m, considering interest charges related to operating leases from the application of IFRS 16 standard of €23 m. Mark-to-market of derivatives amounted to a €15 m gain.

RCA taxes decreased from €230 m to €190 m, following the lower operating results.

Non-controlling interests of €34 m were mainly attributable to Sinopec's stake in Petrogal Brasil.

RCA net income was €200 m, while IFRS net income was €231 m, with non-recurring items of €14 m and an inventory effect of €17 m.

First half

RCA Ebitda was €1,109 m, a 2% increase YoY, considering the positive impact from the application of the IFRS 16 standard. Excluding such effect, RCA Ebitda would have been slightly down reflecting the lower contribution from R&M, pressured by a weaker refining performance during the first half of 2019.

RCA Ebit was €663 m, down YoY, impacted by depreciation charges from the application of the IFRS 16. IFRS Ebit was €539 m.

Financial results were negative by €8 m, as the positive mark-to-market of derivatives was offset by the interests expenses related with operational leases under IFRS 16. It is also worth highlighting the YoY decrease in net interests following the reduction in debt and in the average cost of funding.

RCA taxes decreased YoY to €363 m, reflecting the lower operating results, namely in the R&M business.

Non-controlling interests of €72 m were mainly attributable to Sinopec's 30% stake in Petrogal Brasil.

RCA net income was €303 m and IFRS net income reached €223 m in the first half of 2019. Non-recurring items, which amounted to €111 m, include the impact from the unitisation of the Lula field, as well as €30 m related to CESE.

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

5.2. Capital Expenditure

Quarter						First Half			
2Q18	1Q19	2Q19	Var. YoY			2018	2019	Var. YoY	
176	132	177	1	1%	Exploration & Production	293	310	17	6%
70	16	91	20	29%	Exploration and appraisal activities	75	107	32	43%
106	116	87	(19)	(18%)	Development and production activities	218	203	(15)	(7%)
36	15	54	18	51%	Refining & Marketing	64	69	5	8%
5	1	2	(3)	(54%)	Gas & Power	6	3	(3)	(50%)
0	0	2	2	n.m.	Others	0	3	2	n.m.
217	**149**	**236**	**19**	**9%**	**Capex[1]**	**364**	**385**	**21**	**6%**

[1] Capex figures based in change in assets during the period.

Second quarter

Capex totaled €236 m during the quarter, of which 75% allocated to the E&P business.

Investment in development and production activities reached €87 m and it was mostly related with the execution of Lula in block BM-S-11 and the LNG project in Mozambique. Capex of €91 m in exploration and appraisal (E&A) activities was mostly related with the payment for the 3% stake acquisition in BM-S-8.

Investments in downstream activities were mainly directed to the maintenance and improvement of refining energy efficiency, namely the implementation of the $1/boe initiatives, as well as improvements in logistics infrastructures supporting oil marketing activities.

First half

During the first half of 2019, total investment reached €385 m. E&P accounted for 80% of capex, with development and production activities accounting for 65% of the total investments in upstream. Besides the stake acquisition in BM-S-8, E&A capex was mainly related with works in the North of Carcará.

Investments in downstream were mainly focused on the improvement of refining energy efficiency.

5.3. Cash flow

Indirect Method

€m (IFRS figures)

Quarter					First Half		
2Q18	1Q19	2Q19	2Q19 (w/o IFRS16)		2018	2019	2019 (w/o IFRS16)
571	302	410	396	Ebit[1]	890	712	685
67	10	76	76	Dividends from associates	67	87	87
171	216	225	190	Depreciation, Amortisation and Impairments	348	441	376
(42)	3	29	29	Change in Working Capital	(201)	32	32
(163)	(135)	(127)	(127)	Corporate income taxes and oil and gas production taxes	(255)	(263)	(263)
604	**396**	**613**	**564**	**Cash flow from operations**	**849**	**1,010**	**917**
(199)	(152)	(223)	(223)	Net capex[2]	(368)	(375)	(375)
(7)	(42)	0	0	Net financial expenses	(54)	(41)	(41)
-	(44)	(49)	-	Operating leases payments (IFRS 16)[3]	-	(93)	-
398	**159**	**342**	**342**	**Free cash flow**	**427**	**501**	**501**
(4)	(68)	(39)	(39)	Dividends paid to non-controlling interests[4]	(4)	(107)	(107)
(248)	-	(296)	(296)	Dividends paid to shareholders	(248)	(296)	(296)
146	**91**	**7**	**7**	**Post-dividend free cash flow**	**175**	**98**	**98**
0	43	(1)	(1)	Others	(27)	42	42
(147)	**(134)**	**(5)**	**(5)**	**Change in net debt**	**(148)**	**(139)**	**(139)**

[1] 1Q19 and 1H19 was adjusted for the non-cash Lula unitisation non-recurring item.
[2] Includes, among others, the proceeds of €29 m from the sale of a logistics asset related with R&M.
[3] Includes both interest and capital payments, which in 2Q19 amounted to €22 m and €27 m, respectively.
[4] Dividends paid to Sinopec. In addition Sinopec reimbursed its loan of €176 m to Galp/Sinopec JV in 1Q19, the proceeds of which were used to fund a share premium reduction in Galp/Sinopec JV.

Second quarter

CFFO was up YoY to €613 m, despite the weaker macro environment, and already considering the €49 m positive effect from the IFRS 16.

FCF was €342 m, considering a net capex of €223 m. FCF after the payment of dividends to shareholders and to non-controlling interests was positive at €7 m.

First half

CFFO amounted to €1.0 bn, benefiting from the increased contribution from the upstream business, although partially offset by a weaker R&M performance.

During the first half of 2019, FCF reached €501 m, or €98 m, already considering dividends paid to non-controlling interests of €107 m and to shareholders of €296 m.

5.4. Financial position and debt

€m (IFRS figures)

	31 Dec., 2018	31 Mar., 2019	30 Jun., 2019	Var. vs 31 Dec., 2018	Var. vs 31 Mar., 2019
Net fixed assets	7,340	7,380	7,424	84	43
Rights of use (IFRS 16)	-	1,209	1,240	1,240	31
Working capital	814	811	782	(32)	(29)
Loan to Sinopec	176	-	-	(176)	-
Other assets/liabilities	(546)	(704)	(779)	(234)	(75)
Capital employed	**7,784**	**8,696**	**8,666**	**883**	**(30)**
Short term debt	559	216	671	112	455
Medium-Long term debt	2,686	2,690	2,337	(349)	(353)
Total debt	**3,245**	**2,906**	**3,008**	**(237)**	**102**
Cash and equivalents	1,508	1,303	1,410	(98)	108
Net debt	**1,737**	**1,603**	**1,598**	**(139)**	**(5)**
Operating leases (IFRS 16)	**-**	**1,230**	**1,252**	**1,252**	**21**
Equity	**6,047**	**5,862**	**5,817**	**(230)**	**(46)**
Equity, net debt and operating leases	**7,784**	**8,696**	**8,666**	**883**	**(30)**

On June 30, 2019, net fixed assets were €7,424 m, up €43 m QoQ, reflecting the stronger exchange rate of Brazilian Real against the Euro, at the end of the periods. Work-in-progress, mainly related to the E&P business, stood at €1,736 m.

Note that, as of January 1st, assets and liabilities were adjusted to incorporate impacts from IFRS 16, leading to an increase in capital employed.

Financial debt

€m (except otherwise stated)

	31 Dec., 2018	31 Mar., 2019	30 Jun., 2019	Var. vs 31 Dec., 2018	Var. vs 31 Mar., 2019
Bonds	2,142	1,820	1,819	(323)	(1)
Bank loans and other debt	1,103	1,086	1,189	86	103
Cash and equivalents	(1,508)	(1,303)	(1,410)	98	(108)
Net debt	**1,737**	**1,603**	**1,598**	**(139)**	**(5)**
Operating leases (IFRS 16)	-	1,230	1,252	1,252	21
Average life (years)[1]	2.7	3.1	2.8	0.1	(0.2)
Average funding cost[1]	2.5%	1.8%	1.8%	(0.7 p.p.)	0.1 p.p.
Debt at floating rate[1]	48%	60%	59%	12 p.p.	(0 p.p.)
Net debt to Ebitda RCA[2]	0.8	0.7x	0.7x	-	-

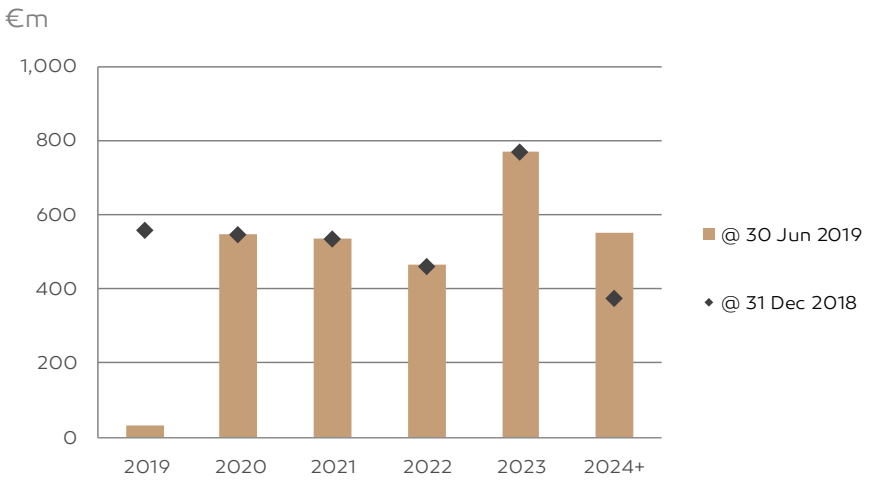
[1] Debt does not include operating leases.
[2] Ratio considers the LTM Ebitda RCA (€2,151 m at 30 June 2019), adjusted for the impact from the application of the IFRS 16 standard (€93 m at 30 June 2019).

On June 30, 2019 net debt was €1,598 m, down €5 m QoQ, with the cash generation during the period covering the dividends. Liabilities associated with operating leases were €1,252 m. Net debt to RCA Ebitda was 0.7x, with RCA Ebitda adjusted for the impact from the application of the IFRS 16 standard.

The average funding cost stood at 1.8% and the average life was 2.8 years, with medium and long term debt accounting for 78% of total debt.

At the end of the period, Galp had unused credit lines of approximately €1.4 bn, of which 75% were contractually guaranteed.

Debt maturity profile



Reconciliation of IFRS and RCA figures

Ebitda by segment

€m

Second Quarter					2018	First Half				
IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda		IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda
741	(83)	658	(30)	628	**Galp**	1,238	(125)	1,113	(30)	1,083
411	-	411	-	411	**E&P**	704	-	704	-	704
282	(77)	205	(30)	174	**R&M**	444	(118)	326	(30)	296
40	(6)	34	-	34	**G&P**	74	(7)	68	-	68
9	-	9	-	9	**Others**	15	-	15	-	15

€m

Second Quarter					2018	First Half				
IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda		IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda
741	(83)	658	(30)	628	**Galp**	1,238	(125)	1,113	(30)	1,083
411	-	411	-	411	**E&P**	704	-	704	-	704
282	(77)	205	(30)	174	**R&M**	444	(118)	326	(30)	296
40	(6)	34	-	34	**G&P**	74	(7)	68	-	68
9	-	9	-	9	**Others**	15	-	15	-	15

Ebit by segment

€m

Second Quarter					2019	First Half				
IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit		IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit
437	(23)	414	(28)	386	**Galp**	539	(47)	492	171	663
281	-	281	(3)	278	**E&P**	337	-	337	197	534
101	(27)	73	(25)	48	**R&M**	108	(55)	52	(25)	27
48	4	53	-	53	**G&P**	87	8	95	-	95
7	-	7	-	7	**Others**	8	-	8	-	8

€m

Second Quarter					2018	First Half				
IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit		IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit
570	(83)	487	(30)	457	**Galp**	890	(125)	765	(30)	735
328	-	328	-	328	**E&P**	538	-	538	-	538
201	(77)	123	(30)	93	**R&M**	275	(118)	156	(30)	126
35	(6)	29	-	29	**G&P**	64	(7)	58	-	58
8	-	8	-	8	**Others**	13	-	13	-	13

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Non-recurring items

€m

Second Quarter				First Half	
2Q18	1Q19	2Q19		2018	2019
(30.1)	**204.3**	**(28.5)**	**Non-recurring items impacting Ebitda**	**(30.1)**	**175.9**
-	204.3	(3.0)	Margin (Change in production) - Lula unitisation	-	201.3
-	-	(25.4)	Gains/losses on disposal of assets	-	(25.4)
1.3	-	-	Employee restructuring charges	1.3	-
(31.4)	-	-	Litigation costs (revenues)	(31.4)	-
-	**(4.4)**	**0.1**	**Non-recurring items impacting non-cash costs**	**-**	**(4.4)**
-	(4.4)	0.1	Depreciations and Amortisations - Lula unitisation	-	(4.4)
0.3	**19.3**	**0.3**	**Non-recurring items impacting financial results**	**7.2**	**19.6**
0.3	6.9	0.4	Gains/losses on financial investments	7.2	7.3
-	12.4	(0.2)	Financial costs - Lula unitisation	-	12.3
19.2	**(51.2)**	**13.1**	**Non-recurring items impacting taxes**	**50.5**	**(38.2)**
9.5	(72.2)	3.7	Income taxes on non-recurring items	9.5	(68.4)
9.6	21.0	9.3	Energy sector contribution taxes	41.0	30.3
(0.1)	**(42.1)**	**0.6**	**Non-controlling interests**	**(0.1)**	**(41.5)**
(10.6)	**125.9**	**(14.5)**	**Total non-recurring items**	**27.6**	**111.4**

5.5. IFRS consolidated income statement

€m

Quarter				First Half	
2Q18	1Q19	2Q19		2018	2019
4,380	3,400	4,436	Sales	8,098	7,836
166	159	151	Services rendered	339	309
76	128	101	Other operating income	136	229
4,622	**3,686**	**4,688**	**Total operating income**	**8,573**	**8,374**
(3,311)	(2,878)	(3,491)	Inventories consumed and sold	(6,219)	(6,369)
(459)	(393)	(404)	Materials and services consumed	(904)	(797)
(73)	(82)	(73)	Personnel costs	(155)	(155)
(2)	2	(1)	Impairments on accounts receivable	(7)	1
(36)	(21)	(54)	Other operating costs	(51)	(75)
(3,881)	**(3,373)**	**(4,022)**	**Total operating costs**	**(7,336)**	**(7,394)**
741	**314**	**666**	**Ebitda**	**1,238**	**980**
(171)	(212)	(230)	Depreciation, Amortisation and Impairments	(348)	(441)
(0)	0	0	Provisions	(0)	0
570	**102**	**437**	**Ebit**	**890**	**539**
35	29	47	Net income from associates	67	76
37	(11)	(9)	Financial results	28	(21)
13	11	8	Interest income	20	19
(21)	(13)	(14)	Interest expenses	(45)	(26)
13	6	5	Capitalised interest	26	11
-	(22)	(23)	Operating leases interest (IFRS 16)	-	(45)
(5)	(6)	7	Exchange gain (loss)	(18)	1
36	31	15	Mark-to-market of hedging derivatives	50	46
0	(19)	(7)	Other financial costs/income	(5)	(27)
642	**120**	**474**	**Income before taxes**	**984**	**594**
(253)	(101)	(200)	Taxes[1]	(405)	(301)
(10)	(30)	(9)	Energy sector contribution taxes[2]	(41)	(39)
380	**(11)**	**265**	**Income before non-controlling interests**	**539**	**254**
(48)	3	(34)	Income attributable to non-controlling interests	(77)	(31)
332	**(8)**	**231**	**Net income**	**462**	**223**

[1] Includes SPT payable in Brazil and IRP payable in Angola.
[2] Includes €13.6 m, €16.7 m and €9.0 m related to CESE I, CESE II and FNEE, respectively, during 1H19.

5.6. Consolidated financial position

€m

	31 Dec., 2018	31 Mar., 2019	30 Jun., 2019
Assets			
Tangible fixed assets	5,333	5,280	5,324
Goodwill	85	86	86
Other intangible fixed assets	547	545	597
Rights of use (IFRS 16)	-	1,209	1,240
Investments in associates	1,295	1,354	1,297
Financial investments held for sale	3	3	3
Receivables	298	313	344
Deferred tax assets	369	451	428
Financial investments	31	54	41
Total non-current assets	**7,960**	**9,294**	**9,359**
Inventories[1]	1,171	1,397	1,211
Trade receivables	1,032	959	1,209
Other receivables	636	647	689
Loan to Sinopec	176	-	-
Financial investments	200	97	107
Current Income tax recoverable	4	5	7
Cash and equivalents	1,508	1,303	1,410
Total current assets	**4,726**	**4,406**	**4,632**
Total assets	**12,687**	**13,701**	**13,991**
Equity			
Share capital	829	829	829
Share premium	82	82	82
Reserves	1,843	1,419	1,403
Retained earnings	1,091	2,321	2,054
Net income	741	(8)	223
Total equity attributable to equity holders of the parent	**4,587**	**4,643**	**4,591**
Non-controlling interests	1,460	1,219	1,226
Total equity	**6,047**	**5,862**	**5,817**
Liabilities			
Bank loans and overdrafts	1,041	870	518
Bonds	1,644	1,820	1,819
Operating leases (IFRS 16)	-	1,057	1,073
Other payables	126	124	122
Retirement and other benefit obligations	304	303	298
Deferred tax liabilities	196	223	261
Other financial instruments	37	21	8
Provisions	658	698	767
Total non-current liabilities	**4,006**	**5,115**	**4,865**
Bank loans and overdrafts	61	216	671
Bonds	498	-	-
Operating leases (IFRS 16)	-	173	179
Trade payables	933	818	1,075
Other payables	958	1,299	1,160
Other financial instruments	102	121	114
Income tax payable	82	96	109
Total current liabilities	**2,634**	**2,723**	**3,309**
Total liabilities	**6,640**	**7,838**	**8,174**
Total equity and liabilities	**12,687**	**13,701**	**13,991**

Includes €91.9 m in inventories made on behalf of third parties as of 30 June 2019.

6. Basis of reporting

Galp's consolidated financial statements have been prepared in accordance with IFRS. The financial information in the consolidated income statement is reported for the quarters ended on June 30, 2019 and 2018, and March 31, 2019. The information in the consolidated financial position is reported as of June 30 and March 31, 2019 and as of 31 December 2018.

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

Another factor that may affect the Company's results, without being an indicator of its true performance, is the set of non-recurring material items considering the Group's activities.

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

With regards to risks and uncertainties, please read chapter 7. Part I – C. III Internal control and risk management of Galp's Integrated Report 2018, as no material changes are expected during the following six months.

Recent changes

Galp started adopting IFRS 16 as of January 1, 2019. Under this accounting standard, most lease agreements were recognised in the balance sheet as a right-of-use asset and a financial liability. Subsequently, the right-of-use asset is depreciated through the shortest of its economic useful life or the lease agreement tenure. The financial liability considers interest based on the agreement's effective interest rate or the contracting entity's borrowing rate. Lease payments are reflected as a reduction of lease liabilities.

The adoption of IFRS 16 will not impact the Company's cash generation.

7. Appendixes

7.1. Governing bodies

The composition of the governing bodies of Galp Energia, SGPS, S.A. as of 30 June 2019 is as follows:

Board of Directors

Chairman:

Paula Fernanda Ramos Amorim

Vice-Chairman and

Lead Independent Director:

Miguel Athayde Marques

Vice-Chairman:

Carlos Gomes da Silva

Members:

Filipe Quintin Crisóstomo Silva

Thore E. Kristiansen

Carlos Manuel Costa Pina

José Carlos da Silva Costa

Sofia Fernandes Cruz Tenreiro

Susana Quintana-Plaza

Marta Claudia Ramos Amorim Barroca de Oliveira

Francisco Teixeira Rêgo

Carlos Eduardo de Ferraz Carvalho Pinto

Luís Manuel Pêgo Todo Bom

Jorge Manuel Seabra de Freitas

Rui Paulo da Costa Cunha e Silva Gonçalves

Diogo Mendonça Rodrigues Tavares

Edmar Luiz Fagundes de Almeida

Cristina Fonseca

Adolfo Miguel Baptista Mesquita Nunes

Executive Committee

Chairman:

Carlos Gomes da Silva (CEO)

Members:

Filipe Crisóstomo Silva (CFO)

Thore E. Kristiansen

Carlos Costa Pina

Carlos da Silva Costa

Sofia Tenreiro

Susana Quintana-Plaza

Audit Board

Chairman:

José Pereira Alves

Members:

Pedro Antunes de Almeida

Maria de Fátima Castanheira Cortês Damásio Geada

Alternate:

Amável Alberto Freixo Calhau

Statutory Auditor

Standing:

Ernst & Young Audit & Associados, SROC, S.A., represented by Rui Abel Serra Martins

Alternate:

Manuel Ladeiro de Carvalho Coelho da Mota

General Shareholders Meeting Board

Chairman:

Ana Paz Ferreira da Câmara Perestrelo de Oliveira

Vice-Chairman:

Rafael de Almeida Garrett Lucas Pires

Secretary:

Sofia Leite Borges

Company Secretary

Standing:

Rui de Oliveira Neves

Alternate:

Rita Picão Fernandes

Remunerations Committee

Chairman:

Amorim Energia, B.V.

Members:

Jorge Armindo Carvalho Teixeira

Joaquim Alberto Hierro Lopes

7.2. Mandatory notices and statements

Shareholders with indirect or direct qualifying holdings on 30 June 2019

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

Shareholders	N.º shares	% voting rights
Amorim Energia, B.V.	276,472,161	33.34%
Parpública - Participações Públicas (SGPS), S.A.	62,021,340	7.48%
BlackRock, Inc.	41,449,604	4.998%
T. Rowe Price Group, Inc.	17,424,072	2.10%
The Bank of New York Mellon Corporation	16,641,689	2.01%

During the first half of 2019, the following transactions regarding Galp´s qualifying holdings ocurred:

- BlackRock, Inc. notified the Company that, on 14 January 2019, it increased its indirect holdings in Galp's voting rights to 5.02%, above the 5% threshold. Thereafter, BlackRock, Inc. notified the Company that, on 16 January 2019, it decreased its indirect holdings in Galp's voting rights to 4.998%, below the 5% threshold.
- The Bank of New York Mellon Corporation notified the Company that, on 21 June 2019, it increased its indirect holdings in Galp's voting rights to 2.01%, above the 2% threshold.

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

Treasury shares

During the first half of 2019, Galp did not acquire or sell treasury shares. Galp held no treasury shares at the end of that period.

Share ownership on 30 June 2019 by the members of the management and supervisory bodies.

Under the terms of article 477, nr. 5 of the Commercial Companies' Code, it is stated that, on 30 June 2019, the members of Galp Energia, SGPS, S.A.'s management and supervisory bodies held the following stakes in the company's share capital:

Members of the Board of Directors	Total shares as of 12.04.2019 [1]	From 12 April to 30 June 2019						Total shares as of 30.06.2019
		Acquisition			Disposal			
		Date	# of shares	Value (€/share)	Date	# of shares	Value (€/share)	
Paula Amorim[2]	-							-
Miguel Athayde Marques	1,800							1,800
Carlos Gomes da Silva	2,410							2,410
Filipe Crisóstomo Silva	10,000							10,000
Thore E. Kristiansen	-							-
Carlos Costa Pina	2,200							2,200
José Carlos Silva	275							275
Sofia Tenreiro	-							-
Susana Quintana-Plaza	-							-
Marta Amorim [2]	19,263							19,263
Francisco Teixeira Rêgo[2]	17,680							17,680
Carlos Eduardo Ferraz Pinto	-							-
Luís Todo Bom	-							-
Jorge Seabra de Freitas[2]	-							-
Rui Paulo Gonçalves[2]	-							-
Diogo Tavares	2,940							2,940
Edmar de Almeida	-							-
Cristina Fonseca	-							-
Adolfo Mesquita Nunes	-							-
Members of the Audit Board								
José Pereira Alves	-							-
Pedro Antunes de Almeida	5							5
Maria de Fátima Geada								-
Suplente: Amável Calhau	-							-
Statutory Auditor								
Standing: Ernst & Young Audit & Associados, SROC, S.A.	-							-
represented by Rui Abel Serra Martins	-							-
Alternate: Manuel Ladeiro de Carvalho Coelho da Mota	-							-

[1] Date of election of Galp's governing bodies of the four-year period 2019-2022.

[2] For the effects of art. 447, nr. 2, line d) of the Commercial Companies' Code, it is further declared that Amorim Energia B.V., in which the mentioned director also exercises the administrative functions, is the holder of 276.472.161 of Galp shares

On 30 June 2019, none of the members of the management and supervisory bodies held any bonds issued by the Company.

Main transaction between related parties during the first half of 2019

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

During the first half of 2019, the were no relevant transactions between Galp's related parties that had a significant effect on this financial situation or respective performance, nor that had an impact on the information included in the annual report concerning the financial year 2018, which were susceptible to have a significant effect on its financial position or on its respective performance over the first six months of the financial year 2019.

7.3. Statement of compliance of information presented

Statement of compliance of the Board of Directors

According to article 246, paragarph 1. c) of the Securities Code, each of the members of the Board of Directors of Galp indicated below declares that, to the best of their knowledge, the information presented in the financial statements concerning the first half of the financial year 2019 was produced in conformity with the applicable accounting requiremants and gives a true and a fair view of Galp's assets and liabilities, financial position and results as well as the companies included in the consolidation as a whole, and the report and accounts for the first half of 2019 faithfully describes the main developments that accurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

Lisbon, 26 July 2019

The Board of Directors

Chairman:

Paula Amorim

Members:

Filipe Crisóstomo Silva

Thore E. Kristiansen

Carlos Costa Pina

José Carlos Silva

Sofia Tenreiro

Susana Quintana-Plaza

Marta Amorim

Francisco Teixeira Rêgo

Vice-Chaiman and Lead Independent Director:

Miguel Athayde Marques

Vice-Chairman:

Carlos Gomes da Silva

Carlos Eduardo Ferraz Pinto

Luís Todo Bom

Jorge Seabra de Freitas

Rui Paulo Gonçalves

Diogo Tavares

Edmar de Almeida

Cristina Fonseca

Adolfo Mesquita Nunes

Statement of compliance of the Audit Board

According to article 246, paragraph 1. c) of the Securities Code, each of the members of the Audit Board of Galp mentioned below decalres that, to the best of their knowledge, the information presented in the financial statements concerning the first half of the financial year 2019 was produced in conformity with the applicable accountig requirements and gives a true and fair view of Galp's assets and liabilities, financial posiition and results as well as the companies inlcuded in the consolidation as a whole, and the report and accounts for the first half of 2019 faithfully describes the main developments that occurred during the period and the impact on the income statements, as well as a description of the principal risks and uncertainties for the next six months.

Lisbon, 26 July 2019

Chairman:

José Pereira Alves

Members:

Pedro Antunes de Almeida

Maria de Fátima Geada

7.4. IFRS Condensed Consolidated Financial Statements

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Condensed Consolidated Statement of Financial Position

Galp Energia, SGPS, S.A.

Condensed Consolidated Statement of Financial Position as of 30 June 2019 and 31 December 2018

(Amounts stated in million Euros - € m)

Assets	Notes	June 2019	December 2018
Non-current assets:			
Tangible assets	4	5,324	5,333
Intangible assets and Goodwill	5	683	632
Right-of-use of assets	6	1,240	-
Investments in associates and joint ventures	7	1,297	1,295
Deferred tax assets	14.1	428	369
Other receivables	9.2	343	298
Other financial assets	10	44	33
Total non-current assets:		**9,359**	**7,960**
Current assets:			
Inventories	8	1,211	1,171
Other financial investments	10	107	200
Trade receivables	9.1	1,209	1,032
Other receivables	9.2	696	640
Loans to Sinopec	9.4	-	176
Cash and cash equivalents	11	1,410	1,508
Total current assets:		**4,632**	**4,726**
Total assets:		**13,991**	**12,687**

Equity and Liabilities	Notes	June 2019	December 2018
Equity:			
Share capital and share premium		911	911
Reserves		1,403	1,843
Retained earnings		2,277	1,832
Total equity attributable to shareholders:		**4,591**	**4,587**
Non-controlling interests	18	1,226	1,460
Total equity:		**5,817**	**6,047**
Liabilities:			
Non-current liabilities:			
Financial debt	12	2,337	2,686
Lease liabilities	6	1,073	-
Other payables	13	122	126
Post-employment and other employee benefits liabilities	15	298	304
Deferred tax liabilities	14.1	261	196
Other financial instruments	17	8	37
Provisions	16	767	658
Total non-current liabilities:		**4,865**	**4,006**
Current liabilities:			
Financial debt	12	671	559
Lease liabilities	6	179	-
Trade payables		1,075	933
Other payables	13	1,160	958
Other financial instruments	17	114	102
Current income tax payable		109	82
Total current liabilities:		**3,309**	**2,634**
Total liabilities:		**8,174**	**6,640**
Total equity and liabilities:		**13,991**	**12,687**

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

Condensed Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Galp Energia, SGPS, S.A.
Condensed Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2019 and 30 June 2018
(Amounts stated in million Euros - € m)

	Notes	June 2019	June 2018
Sales	19	7,836	8,098
Services rendered	19	309	339
Other operating income	19	229	136
Financial income	21	66	74
Earnings from associates and joint ventures	19	76	67
Total revenues and income:		**8,517**	**8,713**
Cost of sales	20	(6,369)	(6,219)
Supplies and external services	20	(797)	(904)
Employee costs	20	(155)	(155)
Amortisation, depreciation and impairment losses on fixed assets	20	(441)	(348)
Provisions	20	0	-
Impairment losses on receivables	20	1	(6)
Other operating costs	20	(75)	(51)
Financial expenses	21	(87)	(45)
Total costs and expenses:		**(7,922)**	**(7,728)**
Profit before taxes and other contributions:		**594**	**985**
Taxes and SPT	14.1	(301)	(405)
Energy sector extraordinary contribution	14.2	(39)	(41)
Consolidated net profit for the period		**254**	**539**
Income attributable to:			
Galp Energia, SGPS, S.A. Shareholders		223	462
Non-controlling interests	18	31	77
Basic and Diluted Earnings per share (in Euros)		0.27	0.56
Consolidated net profit for the period		**254**	**539**
Items which will not be recycled in the future through net income:			
Remeasurements	15	30	4
Income taxes related to remeasurements		(1)	-
Items which may be recycled in the future through net income:			
Currency translation adjustments		78	(144)
Hedging reserves		(10)	(13)
Income taxes related to above items		(1)	44
Total Comprehensive income for the period, attributable to:		**350**	**430**
Galp Energia, SGPS, S.A. Shareholders		300	406
Non-controlling interests		**50**	**24**

The accompanying notes form an integral part of the condensed consolidated income statement and consolidated statement of comprehensive income.

Condensed Consolidated Statement of Changes in Equity

Galp Energia, SGPS, S.A
Condensed Consolidated Statement of changes in equity for the six-month period ended as of 30 June 2019 and 30 June 2018
(Amounts stated in million Euros - € m)

	Share Capital and Share Premium		Reserves						
	Share Capital	Share Premium	Currency Translation Reserves	Hedging Reserves	Other Reserves	Retained earnings	Sub-Total	Non-controlling interests	Total
As at 1 January 2018	**829**	**82**	**(151)**	**4**	**2,688**	**889**	**4,341**	**1,435**	**5,776**
Consolidated net income for the period	-	-	-	-	-	462	462	77	539
Other gains and losses recognised in equity	-	-	(104)	11	-	(4)	(97)	(75)	(172)
Comprehensive income for the period	**-**	**-**	**(104)**	**11**	**-**	**458**	**365**	**2**	**367**
Dividends distributed	-	-	-	-	-	(249)	(249)	-	(249)
Increase in capital reserves	-	-	-	-	-	-	-	99	99
As at 30 June 2018	**829**	**82**	**(255)**	**15**	**2,688**	**1,098**	**4,457**	**1,536**	**5,993**
	-	-	-	-	-	-	-	-	-
Balance as at 1 January 2019	**829**	**82**	**(186)**	**6**	**2,024**	**1,832**	**4,587**	**1,460**	**6,047**
Consolidated net income for the period	-	-	-	-	-	223	223	31	254
Other gains and losses recognised in equity	-	-	56	(8)	-	29	77	19	96
Comprehensive income for the period	**-**	**-**	**56**	**(8)**	**-**	**252**	**300**	**50**	**350**
Dividends distributed	-	-	-	-	-	(296)	(296)	(40)	(336)
Increase/decrease in capital reserves	0	0	-	-	(489)	489	0	(244)	(244)
Balance as at 30 June 2019	**829**	**82**	**(130)**	**(2)**	**1,535**	**2,277**	**4,591**	**1,226**	**5,817**

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

Condensed Consolidated Statement of Cash Flows

Galp Energia, SGPS, S.A.

Condensed Consolidated Statement of Cash Flows for the six-month period ended 30 June 2019 and 30 June 2018

(Amounts stated in million Euros - €m)

	Notes	June 2019	June 2018
Operating activities:			
Cash received from customers		9,041	9,338
Cash (payments) to suppliers		(5,649)	(5,961)
(Payments) relating to tax on oil products ("ISP")		(1,265)	(1,336)
(Payments) relating to VAT		(749)	(783)
(Payments) relating to royalties, levies, "PIS" and "COFINS" and Others		(93)	(49)
(Payments) relating to payroll		(168)	(172)
Other receipts relating to the operational activity		69	-
(Payments) of income taxes (income tax "IRC", oil income tax "IRP", "SPT")		(263)	(255)
Cash receipts relating to dividends	7	87	67
Cash Flows from operating activities (1)		**1,010**	**849**
Investing activities:			
Cash receipts from disposal of tangible and intangible assets		33	
Cash (payments) for the acquisition of tangible and intangible assets		(366)	(311)
Cash receipts relating to financial investments		35	3
Cash (payments) relating to financial investments		(41)	(54)
Cash receipts from loans granted		233	34
Cash (payments) relating to loans granted		(57)	(26)
Cash receipts from interests and similar income		18	11
Cash Flows used in investing activities (2)		**(145)**	**(343)**
Financing activities:			
Cash receipts from loans obtained	12	977	850
Cash (payments) relating to loans obtained	12	(1,330)	(764)
Cash (payments) from interests and similar costs		(59)	(66)
Cash (payments) relating to leasing (IFRS16)	6	(48)	-
Cash (payments) relating to leasing (IFRS16) interests	6	(44)	-
Capital/reserves reduction and other equity instruments	9.4	(244)	15
Dividends paid		(335)	(271)
Cash Flows from financing activities (3)		**(1,085)**	**(236)**
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		(220)	270
Effect of foreign exchange rate changes in cash and cash equivalents		9	(35)
Cash changes due to changes in the consolidation perimeter		-	-
Cash and cash equivalents at the beginning of the period		1,504	1,096
Cash and cash equivalents at the end of the period	**11**	**1,293**	**1,331**

The accompanying notes form an integral part of the condensed consolidated statement of Cash Flows.

Notes to the condensed consolidated financial statements

1. Corporate information

Galp Energia SGPS, S.A. (the Company) has its Head Office in Lisbon, Portugal and its shares are listed on Euronext Lisbon.

2. Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements for the six-month period ended 30 June 2019 were prepared under IAS 34 - Interim Financial Reporting. The financial statements do not include all the information and disclosures required in the annual financial statements. In addition, only the material changes required by IFRS 7 and IFRS 13 were disclosed. In this context, these financial statements must be read in conjunction with the consolidated financial statements of the Galp Group for the year ended 31 December 2018.

Based on the results of the Galp Group and its business units, as well as on the macroeconomic conditions in the countries and segments in which each business unit operates, there were no indications, as at 30 June 2019, that would lead us to alter the conclusions reached during the preparation of the annual financial statements as at 31 December 2018 regarding the recoverability of tangible and intangible assets, goodwill and financial investments in associates and joint ventures.

The condensed consolidated financial statements have been prepared in millions of Euros, except where expressly indicated otherwise. Due to rounding, the totals and sub-totals of the presented tables may not be equal to the sum of the figures presented.

2.2 New standards, interpretations and amendments adopted by the Group

IFRS 16 - Leases

a) Nature of the effect of adoption of IFRS 16

The Group has applied IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported in accordance with IAS 17 and IFRIC 4.

b) Summary of new accounting policies

Recognition

The Group recognises both a right-of-use asset and a lease liability as at the lease commencement date. The right-of-use asset is initially measured at cost, which represents the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, plus an estimate of the costs required to dismantle and remove the underlying asset or to restore the site on which it is located (if applicable), less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that have not yet been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The types of lease payments included in the measurement of the lease liability are as follow:

- Fixed payments, including in-kind fixed payments;

- Variable lease payments that are pegged to an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

- The exercise price under a purchase option that the Group is reasonably certain to be able to exercise, lease payments over an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for the early termination of a lease, unless the Group is reasonably certain not to terminate it early.

The lease liability is remeasured when there are changes in the amounts of future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities in a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

As permitted under the standard, the Group does not recognise right-of-use assets and lease liabilities for short-term leases of assets that have lease terms of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Amortisation

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those used for the property and equipment items.

Impairment

The right-of-use assets are periodically reduced by the amounts of impairment losses and adjusted to reflect certain remeasurements of the respective lease liabilities.

Accounting estimates and judgments

Useful lives, residual values of intangible assets and discount rates

The calculation of the assets' residual values, the estimation of the useful lives, and the discount rates used are based on the premises of the lease contracts (or for similar assets) and are set based on Management's judgment, as well as the practices of its peers in the industry.

Impairment of Right-of-use Assets

Identifying impairment indicators, estimating future cash flow and determining the fair value of assets requires Management to use significant judgment in terms of the identification and evaluation of the different impairment indicators, the expected cash flow, the applicable discount rates, useful lives and residual amounts.

For quantitative information, please see Note 6.

3. Segment reporting

The Group operates across three different business segments based on the types of products sold and services rendered: Exploration & Production, Refining & Marketing and Gas & Power.

The Exploration & Production segment is Galp's presence in the upstream sector of the oil and gas industry, which involves the management of all activities relating to the exploration, development and production of hydrocarbons, mainly focused in Brazil, Mozambique and Angola.

The Refining & Marketing segment owns two refineries in Portugal, and also covers all activities relating to the retail and wholesale marketing of oil products (including LPG). This segment also comprises the storage and transportation infrastructure for oil products in Portugal and Spain, both for export and import, and for the marketing of its products to the main consumer centres. This retail marketing activity using the Galp brand also includes some specific countries in Africa.

The Gas & Power segment encompasses the areas of procurement, supply, distribution and storage of natural gas, electric and thermal power generation.

Besides the three business segments, the Group included within the category "Others" the holding company Galp Energia, SGPS, S.A. and companies with various activities including Tagus Re, S.A. and Galp Energia, S.A., a reinsurance company and a provider of shared services at the corporate level.

The segment reporting is presented on a replacement cost (RC) basis, which is the earnings measure used by the Chief Operating Decision Maker to make decisions regarding the allocation of resources and to assess performance. Under the RC method, the current cost of sales measured under IFRS (the weighted average cost) is replaced by the crude reference price (i.e. Brent-dated) as at the balance sheet date, as though the cost of sales had been measured at the replacement cost of the inventory sold.

The financial information for the previously identified segments, for the six-month period ended 30 June 2019 and 2018 is as follows:

Unit: € m

	Consolidated		Exploration & Production		Refining & Marketing		Gas & Power		Others		Consolidation adjustments	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sales and services rendered	8,145	8,437	1,050	834	6,128	6,252	1,384	1,432	72	69	(489)	(150)
Cost of sales	(6,416)	(6,344)	(238)	190	(5,500)	(5,542)	(1,037)	(1,045)	-	-	359	53
of which Variation of Production	(252)	128	(206)	60	(46)	68	-	-	-	-	-	-
Other revenues & expenses	(796)	(980)	(231)	(320)	(390)	(384)	(242)	(319)	(62)	(56)	129	99
of which Under & Overliftings	121	42	121	42	-	-	-	-	-	-	-	-
EBITDA at Replacement Cost	933	1,113	581	704	238	325	105	68	11	14	-	2
Amortization, depreciation and impairment losses on fixed assets	(441)	(348)	(244)	(166)	(186)	(169)	(9)	(10)	(2)	(3)	-	-
EBIT at Replacement Cost	492	765	337	538	52	156	95	58	8	11	-	2
Earnings from associates and joint ventures	76	67	33	23	3	1	40	42	-	-	-	-
Financial results	(21)	28	-	-	-	-	-	-	-	-	-	-
Taxes at RC	(286)	(383)	-	-	-	-	-	-	-	-	-	-
Energy Sector Extraordinary Contribution	(39)	(41)	-	-	(20)	(22)	(20)	(19)	-	-	-	-
Consolidated net (loss)/income at Replacement Cost, of which:	222	436	-	-	-	-	-	-	-	-	-	-
Attributable to non-controlling interests	(31)	(77)	-	-	-	-	-	-	-	-	-	-
Attributable to shareholders of Galp Energia SGPS SA	191	359	-	-	-	-	-	-	-	-	-	-
OTHER INFORMATION												
Segment Assets [1]												
Financial investments [2]	1,300	1,297	946	918	105	97	249	282	-	-	-	-
Other assets	12,691	11,389	6,668	5,871	5,096	4,566	1,150	1,086	2,522	2,441	(2,745)	(2,575)
Segment Assets	13,991	12,686	7,614	6,789	5,201	4,663	1,399	1,367	2,523	2,441	(2,745)	(2,575)
of which Rights of use of assets	1,240	-	846	-	389	-	1	-	4	-	-	-
Investment in Tangible and Intangible Assets	354	332	304	273	45	53	3	6	3	-	-	-

[1] Net amount
[2] Accounted for based on the equity method of accounting

The detailed information on sales and services rendered, tangible and intangible assets and financial investments related with each geographic region in which Galp operates is as follows:

Unit: € m

	Sales and services rendered [1]		Tangible and intangible assests		Financial investments	
	2019	2018	2019	2018	2019	2018
	8,145	**8,437**	**6,007**	**5,965**	**1,300**	**1,297**
Africa	307	281	1,014	1,207	54	58
Latin America	634	749	2,731	2,561	968	928
Europe	7,205	7,407	2,261	2,197	278	311

[1] Net consolidation operation

The reconciliation between the segment reporting and the Condensed Consolidated Income Statement for the period ended 30 June 2019 and 2018 is as follows:

Unit: €m

	2019	2018
Sales and services rendered	8,145	8,437
Cost of sales	(6,369)	(6,219)
Replacement cost adjustments (a)	(47)	(125)
Cost of sales at RC	(6,416)	(6,344)
Other revenues & expenses	(796)	(979)
Depreciation and amortization	(441)	(348)
Earnings from associates and joint ventures	76	67
Financial results	(21)	29
Profit before taxes and other contributions at Replacement Cost	**547**	**861**
Replacement cost adjustments	47	125
Profit before taxes and other contributions at IAS/IFRS	**594**	**985**
Income tax	(301)	(405)
Income tax /RC Adjustment (b)	15	22
Energy Sector Extraordinary Contribution	(39)	(41)
Consolidated net income for the period at Replacement Cost	**222**	**436**
Replacement Cost (a) +(b)	32	103
Consolidated net income for the period at IAS/IFRS	**254**	**539**

4. Tangible assets

Unit: € m

	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
As at 30 June 2019					
Acquisition cost	1,215	9,652	480	1,798	13,145
Impairments	(31)	(84)	(4)	(92)	(211)
Accumulated depreciation and depletion	(738)	(6,435)	(437)	-	(7,610)
Net Value	**446**	**3,132**	**40**	**1,706**	**5,324**
Balance as at 1 January 2019	**458**	**2,614**	**39**	**2,221**	**5,333**
Additions	-	81	1	291	374
Depreciation, depletion and impairment	(10)	(344)	(7)	6	(355)
Disposals/Write-offs	(4)	-	-	(5)	(10)
Transfers	2	756	6	(764)	-
Currency exchange differences and other adjustments	-	25	-	(43)	(18)
Balance as at 30 June 2019	**446**	**3,132**	**40**	**1,706**	**5,324**

During the period under review and in line with its strategy, the Group made the following investments: in the E&P business unit, related to projects in Brazil (€238 m), Angola (€58 m) and Mozambique (€34 m). The R&M segment made investments in the amount of €42 m. The additions to tangible assets for the six-month period ended 30 June 2019 also include the capitalization of financial charges in the amount of €11 m (Note 21).

Galp, through its subsidiary Petrogal Brasil, owned a 10% stake in the BM-S-11 consortium, which holds the Lula accumulation, currently under development.

As the Lula accumulation extends outside the BM-S-11 licence towards the adjacent areas of South of Tupi, a Transfer of Rights area, and to an open area, an unitisation process was required, according to the Brazilian legislation.

ANP (Agência Nacional do Petróleo, Gás Natural e Biocombustíveis) approved in March the unitisation agreement related with the Lula accumulation, which was effective from April 1, 2019. The agreement establishes the tract participation each party now holds in the unitised area, as well as the terms and conditions for the shared development of the project. With the unitisation agreement the participation is 9,209% on the Lula unitised area (Lula and the South of Lula).

Unitisation processes require equalisations among the parties, based on past capital expenditures carried by partners for their original interest and the net profits received there under. These equalisations lead to reimbursements among partners as per the terms and conditions agreed between themselves.

During the first quarter of 2019, Galp recognised in its financial statements the impact from the stake dilution in the Lula accumulation. As at 30 June 2019, the Group's best estimate include a negative €97 m in net income (after non-controlling interests) and €135 m decrease in other assets/payables resulting from the past revenues and net investments (in the amount of €74m considered in currency exchange differences and other adjustments in the table above) from the BM-S-11 consortium and the Transfer of Rights area. Additional amounts related with associated companies are still to be recognised, and should lead to a net equalisation payable position of €90 m in Lula.

Galp is present in four other areas involved in unitisation processes, expected to be concluded soon, and which should lead to a receivable of approximately €200 m. Altogether, the Group's net position related with the unitisation processes is expected to be a receivable of approximately €110 m.

5. Intangible assets and Goodwill

Unit: € m

	Industrial properties and other rights	Intangible assets in progress	Goodwill	Total
As at 30 June 2019				
Acquisition cost	1,004	54	88	1,146
Impairments	(19)	(24)	(2)	(45)
Accumulated amortization	(418)	-	-	(418)
Net Value	**567**	**30**	**86**	**683**
Balance as at 1 January 2019	**516**	**31**	**85**	**632**
Additions	-	61	-	61
Amortisation and impairment	(19)	-	-	(19)
Transfers	63	(63)	-	-
Currency exchange differences and other adjustments	7	1	1	9
Balance as at 30 June 2019	**567**	**30**	**86**	**683**

The additions in intangible assets for the period under analysis, includes €53 m related to the final 3% interest acquisition in BM-S-8. The Group's stake in the license now stands at 20%, in line with the adjacent block Carcará North.

6. Leases

Right-of-use assets are detailed as follows:

Unit: € m

	FPSO's[1]	Buildings	Service stations	Time Charter	Other usage rights	Total
As at 30 June 2019						
Acquisition cost	710	85	122	176	212	1,305
Accumulated amortization	(25)	(3)	(9)	(20)	(10)	(66)
Net Value	**685**	**83**	**114**	**156**	**203**	**1,240**
As at 1 January 2019	**657**	**83**	**118**	**166**	**208**	**1,233**
Additions	-	1	10	-	2	13
Amortisation	(25)	(3)	(9)	(20)	(9)	(66)
Currency exchange differences and other adjustments	54	1	(6)	10	1	59
Balance as at 30 June 2019	**685**	**83**	**114**	**156**	**203**	**1,240**

[1] Floating, production, storage and offloading unit - floating oil production system, built on a ship structure, with a capacity for oil and natural gas production processing, liquid storage and transfer of oil to tankers.

Lease liabilities are as follows:

Unit: € m

	June 2019
Maturity analysis – contractual undiscounted cash flow	**1,965**
Less than one year	185
One to five years	618
More than five years	1,161
Lease liabilities included in the statement of financial position	**1,252**
Current	179
Non current	1,073

The amounts recognised in profit or loss are as follows:

Unit: € m

	June 2019
	209
Interest on lease liabilities	45
Expenses related to short term and low value leases and variable lease payments[1]	165

[1] Includes variable payments and short term leases recognised under the heading of transport of goods.

Amounts recognised in the statement of cash flows are as follows:

Unit: € m

	June 2019
Financing activities	**93**
Cash (payments) relating to leasing (IFRS16)	48
Cash (payments) relating to leasing (IFRS16) interests	45

7. Investments in associates and joint ventures

Investments in associates and joint ventures are as follows:

Unit: € m

	June 2019	December 2018
	1,297	1,295
Joint ventures	1,239	1,220
Associates	58	75

7.1. Investments in joint ventures

Unit: € m

	As at 31 December 2018	Share capital increase/ (decrease)	Equity Method	Foreign exchange rate differences	Dividends	As at 30 June 2019
	1,220	5	40	9	(34)	1,239
Tupi B.V.	648	(34)	32	4	-	651
Iara B.V.	229	24	-	1	-	254
Galp Gás Natural Distribuição, S.A.	220	-	7	-	(28)	199
Belém Bioenergia Brasil, S.A.	51	14	(3)	1	-	63
Coral FLNG, S.A.	41	-	-	-	-	41
Other joint ventures	31	2	3	2	(7)	31

During the period, the joint ventures Tupi BV and Iara BV repaid share premium contributions to their shareholders in the amount of €35 m (€34 m and €1 m, respectively) as a result of a cash surplus of a sale of equipment to the E&P operations in Brazil.

Capital increases were also made in Iara, BV in the amount of €25 m.

7.2. Investments in associates

Unit: € m

	As at 31 December 2018	Equity Method	Foreign exchange rate differences	Dividends	As at 30 June 2019
	75	37	-	(53)	58
EMPL - Europe Magreb Pipeline, Ltd	35	30	-	(35)	30
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	13	2	(1)	(5)	9
Gasoduto Al-Andaluz, S.A.	11	3	-	(7)	7
Other associates	16	2	1	(6)	12

During the six-month period under review, the amount of €87 m was assigned in dividends from investments in joint ventures and in associates and the amount of €11 m was still to be received. Additionally, €10 m was received from associates related to dividends assigned in 2018, namely in the first quarter of 2019.

8. Inventories

Inventories as at 30 June 2019 and 31 December 2018 were as follows:

Unit: € m

	June 2019	December 2018
	1.211	1.171
Raw, subsidiary and consumable materials	551	439
Crude oil	127	198
Other raw materials	62	59
Raw materials in transit	363	181
Finished and semi-finished products	516	561
Goods	165	222
Write-downs	(22)	(51)

The movements in the impairment balance for the six-month period ended 30 June 2019 are as follows:

Unit: € m

	Raw, subsidiary and consumable materials	Finished and semi-finished products	Goods	Total
Write-downs at the beginning of the year	24	26	2	51
Net reductions (Note 20)	(7)	(21)	(1)	(29)
Write-downs at the end of the period	17	4	1	22

The net reductions in the amount of €29 m (Note 20) was recorded in the income statement as part of the cost of sales. This reduction is mainly related to adjustments due to expected market price movements, during the period under review.

9. Trade and other receivables

9.1. Trade receivables

Trade receivables as at 30 June 2019 and 31 December 2018 are detailed as follows:

Unit: € m

	Notes	June 2019	December 2018
		1,209	1,032
Trade receivables		1,373	1,206
Allowance for doubtful amounts	9.3	(164)	(173)

9.2. Other receivables

The details of other receivables were as follows as at 30 June 2019 and 31 December 2018:

Unit: € m

		June 2019		December 2018	
	Notes	Current	Non-current	Current	Non-current
		696	343	640	298
State and other public entities		**21**	**32**	**11**	**43**
Other debtors		**286**	**-**	**259**	**-**
Non-operated oil blocks		105	-	191	-
Underlifting		153	-	40	-
Other receivables		28	-	29	-
Related parties		**62**	**91**	**61**	**60**
Share capital subscribers		42	-	42	-
Loans to associates, joint ventures and other related parties		-	91	-	60
Other receivables from associates, joint ventures and other related parties		20	-	19	-
Other accounts receivables		**51**	**40**	**43**	**34**
Accrued income		**212**	**68**	**198**	**67**
Sales and services rendered but not yet invoiced		114	-	138	-
Adjustment to tariff deviation - "pass through"		16	-	16	-
Other accrued income		83	68	45	67
Deferred charges		**70**	**112**	**74**	**94**
Energy sector extraordinary contribution	14.2	20	54	24	61
Prepaid rent relating to service stations concessions contracts		3	22	3	22
Other deferred charges		47	37	47	11
Impairment of other receivables	9.3	**(6)**	**-**	**(6)**	**-**

The balance of €105 m recorded under "Other debtors - Non-operated blocks" includes €74 m related to the receivables from partners regarding payments made on their behalf, which will be recovered from such partners during the production period.

The balance of €153 m recorded under "Other debtors – Underlifting" corresponds to the amounts receivable by the Group as a result of the lifting of barrels of crude oil below the production quota, and is valued at the lower of the market price at the date of sale and the market price at 30 June 2019.

The balance of €42 m refers to the right to receive held by Petrogal Brasil SA to Winland International Petroleum (Sinopec) for the capital subscribed but not yet paid in during the period.

Other deferred charges include the amount of €36 m relating to post-employment benefits (Note 15).

9.3. Impairment of Trade Receivables and Other Receivables

The movements noted in Impairment of trade receivables and other receivables, for the six-month period ended 30 June 2019, were as follows:

Unit: € m

	Initial balance	Increase of allowance	Decrease of allowance	Utilisation of allowance	Others	Ending balance
	179	**7**	**(8)**	**(11)**	**2**	**169**
Trade receivables	173	8	(8)	(11)	2	164
Other receivables	6	-	-	-	-	6

9.4. Loan to Sinopec

During the period, namely in the first quarter of 2019, Galp Sinopec Brazil Services (GSBV) carried out a share premium reduction in the amount of €813 m of which €244 m is the Sinopec share in the share premium reduction (Note 18). Part of such share premium reduction (€176 m) was funded by Sinopec reimbursement of the entirety of the outstanding loan it had received from GSBV.

10. Other financial assets

As at 30 June 2019 and 31 December 2018, Other financial assets are as follows:

Unit: € m

	June 2019		December 2018	
	Current	Non-current	Current	Non-current
	107	44	200	33
Financial Assets at fair value through profit & loss (Note 17)	106	19	200	7
Financial Assets at fair value through comprehensive income	-	3	-	3
Others	1	22	-	23

11. Cash and cash equivalents

For the periods ended 30 June 2019 and 31 December 2018, Cash and cash equivalents as in the Condensed consolidated cash flow statement are detailed as follows:

Unit: € m

	Notes	June 2019	December 2018
		1,293	1,504
Cash at bank		1,410	1,508
Bank overdrafts	12	(117)	(4)

12. Financial debt

Details of financial debt as at 30 June 2019 and 31 December 2018 are as follows:

Unit: € m

		June 2019		December 2018	
	Notes	Current	Non-current	Current	Non-current
		671	2,337	559	2,686
Bank loans		671	518	61	1,042
Origination Fees		-	(1)	(1)	(1)
Loans and commercial paper		554	519	59	1,044
Bank overdrafts	11	117	-	4	-
Bonds and notes		-	1,819	498	1,644
Origination Fees		-	(7)	(2)	(6)
Bonds		-	826	-	650
Notes		-	1,000	500	1,000

Changes in financial debt during the period from 31 December 2018 to 30 June 2019 were as follows:

Unit: € m

	Initial balance	Loans obtained	Principal Repayment	Changes in Credit lines	Foreign exchange rate differences and others	Ending balance
	3,246	977	(1,330)	114	2	3,008
Bank Loans:	**1,104**	**800**	**(830)**	**114**	**2**	**1,189**
Origination Fees	(2)	-	-	-	2	(1)
Loans	1,102	800	(830)	-	-	1,073
Bank overdrafts	4	-	-	114	-	117
Bond and Notes:	**2,142**	**177**	**(500)**	**-**	**-**	**1,819**
Origination Fees	(8)	-	-	-	1	(7)
Bonds	650	177	-	-	(1)	826
Notes	1,500	-	(500)	-	-	1,000

The average cost of financial debt for the period under review, including charges for used credit lines, amounted to 1.82%.

During the first six months of 2019, the Group contracted new bonds as detailed below:

Unit: € m

Issuance	Due amount	Interest rate	Maturity	Reimbursement
	177			
GALP ENERGIA/2019 - USD 100 M DUE MARCH 2024	88	USD LIBOR 6M + spread	March '24	March '24
GALP ENERGIA/2019 - USD 100 M DUE 2024	88	USD LIBOR 6M + spread	March '24	March '24

During this period, the Group issued €800 m through commercial paper programs that it has contracted. As at 30 June 2019, €350 m are classified as current liabilities.

During the first six months of 2019, the following notes were repaid:

Unit: €m

Issuance	Due amount	Interest rate	Maturity	Reimbursement
	500			
Galp 4,125% 01.2019	500	Fixed 4,125%	January '19	January '19

During the period, €29 m of other bank loans and project finance were repaid.

Financial debt, excluding origination fees and bank overdrafts, presents the following repayment plan as at 30 June 2019:

Unit: €m

Maturity	Loans		
	Total	Current	Non-current
	2,900	554	2,346
2019	31	31	-
2020	549	521	26
2021	535	-	535
2022	464	-	464
2023 onward	1,321	-	1,321

13. Other payables

As at 30 June 2019 and 31 December 2018, the details of Other payables were as follows:

Unit: € m

	June 2019		December 2018	
	Current	Non-current	Current	Non-current
	1,160	122	958	126
State and other public entities	**428**	**-**	**348**	**-**
Payable VAT	275	-	219	-
"ISP" - Tax on oil products	107	-	94	-
Other taxes	46	-	35	-
Other payables	**268**	**73**	**259**	**74**
Tangible and intangible assets suppliers	107	73	154	74
Advances on sales	1	-	7	-
Overlifting	27	-	35	-
Other Creditors	133	-	63	-
Related parties	**8**	**-**	**8**	**-**
Other accounts payables	**37**	**5**	**33**	**5**
Accrued costs	**386**	**28**	**302**	**30**
External supplies and services	262	-	153	-
Vacation, vacation subsidy and corresponding contributions	32	3	51	4
Other accrued costs	92	26	97	27
Deferred income	**32**	**16**	**8**	**16**

The balance of Other creditors includes the amount of €126 m related to advances from customers.

The balance of accrued costs – external supplies and services, includes €135 m related to the unitisation process in Brazil (Note 4).

14. Taxes and other contributions

14.1. Taxes and SPT (Special Participation Tax)

The Group's operations take place in several regions and are carried out by various legal entities, subject to locally established income tax rates, varying between 25% in Spain and the Netherlands, 31.5% in Portugal and 34% for companies based in Brazil.

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

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

The Company and its subsidiaries' income tax estimates are recorded based on the taxable income.

Taxes and SPT recognised in the consolidated income statement for the six-month period ended 30 June 2019 and 2018 are as follows:

Unit: € m

	June 2019			June 2018		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Taxes and SPT for the period	**297**	**4**	**301**	**319**	**86**	**405**
Current Income Tax	63	4	66	87	106	193
"IRP" - Oil Income Tax	9	5	14	6	-	6
"SPT" - Special Participation Tax	226	(5)	221	226	(20)	206

As at 30 June 2019, the movements in deferred tax assets and liabilities are as follows:

Unit: € m

	As at 31 December 2018	Impact on the income statement	Impact on equity	Foreign exchange rate changes	As at 30 June 2019
Deferred Taxes – Assets	**369**	**54**	**2**	**3**	**428**
Adjustments to tangible and intangible assets	13	(1)	-	-	12
Retirement benefits and other benefits	87	(2)	-	-	86
Tax losses carried forward	80	45	-	1	126
Regulated revenue	7	-	-	-	7
Temporarily non-deductible provisions	85	11	-	1	97
Potential foreign exchange rate differences in Brazil	24	(1)	-	1	23
Others	73	1	2	-	77
Deferred Taxes – Liabilities	**(196)**	**(58)**	**(3)**	**(4)**	**(261)**
Adjustments to tangible and intangible assets	(170)	(60)	-	(4)	(233)
Adjustments to tangible and intangible assets fair value	(7)	1	-	-	(6)
Regulated revenue	(13)	-	-	-	(13)
Potential foreign exchange rate differences in Brazil	-	3	(3)	-	-
Others	(6)	(2)	-	-	(8)

Following the Unitisation operation in Brazil (Note 4), during an initial phase a balance of €70 m was recognised as deferred taxes for non-deductible provisions. Given that during the current quarter some of the amounts initially recorded were considered definitive, part of this deferred tax balance was used in current tax (included in tax losses carried forward), and still the amount of €8 m in temporarily non-deductible provisions with an impact on the income statement.

14.2. Energy Sector Extraordinary Contribution

As at 30 June 2019, the details of the Energy Sector Extraordinary Contribution balances are as follows:

Unit: € m

	Statement of financial position				Income statement
	Provisions (Note 16)		"CESE II" Deferred Charges (Note 9.2)		Energy Sector Extraordinary Contribution
	CESE I	CESE II	Current	Non-current	
As at January 2019	**(86)**	**(211)**	**24**	**61**	**-**
"CESE I" Increase	(14)	-	-	-	14
"CESE II" Increase	-	(5)	(5)	(7)	17
"Fondo Nacional de Eficiencia Energética (FNEE)"	-	-	-	-	9
As at June 2019	**(100)**	**(216)**	**20**	**54**	**39**

15. Post employment benefits

During the period under review there were no significant changes compared to 31 December 2018.

On 30 June 2019 and 31 December 2018, the assets of the Pension Funds, valued at fair value, were as follows, in accordance with the report presented by the respective management company:

Unit: € m

	June 2019	December 2018
Total	**267**	**247**
Shares	53	49
Bonds	160	153
Real Estate	41	32
Liquidity	2	2
Others	11	10

As at 30 June 2019 and 31 December 2018, the detail of post employee benefits are as follows:

Unit: € m

	June 2019	December 2018
Asset within the heading of "Other Receivables"	36	10
Liability	(298)	(304)
Net responsabilities	**(262)**	**(294)**
Obligations, of which:	**(528)**	**(541)**
Past service liability covered by the pension fund	(231)	(238)
Others employee benefit liabilities	(297)	(303)
Assets	**267**	**247**

16. Provisions

During the six-month period ended 30 June 2019, the movements in Provisions were as follows:

Unit: € m

				June 2019	December 2018
	Decomissioning/ environmental provisions	CESE (I and II)	Other provisions	Total	Total
At the beginning of the period	**315**	**297**	**45**	**658**	**619**
Additional provisions and increases in existing provisions	85	18	3	105	77
Decreases in existing provisions	(1)	-	-	(1)	(39)
Amount used during the period	-	-	(1)	(1)	(11)
Regularization	-	-	-	1	-
Adjustments during the period	5	-	-	5	12
At the end of the period	**404**	**315**	**47**	**767**	**658**

The increase in decommissioning/environmental provisions during the period is due to a large number of wells that had been drilled and this was reflected in the additions to tangible assets in the amount of €81 m (Note 4) and in other financial costs in the amount of €3 m.

17. Other financial instruments

The financial position of the balance of derivative financial instruments as at 30 June 2019 and 31 December 2018 is detailed as follows:

Unit: € m

	June 2019					December 2018				
	Assets (Note 10)		Liabilities		Equity	Assets (Note 10)		Liabilities		Equity
	Current	Non current	Current	Non current		Current	Non current	Current	Non current	
	106	19	(114)	(8)	(4)	200	7	(102)	(37)	7
Commodity swaps	64	14	(104)	(8)	(1)	130	1	(83)	(33)	1
Options	3	-	-	-	-	-	-	-	-	-
Commodity futures	24	-	-	-	(3)	50	-	-	-	6
Forwards	14	5	(9)	(1)	-	20	6	(19)	(4)	-

The accounting impact on the income statement and comprehensive income as at 30 June 2019 and 30 June 2018 related to the gains and losses on derivative financial instruments are presented as follows:

Unit: € m

	June 2019				June 2018			
	Income statement			Equity	Income statement			Equity
	MTM	Realised	MTM + Realised		MTM	Realised	MTM + Realised	
	20	(19)	-	(11)	51	20	71	(12)
Commodities	12	(21)	(9)	(11)	57	20	77	(12)
Swaps	(113)	(14)	(127)	(2)	54	19	73	(1)
Swaps - Fair value hedge	49	-	49	-	5	-	5	-
Options	3	(1)	2	-	-	-	-	-
Futures	73	(6)	68	(9)	(2)	1	(1)	(11)
Currency	8	2	9	-	(6)	-	(6)	-
Forwards	8	2	9	-	(6)	-	(6)	-

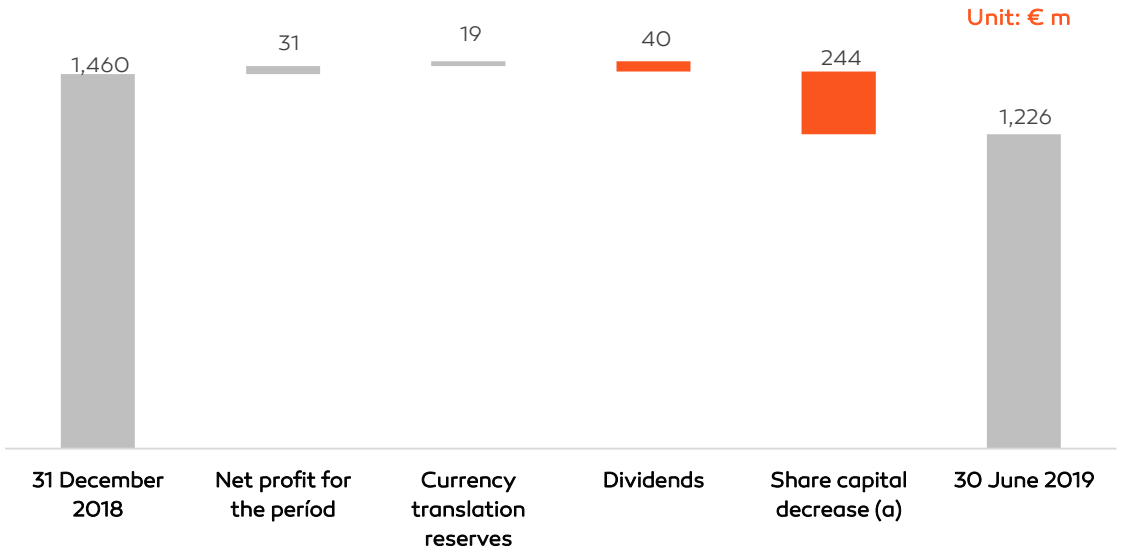
The realised income of derivatives is mainly recognised as being part of cost of sales (Note 20) and the remaining is recognised in financial income.

Results from Financial Instruments is as follows:

Unit: € m

	June 2019	June 2018
	46	51
Commodity Swaps	(65)	59
Options	3	-
Commodity Futures	73	(2)
Other trading operations	34	(6)

18. Non-controlling interests



[a] Share capital decrease is related to the share premium reduction in Galp Sinopec Brazil Services (GSBV) as explained in Note 9.4.

19. Revenue and income

The details of revenue and income for the six-month period ended 30 June 2019 and 2018 are as follows:

Unit: € m

	Notes	June 2019	June 2018
		8,517	8,713
Total sales		**7,836**	**8,098**
Goods		3,408	3,391
Products		4,420	4,682
Exchange differences		8	25
Services rendered		**309**	**339**
Other operating income		**229**	**136**
Underlifting income		146	60
Others		83	76
Earnings from associates and joint ventures	7	**76**	**67**
Financial income	21	**66**	**74**

20. Costs and expenditures

Costs and expenditures, for the six-month period ended 30 June 2019 and are detailed as follows:

Unit: € m

	Notes	June 2019	June 2018
Total costs and expenditures:		**7,922**	**7,728**
Cost of sales		**6,369**	**6,219**
Raw and subsidiary materials		2,758	3,105
Goods		2,014	1,890
Tax on oil products		1,356	1,358
Variation in production		252	(128)
Write downs in inventories	8	(29)	4
Financial derivatives	17	17	(20)
Exchange differences		1	10
External supplies and services		**797**	**904**
Subcontracts - network use		193	254
Transport of goods		148	101
E&P - production costs		98	131
Royalties		92	90
E&P - exploration costs		23	27
Other costs		242	301
Employee costs		**155**	**155**
Amortisation, depreciation and impairment losses on fixed assets	**4/ 5/ 6**	**441**	**348**
Provision and impairment losses on receivables	**9.3**	**(1)**	**6**
Other costs		**75**	**51**
Other taxes		11	11
CO2 Emissions		17	4
Overlifting costs		25	18
Other operating costs		23	18
Financial expenses	**21**	**87**	**45**

The variation in production includes the negative amount of €201 m related to the unitisation process in Brazil (Note 4).

21. Financial results

The details of financial income and costs for the six-month period ended 30 June 2019 and 2018 are as follows:

Unit: € m

	Notes	June 2019	June 2018
		(21)	29
Financial income		**66**	**74**
Interest on bank deposits		18	14
Interest and other income with related companies		1	5
Other financial income		1	3
Results from derivative financial instruments	17	46	51
Financial expenses		**(87)**	**(45)**
Interest on bank loans, bonds, overdrafts and others		(27)	(41)
Interests capitalised in fixed assets	4	11	26
Interest on lease liabilities	6	(45)	-
Exchange gains/(losses)		1	(18)
Other financial costs		(27)	(12)

Other financial costs include the amount of €12 m related to the unitisation process in Brazil (Note 4).

22. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 26 July 2019.

Chairman:
Paula Amorim

Vice-chair and Lead Independent Director:
Miguel Athayde Marques
Vice-chair:
Carlos Gomes da Silva
Members:
Filipe Crisóstomo Silva
Thore E. Kristiansen
Carlos Costa Pina
José Carlos da Silva
Sofia Tenreiro
Susana Quintana- Plaza
Marta Amorim
Francisco Rêgo
Carlos Pinto
Luís Todo Bom
Jorge Seabra de Freitas
Rui Paulo Gonçalves
Diogo Tavares
Edmar de Almeida
Cristina Neves Fonseca
Adolfo Mesquita Nunes

Accountant:
Carlos Alberto Nunes Barata

23. Explanation regarding translation

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

Building a better working world

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*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Limited review report on the condensed consolidated financial statements

Introduction

We have performed a limited review on the condensed consolidated financial statements of Galp Energia, SGPS, S.A. (the Entity), which comprise the condensed consolidated statement of financial position as at 30 June 2019 (showing a total of 13,991 million Euros and a shareholder's equity total of 5,817 million Euros, including a consolidated net profit of 254 million Euros), condensed consolidated income statement and consolidated statement of comprehensive income, of changes in equity and of cash flows for the six month period then ended, and the notes to the condensed consolidated financial statements which includes a summary of significant accounting policies.

Board of Directors responsibilities

The Board of Directors is responsible for the preparation of the condensed consolidated financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union for Interim Financial Reporting (IAS 34), and for the design and maintenance of an appropriate system of internal control to enable the preparation of consolidated financial statements which are free from material misstatement due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. We conducted our review in accordance with the International Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and other rules and technical and ethical requirements issued by the Institute of Statutory Auditors. Those standards require that our work is performed in order to conclude that nothing has come to our attention that causes us to believe that the condensed consolidated financial statements have not been prepared in all material respects in accordance with the International Financial Reporting Standards as endorsed by the European Union for Interim Financial Reporting (IAS 34).

A review of financial statements is a limited assurance engagement. The procedures performed consisted primarily of making inquiries of management and others within the Entity and its subsidiaries, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

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

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Galp Energia, SGPS, S.A., as at 30 June 2019, have not been prepared, in all material respects, in accordance with the International Financial Reporting Standards as endorsed by the European Union for Interim Financial Reporting (IAS 34).

Lisbon, 29 July de 2019

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (n.º 178)
Represented by:

(Signed)

Rui Abel Serra Martins - ROC nr. 1119
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Sociedade Anónima - Capital Social 1.225.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161680 na Comissão de Mercado de Valores Mobiliários
Contribuinte N.º 505 988 282 - C. R. Comercial de Lisboa sob o mesmo número
A member firm of Ernst & Young Global Limited

8. Definitions

Replacement cost (RC)

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

Replacement cost adjusted (RCA)

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

Acronyms

%: Percentage
ANP: Brazil's National Agency for Petroleum, Natural Gas and Biofuels
APETRO: Associação Portuguesa de Empresas Petrolíferas (Portuguese association of oil companies)
bbl: barrel of oil
bn: billion
boe: barrels of oil equivalent
BRL: Brazilian real
c.: circa
CESE: Contribuição Extraordinária sobre o Sector Energético (Portuguese Extraordinary Energy Sector Contribution)
CFFO: Cash flow from operations
Chg.: Change
CORES: Corporación de Reservas Estratégicas de Produtos Petrolíferos (Spain)
DD&A: Depreciation, Depletion and Amortisation
DST: Drill Stem Test
E&A: Exploration & Appraisal
E&P: Exploration & Production
Ebit: Earnings before interest and taxes
Ebitda: Ebit plus depreciation, amortisation and provisions
EMTN: Euro Medium Term Notes
EUR/€: Euro
FCF: Free Cash Flow
FNEE: Fondo Nacional de Eficiência Energética (Spain)
FPSO: Floating, production, storage and offloading unit
FX: Foreign exchange
FY: Full year
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
IFRIC: International Financial Reporting Interpretations Committee
IFRS: International Financial Reporting Standards
IRP: Oil income tax (Oil tax payable in Angola)
kboepd: thousands of barrels of oil equivalent per day
kbpd: thousands of barrels of oil per day
LNG: liquefied natural gas
LTM: last twelve months
m: million
MIBGAS: Iberian Market of Natural Gas
mmbbl: million barrels of oil
mmboe: millions of barrels of oil equivalent
mmbtu: million British thermal units
mm³: million cubic metres
mton: millions of tonnes
MWh: Megawatt-hour
NE: Net entitlement
NG: natural gas
n.m.: not meaningful
NWE: Northwestern Europe
p.p.: percentage point
QoQ: Quarter-on-quarter
R&M: Refining & Marketing
RC: Replacement Cost
RCA: Replacement Cost Adjusted
SPT: Special participation tax
ton: tonnes
ToR: Transfer of Rights
TTF: Title Transfer Facility
USD/$: Dollar of the United States of America
WI: working interest
YoY: year-on-year

Cautionary Statement

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

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

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

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

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

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

Galp Energia, SGPS, S.A.

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