2nd QUARTER AND FIRST HALF RESULTS 2020

RESULTS
JULY
2020

galp

Cautionary Statement

This announcement may include forward-looking statements, including, without limitation, regarding future results, namely cash flows, dividends, and shareholder returns; liquidity; capital and operating expenditures; performance levels and project plans, timing, and outcomes; production rates; developments of Galp's markets; and impacts of the COVID-19 pandemic on Galp's businesses and results, which may significantly differ depending on a number of factors including supply and demand for oil, gas, petroleum products, power and other market factors affecting them; the outcome of government policies and actions, including actions taken to address COVID-19 and to maintain the functioning of national and international economies and markets; the impacts of the COVID-19 pandemic on people and economies; the impact of Galp's actions to protect the health and safety of its employees, customers, suppliers and communities; actions of Galp's competitors and commercial counterparties; the ability to access short- and long-term debt markets on a timely and affordable basis; the actions of consumers; other legal and political factors including obtaining necessary permits; unexpected operating events or technical difficulties; the outcome of commercial negotiations including negotiations with governments and private entities; and other factors discussed in Galp's Management Report & Accounts filed with the Portuguese Securities Market Commission (CMVM) for the year ended December 31, 2019 and available on our website at galp.com. Statements regarding potential future financial or operating results made at Galp's Capital Markets Day of February 18, 2020 should not be considered to be updated or re-affirmed as of any later date except to the extent specifically updated or re-affirmed in this release or in subsequent public disclosures. Forward-looking statements are statements other than in respect of historical facts and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied by such forward-looking statements. Important factors that may cause actual results to differ from forward-looking statements are referred in Galp's Management Report & Accounts for the year ended 31 December 2019. Galp and its respective representatives, agents, employees or advisers 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 announcement to reflect any change in events, conditions or circumstances.

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RESULTS HIGHLIGHTS

1. RESULTS HIGHLIGHTS

Second quarter 2020

CFFO was down YoY to €160 m due to the weaker market environment conditions experienced during a period highly impacted by the Covid-19 global outbreak. Net capex amounted to €149 m, already reflecting adjustments to the investment plan. FCF was -€10 m.

Consolidated RCA Ebitda of €291 m:

- Upstream: RCA Ebitda was €204 m, down 50% YoY, reflecting the sharp decrease of oil prices; Working interest (WI) production was up 18% YoY to 132.2 kboepd, mostly supported by the increased contribution of Lula and Berbigão/Sururu in Brazil;
- Refining & Midstream: RCA Ebitda was €19 m, a €77 m decrease YoY, due to the pressured international commodities market, which led to lower supply and trading contribution, and a significant slowdown of the refining activity;
- Commercial: RCA Ebitda of €59 m, a 43% decrease YoY, following the decline in oil products and natural gas sales in the quarter, reflecting the weak market demand conditions;
- During the period, Galp was able to implement immediate mitigation measures to reduce the impact on its business and operations from the unexpected market conditions caused by Covid-19.

RCA Ebit was down YoY at -€57 m, following the weaker operational performance and including impairments of €92 m related with smaller scale exploration assets in the Upstream business.

RCA net income stood at -€52 m. IFRS net income was -€154 m, with an inventory effect of -€84 m and non-recurring items of -€18 m.

During the period, Galp received €83 m related with its Upstream business from the settlement of the equalisation agreements related with the Lula, Atapu and Sépia unitisation processes, in Brazil, and registered a net payment of €43 m related with derivatives within Refining & Midstream.

First half 2020

CFFO was €404 m, 60% lower YoY, while RCA Ebitda amounted to €760 m, 31% lower YoY, both reflecting the materially adverse market conditions in the period.

Total investment reached €280 m with Upstream accounting for 66% of capex and the remaining mainly focused on Commercial and the improvement of refining energy efficiency.

FCF stood positive at €52 m. Considering dividends paid to shareholders of €318 m and to non-controlling interests of €194 m, as well as other adjustments, net debt increased €497 m.

Other highlights

- The SPA recently signed between Galp and ACS Group has been amended to establish new terms and conditions for the acquisition, including the setting up of a joint venture under which Galp acquires 75.01% and ACS Group maintains a stake of 24.99%, with a governance structure of joint control.

  Galp is expected to pay an amount of €300-350 m at closing, for the stake acquisition and previous development costs. All further development and construction costs related with the portfolio will be assumed by the joint venture and are intended to be project financed. The agreement maintains the development and construction of the portfolio to be made by Cobra, an affiliate of ACS.

- The amended SPA includes conditions precedent customary for this type of transaction, including competition approval from the European Commission. The transaction is expected to be completed before year end.

- Considering the recent developments and expected market outlook, Galp revised downwards its short and medium term macro assumptions, as well as a more conservative longer term balance between global oil supply and demand. The revised oil price (Brent) assumptions are as follows:

Brent ($/bbl)

	2020	2021	2022	2023	2024	2025	2026+
Current	40	45	50	55	60	65	60*
Previous	65	70	70	70	70	70	70*

*Real terms 2019.

Galp tested its balance sheet in light of such revised assumptions, which resulted in no relevant impairments.

Financial data

€m (IFRS, except otherwise stated)

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
615	469	291	(324)	(53%)	**RCA Ebitda**	1,109	760	(349)	(31%)
408	286	204	(203)	(50%)	Upstream	782	490	(292)	(37%)
97	90	19	(77)	(80%)	Refining & Midstream	123	109	(14)	(12%)
105	90	59	(46)	(43%)	Commercial	195	149	(46)	(23%)
-	(1)	(4)	(4)	n.m.	Renewables & New Businesses	-	(5)	(5)	n.m.
386	217	(57)	(443)	n.m.	**RCA Ebit**	663	161	(503)	(76%)
278	145	(32)	(311)	n.m.	Upstream	534	113	(421)	(79%)
22	9	(60)	(82)	n.m.	Refining & Midstream	(25)	(51)	25	99%
81	68	36	(45)	(55%)	Commercial	151	104	(47)	(31%)
(0)	(7)	(9)	9	n.m.	Renewables & New Businesses	(0)	(16)	16	n.m.
199	29	(52)	(251)	n.m.	**RCA Net income**	303	(22)	(325)	n.m.
231	(257)	(154)	(384)	n.m.	**IFRS Net income**	223	(410)	(633)	n.m.
14	(8)	(18)	(33)	n.m.	Non-recurring items	(111)	(26)	(86)	(77%)
17	(278)	(84)	(101)	n.m.	Inventory effect	32	(362)	(394)	n.m.
236	144	136	(100)	(43%)	**Capex**	385	280	(104)	(27%)
613	244	160	(454)	(74%)	**Cash flow from operations**	1,010	404	(606)	(60%)
342	63	(10)	(352)	n.m.	**Free cash flow**	501	52	(449)	(90%)
(39)	(108)	(86)	47	n.m.	**Dividends paid to non-controlling interests**	(107)	(194)	87	82%
(296)	-	(318)	22	7%	**Dividends paid to shareholders**	(296)	(318)	22	7%
1,598	1,496	1,932	334	21%	**Net debt**	1,435	1,932	497	35%
0.7x	0.7x	1.1x	0.4x	61%	**Net debt to RCA Ebitda**[1]	0.7x	1.1x	0.4x	61%

[1] Ratio considers the LTM Ebitda RCA (€1,837 m on 30 June 2020), which is adjusted for the impact from the application of IFRS 16 (€195 m on 30 June 2020).

Operational data

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
111.8	131.4	132.2	20.4	18%	Average working interest production (kboepd)	112.2	131.8	19.6	17%
109.8	129.6	130.3	20.5	19%	Average net entitlement production (kboepd)	110.3	130.0	19.7	18%
(7.8)	(5.8)	(7.8)	(0.0)	(0%)	Oil & gas realisations - Dif. to Brent (USD/boe)	(8.0)	(6.6)	(1.4)	(18%)
26.1	26.8	13.4	(12.7)	(49%)	Raw materials processed (mboe)	48.9	40.2	(8.6)	(18%)
3.0	1.9	1.8	(1.2)	(39%)	Galp refining margin (USD/boe)	2.7	1.9	(0.8)	(31%)
4.4	4.1	2.5	(1.9)	(43%)	Oil products supply[1] (mton)	8.1	6.7	(1.4)	(18%)
22.0	17.7	11.7	(10.3)	(47%)	NG/LNG supply & trading volumes[1] (TWh)	45.0	29.4	(15.5)	(35%)
0.3	0.3	0.3	(0.0)	(1%)	Sales of electricity to the grid (TWh)	0.7	0.7	(0.0)	(0%)
7.9	6.7	4.9	(3.0)	(38%)	Natural gas - client sales (TWh)	16.7	11.6	(5.1)	(31%)
0.8	0.9	0.7	(0.1)	(14%)	Electricity - client sales (TWh)	1.6	1.6	(0)	(3%)

[1] Includes volumes sold to the Commercial segment.

Market indicators

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
1.12	1.10	1.10	(0.02)	(2%)	Average exchange rate EUR:USD	1.13	1.10	(0.03)	(2%)
4.40	4.91	5.92	1.51	34%	Average exchange rate EUR:BRL	4.34	5.42	1.07	25%
68.9	50.1	29.6	(39.3)	(57%)	Dated Brent price (USD/bbl)	66.0	40.1	(25.9)	(39%)
(0.6)	(2.4)	(0.1)	(0.4)	(81%)	Heavy-light crude price spread[1] (USD/bbl)	(0.7)	(1.3)	0.5	74%
14.9	10.1	6.5	(8.4)	(57%)	Iberian MIBGAS natural gas price (EUR/MWh)	17.9	8.2	(9.7)	(54%)
13.0	9.7	5.3	(7.6)	(59%)	Dutch TTF natural gas price (EUR/MWh)	15.1	7.5	(7.6)	(50%)
4.9	3.6	2.1	(2.8)	(57%)	Japan/Korea Marker LNG price (USD/mbtu)	5.8	2.9	(2.9)	(50%)
48.9	36.0	24.0	(24.9)	(51%)	Iberian power pool price (EUR/MWh)	52.6	30.0	(22.6)	(43%)
16.6	14.7	9.8	(6.8)	(41%)	Iberian oil market (mton)	28.0	24.5	(3.5)	(12%)
108	119	84	(24)	(22%)	Iberian natural gas market (TWh)	227	204	(24)	(10%)

Source: Platts for commodities prices; MIBGAS for Iberian natural gas price; APETRO and CORES for Iberian oil market (internal estimate for June oil market in Spain); REN and Enagás for Iberian natural gas market.
[1] Urals NWE dated for heavy crude; dated Brent for light crude.

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UPSTREAM

2. UPSTREAM

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

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
111.8	**131.4**	**132.2**	**20.4**	**18%**	**Average working interest production[1] (kboepd)**	**112.2**	**131.8**	**19.6**	**17%**
99.5	118.1	118.6	19.1	19%	Oil production (kbpd)	99.5	118.3	18.9	19%
109.8	**129.6**	**130.3**	**20.5**	**19%**	**Average net entitlement production[1] (kboepd)**	**110.3**	**130.0**	**19.7**	**18%**
12.2	14.1	12.7	0.5	4%	Angola	10.4	13.4	3.0	28%
97.6	115.6	117.6	20.0	20%	Brazil	89.2	116.6	27.4	31%
(7.8)	**(5.8)**	**(7.8)**	**(0.0)**	**(0%)**	**Oil and gas realisations - Dif. to Brent (USD/boe)**	**(8.0)**	**(6.6)**	**(1.4)**	**(18%)**
5.5	**4.0**	**2.3**	**(3.2)**	**(57%)**	**Royalties (USD/boe)**	**5.7**	**3.1**	**(2.5)**	**(45%)**
4.6	**2.4**	**2.8**	**(1.8)**	**(39%)**	**Production costs (USD/boe)**	**4.2**	**2.6**	**(1.6)**	**(37%)**
14.5	**13.1**	**13.4**	**(1.1)**	**(8%)**	**DD&A[2] (USD/boe)**	**13.6**	**13.3**	**(0.3)**	**(3%)**
408	**286**	**204**	**(203)**	**(50%)**	**RCA Ebitda**	**782**	**490**	**(292)**	**(37%)**
(129)	(140)	(233)	103	80%	Depreciation, Amortisation and Impairments[3]	(248)	(373)	125	50%
-	-	(4)	(4)	n.m.	Provisions	-	(4)	(4)	n.m.
278	**145**	**(32)**	**(311)**	**n.m.**	**RCA Ebit**	**534**	**113**	**(421)**	**(79%)**
281	**181**	**(4)**	**(285)**	**n.m.**	**IFRS Ebit[4]**	**337**	**177**	**(160)**	**(47%)**
17	**(1)**	**5**	**(12)**	**(68%)**	**Net Income from Upstream Associates**	**33**	**4**	**(29)**	**(88%)**

[1] Includes natural gas exported; excludes natural gas used or reinjected.
[2] Includes abandonment provisions. 2Q20 and 1H20 unit figures exclude impairments of €92 m related with smaller scale exploration assets.
[3] Includes abandonment provisions.
[4] Includes unitisation impacts.

Second quarter

Operations

WI production increased 18% YoY to 132.2 kboepd, driven by the continued development of the Lula, Iracema and Berbigão/Sururu projects in Brazil, benefiting as well from the increased contribution from the Kaombo project, in Angola. Natural gas amounted to 10% of Galp's total production.

In Brazil, production was higher YoY, driven by the continued ramp-up of Lula, namely FPSOs Lula North and Lula Ext. South, and the contribution of the Berbigão/Sururu FPSO. During the quarter, there were two FPSOs stoppages due to identified Covid-19 cases.

The FPSO allocated to the Atapu South area, where Galp has a 1.7% stake, initiated operations on June 25, 2020. The FPSO has a capacity to produce 150 kbpd and 6 mm^3/d of natural gas.

In Angola, WI production increased slightly YoY, to 14.6 kbpd, supported by the ramp-up of the Kaombo project in block 32.

The Group's net entitlement production increased 19% YoY to 130.3 kboepd.

Results

RCA Ebitda was €204 m, down YoY, mostly reflecting the lower Brent prices, which more than offset the higher production and a positive underlifting effect.

Production costs were €31 m, excluding costs related with operating leases of €34 m. In unit terms, and on a net entitlement basis, production costs were $2.8/boe, down YoY from $4.6/boe, also benefitting from the higher production.

Amortisation and depreciation charges (including abandonment provisions) of €233 m include impairments of €92 m related with smaller scale exploration assets, reflecting lower potential of discoveries, mainly related to prospects in the Potiguar basin. On a net entitlement basis, and excluding the impairments, DD&A was $13.4/boe.

RCA Ebit was -€32 m, down €311 m YoY.

First half

Operations

Average WI production during the first half of 2020 was 131.8 kboepd, 17% higher YoY, supported by the development of Lula, Iracema and Berbigão/Sururu projects, as well as the higher contribution from the Kaombo project, in Angola.

Net entitlement production increased 18% YoY, to 130.0 kboepd.

Results

RCA Ebitda was €490 m, down 37% YoY, impacted by the much weaker oil prices environment.

Production costs were €57 m, excluding operating leases of €70 m. In unit terms, and on a net entitlement basis, production costs were $2.6/boe.

Amortisation and depreciation charges (including abandonment provisions) amounted to €373 m, an increase of €125 m YoY, also reflecting €92 m in impairments. On a net entitlement basis, and not considering the impacts from impairments, DD&A was $13.3/boe.

RCA Ebit was €113 m, down €421 m YoY.

03

REFINING & MIDSTREAM

3. REFINING & MIDSTREAM

€m (RCA, except otherwise stated)

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
26.1	**26.8**	**13.4**	**(12.7)**	**(49%)**	**Raw materials processed (mboe)**	**48.9**	**40.2**	**(8.6)**	**(18%)**
23.0	25.2	11.3	(11.8)	(51%)	Crude processed (mbbl)	43.0	36.4	(6.5)	(15%)
3.0	**1.9**	**1.8**	**(1.2)**	**(39%)**	**Galp refining margin (USD/boe)**	**2.7**	**1.9**	**(0.8)**	**(31%)**
2.3	**3.0**	**2.4**	**0.1**	**6%**	**Refining cost (USD/boe)**	**2.3**	**2.8**	**0.5**	**21%**
0.2	**0.4**	**0.6**	**0.4**	**n.m.**	**Refining margin hedging[1] (USD/boe)**	**0.1**	**0.4**	**0.3**	**n.m.**
4.4	**4.1**	**2.5**	**(1.9)**	**(43%)**	**Oil products supply[2] (mton)**	**8.1**	**6.7**	**(1.4)**	**(18%)**
22.0	**17.7**	**11.7**	**(10.3)**	**(47%)**	**NG/LNG supply & trading volumes[2] (TWh)**	**45.0**	**29.4**	**(15.5)**	**(35%)**
8.0	5.3	3.7	(4.2)	(53%)	Trading (TWh)	17.5	9.0	(8.4)	**(48%)**
0.3	**0.3**	**0.3**	**(0.0)**	**(1%)**	**Sales of electricity to the grid (TWh)**	**0.7**	**0.7**	**(0.0)**	**(0.0)**
97	**90**	**19**	**(77)**	**(80%)**	**RCA Ebitda**	**123**	**109**	**(14)**	**(12%)**
(75)	(80)	(79)	4	6%	Depreciation, Amortisation and Impairments	(149)	(159)	10	7%
0	(1)	(0)	(1)	n.m.	Provisions	0	(1)	(1)	n.m.
22	**9**	**(60)**	**(82)**	**n.m.**	**RCA Ebit**	**(25)**	**(51)**	**25**	**99%**
70	**(369)**	**(171)**	**(241)**	**n.m.**	**IFRS Ebit**	**47**	**(540)**	**(587)**	**n.m.**
30	**24**	**18**	**(12)**	**(41%)**	**Net Income from R&Mid. Associates**	**49**	**41**	**(8)**	**(16%)**

[1] Impact on Ebitda.
[2] Includes volumes sold to the Commercial segment.

Second quarter

Operations

Raw materials processed in Galp's refining system were 13.4 mboe during the period, 49% lower YoY, reflecting the operational slowdown to face the low demand and high inventories levels of oil products caused by the lockdown measures imposed in Iberia.

Crude oil accounted for 84% of raw materials processed, of which 95% corresponded to medium and heavy crudes. Sweet crudes accounted for 79% of the total crudes processed.

Middle distillates (diesel and jet) accounted for 45% of production and gasoline for 18%. Fuel oil production accounted for 17%, mainly very low sulphur fuel oil. Consumption and losses accounted for 9% of raw materials processed.

Total supply of oil products decreased 43% YoY to 2.5 mton, mainly impacted by the lower demand and operational slowdown in the quarter.

Supply & trading volumes of NG/LNG decreased YoY to 11.7 TWh, impacted by the slowdown of the industrial activity.

Sales of electricity to the grid were 325 GWh during the period, in line YoY.

Results

RCA Ebitda for the Refining & Midstream business was €19 m, a decrease of €77 m YoY.

Galp's refining margin was down YoY to $1.8/boe, reflecting the pressured international refining environment, especially impacted by the weak distillates' cracks during the period.

Refining costs were $2.4/boe, or €29 m on absolute terms, down YoY considering costs' optimisation measures and reduced operations. Refining margin hedging had a positive impact on Ebitda of €7 m during the quarter.

Midstream contribution was negatively impacted mainly due to natural gas trading activities, reflecting the lower traded volumes.

Results from associated companies were €18 m, related to Galp's equity interest in Galp Gás Natural Distribuição, S.A. (GGND) and in the international pipelines.

RCA Ebit was -€60 m. IFRS Ebit was negative at -€171 m.

First half

Operations

Raw materials processed were 40.2 mboe during the period, 18% lower YoY due to the planned restrictions placed on the refining system both for maintenance activities and to cope with the low demand environment in Iberia.

Crude oil accounted for 91% of raw materials processed, of which 88% corresponded to medium and heavy crudes, and 88% to sweet crudes.

Middle distillates (diesel and jet) accounted for 45% of production, gasoline for 20% and fuel oil for 19%. Consumption and losses accounted for 8% of raw materials processed.

Total oil product supplied decreased 18% YoY to 6.7 mton, driven by the lower demand caused by the Covid-19 pandemic.

Supply & trading volumes of NG/LNG were 29.4 TWh, decreasing YoY, mainly impacted by the decline in NG/LNG trading activity, but also in sales to direct clients.

Sales of electricity to the grid were 664 GWh during the period, in line YoY.

Results

RCA Ebitda for the Refining & Midstream business decreased €14 m YoY to €109 m.

Galp’s refining margin was down YoY to $1.9/boe, reflecting the weak refining context and operational constraints.

Refining costs were $2.8/boe in line YoY as the lower operational costs achieved in 2Q20 were offset by the higher costs of 1Q20, impacted by the planned maintenance activities. Refining margin hedging had a positive impact on Ebitda of €16 m during the period.

Midstream contribution benefited from a positive swing in pricing lag effects in 1Q20, considering the steep decline in the commodities prices in the period.

Results from associated companies were €41 m.

RCA Ebit was negative by -€51 m. IFRS Ebit was negative by -€540 m reflecting the inventory effect.

04

COMMERCIAL

4. COMMERCIAL

€m (RCA, except otherwise stated)

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
					Commercial sales to clients				
2.1	1.8	1.2	(0.9)	(44%)	Oil products (mton)	4.1	2.9	(1.1)	(28%)
7.9	6.7	4.9	(3.0)	(38%)	Natural Gas (TWh)	16.7	11.6	(5.1)	(31%)
0.8	0.9	0.7	(0.1)	(14%)	Electricity (TWh)	1.6	1.6	(0.1)	(3%)
105	**90**	**59**	**(46)**	**(43%)**	**RCA Ebitda**	**195**	**149**	**(46)**	**(23%)**
(23)	(22)	(23)	(0)	(1%)	Depreciation, Amortisation and Impairments	(44)	(45)	1	3%
(0)	0	(0)	(0)	n.m.	Provisions	(0)	0	0	n.m.
81	**68**	**36**	**(45)**	**(55%)**	**RCA Ebit**	**151**	**104**	**(47)**	**(31%)**
82	**66**	**31**	**(50)**	**(62%)**	**IFRS Ebit**	**152**	**98**	**(54)**	**(36%)**
0	**(3)**	**1**	**1**	**n.m.**	**Net Income from Commercial Associates**	**2**	**(1)**	**(3)**	**n.m.**

Second quarter

Operations

Total oil products' sales decreased 44% YoY to 1.2 mton, highly impacted by the lower demand, namely in the aviation, bunkers and retail segments, mostly during April and May, as a result of the lockdown measures adopted to control the Covid-19 outbreak.

Natural gas volumes sold decreased 38% YoY to 4.9 TWh, also impacted by the market conditions and lower supplies to B2B clients in Iberia.

Sales of electricity of 0.7 TWh, 14% down YoY, following the decrease in demand registered during the period.

It should be highlighted that in June, as lockdown measures in Iberia were lifted, oil products, gas and electricity demand already registered a supportive evolution compared with previous months.

Results

RCA Ebitda for the Commercial business was €59 m, down 43% YoY, following the decline in oil products and natural gas sales in the quarter.

RCA Ebit was €36 m, while IFRS Ebit was €31 m.

First half

Operations

Total oil products' sales were 2.9 mton, down 28% YoY, reflecting the decrease in demand, namely in 2Q20, caused by the restrictions imposed to face the Covid-19 outbreak.

Natural gas volumes were 11.6 TWh, down 31% YoY, impacted the decline in the B2B segment.

Electricity sales to the grid were 1.6 TWh, in line YoY.

Results

RCA Ebitda decreased 23% YoY to €149 m, following the lower volumes sold, namely in 2Q20.

RCA Ebit was €104 m, while IFRS Ebit was €98 m.

05

RENEWABLES & NEW BUSINESSES

5. RENEWABLES & NEW BUSINESSES

€m (RCA, except otherwise stated)

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
					Indicators at 100% basis				
12	12	12	-	-	Renewable generation installed capacity (MW)	12	12	-	-
7.1	8.3	6.4	(0.7)	(10%)	Renewable power generation (GWh)	15.2	14.7	(0.6)	(4%)
					Consolidated indicators				
-	(0.8)	(3.9)	-	n.m.	RCA Ebitda	-	(4.6)	-	n.m.
(0.0)	(6.7)	(9.1)	9.1	n.m.	RCA Ebit	(0.0)	(15.8)	15.7	n.m.
(0.0)	(6.7)	(9.1)	9.1	n.m.	IFRS Ebit	(0.0)	(15.8)	15.7	n.m.
(0.0)	(0.5)	(0.3)	0.3	n.m.	Net Income from Renewables & NB Associates	0.0	(0.8)	(0.8)	n.m.

The Renewables & New Businesses unit is a step for Galp to embrace the energy transition, by developing a sustainable and diversified portfolio of renewable power generation and represents a natural hedge to our Iberian commercial power activities. Additionally, this unit aims to maximise the value created, taking advantage of the disruptive changes that energy markets are experiencing, by developing new business opportunities.

Given that some of the projects to be included under this business unit might not consolidate into Galp's accounts, operational indicators such as installed capacity or power generation will be reported on a gross 100% basis. Operational results will be presented on a consolidated basis, with the contribution from businesses that are not consolidated to be reported under the Net Income from Associates' line.

As of 30 June 2020, Galp's renewable generation installed capacity was 12 MW, from a wind farm in which the Company holds a participation, through the associate Ventinveste, S.A., Portugal (Galp 51.5%). To date, Galp has no solar PV installed capacity under operation, with some projects currently under development.

On 22 January 2020, Galp signed a SPA with the ACS Group for the acquisition solar photovoltaic projects in Spain comprising of c.2.9 GW, of which over 900 MW have been recently commissioned. The transaction considers an enterprise value of c.€2.2 bn related with the acquisition, development and construction of the entire portfolio.

The SPA has recently been amended to establish new terms and conditions for the acquisition, including the setting up of a joint venture under which Galp acquires 75.01% and ACS Group maintains a stake of 24.99%, with a governance structure of joint control.

Galp is expected to pay an amount of €300-350 m at closing for the stake acquisition and previous development costs. All further development and construction costs related with the portfolio will be assumed by the joint venture and intended to be project financed. The agreement maintains the development and construction of the portfolio to be made by Cobra, an affiliate of ACS.

The amended SPA includes conditions precedent customary for this type of transaction, including competition approval from the European Commission. The transaction is expected to be completed before the year end.

06

FINANCIAL DATA

6. FINANCIAL DATA

6.1 Income Statement

€m (RCA, except otherwise stated)

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
4,587	3,689	1,965	(2,622)	(57%)	Turnover	8,145	5,654	(2,492)	(31%)
(3,516)	(2,573)	(1,307)	(2,210)	(63%)	Cost of goods sold	(6,215)	(3,880)	(2,335)	(38%)
(404)	(450)	(355)	(49)	(12%)	Supply & Services	(797)	(805)	8	1%
(73)	(82)	(68)	(5)	(7%)	Personnel costs	(155)	(150)	(5)	(3%)
22	(113)	58	36	n.m.	Other operating revenues (expenses)	129	(56)	(184)	n.m.
(1)	(1)	(2)	1	n.m.	Impairments on accounts receivable	1	(4)	(4)	n.m.
615	**469**	**291**	**(324)**	**(53%)**	**RCA Ebitda**	**1,109**	**760**	**(349)**	**(31%)**
666	**125**	**207**	**(459)**	**(69%)**	**IFRS Ebitda**	**980**	**332**	**(648)**	**(66%)**
(229)	(246)	(338)	109	47%	Depreciation, Amortisation and Impairments	(446)	(584)	138	31%
0	(6)	(9)	(9)	n.m.	Provisions	0	(15)	(16)	n.m.
386	**217**	**(57)**	**(443)**	**n.m.**	**RCA Ebit**	**663**	**161**	**(503)**	**(76%)**
437	**(127)**	**(144)**	**(581)**	**n.m.**	**IFRS Ebit**	**539**	**(271)**	**(810)**	**n.m.**
47	19	24	(23)	(50%)	Net income from associates	83	43	(41)	(49%)
(10)	(60)	(10)	0	4%	Financial results	(8)	(70)	61	n.m.
(5)	(5)	(7)	2	35%	Net interests	(7)	(12)	5	80%
5	5	5	1	15%	Capitalised interest	11	11	(1)	(5%)
7	(56)	(32)	(39)	n.m.	Exchange gain (loss)	1	(88)	(88)	n.m.
15	(84)	18	3	23%	Mark-to-market of derivatives	46	(66)	(111)	n.m.
(23)	(21)	(21)	(2)	(10%)	Operating leases interest (IFRS 16)	(45)	(41)	(3)	(7%)
(8)	101	26	34	n.m.	Other financial costs/income	(15)	127	141	n.m.
424	**177**	**(43)**	**(466)**	**n.m.**	**RCA Net income before taxes and minority interests**	**738**	**134**	**(605)**	**(82%)**
(191)	(146)	(20)	(170)	(89%)	Taxes	(363)	(166)	(197)	(54%)
(125)	(99)	(50)	(75)	(60%)	Taxes on oil and natural gas production[1]	(235)	(149)	(86)	(37%)
(34)	(1)	12	45	n.m.	Non-controlling interests	(72)	10	83	n.m.
199	**29**	**(52)**	**(251)**	**n.m.**	**RCA Net income**	**303**	**(22)**	**(325)**	**n.m.**
14	(8)	(18)	(33)	n.m.	Non-recurring items	(111)	(26)	(86)	(77%)
214	**22**	**(70)**	**(284)**	**n.m.**	**RC Net income**	**191**	**(48)**	**(239)**	**n.m.**
17	(278)	(84)	(101)	n.m.	Inventory effect	32	(362)	(394)	n.m.
231	**(257)**	**(154)**	**(384)**	**n.m.**	**IFRS Net income**	**223**	**(410)**	**(633)**	**n.m.**

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

Second quarter

RCA Ebitda decreased 53% YoY to €291 m, impacted by the weaker operational performance across all divisions, following the market conditions deterioration in the period due to the Covid-19 outbreak. IFRS Ebitda was €207 m, considering an inventory effect of €116 m.

RCA Ebit was down YoY and negative at -€57 m, following the weaker operational performance and including impairments of €92 m related with smaller scale exploration assets in the Upstream business.

During the quarter, financial results were -€10 m, negatively impacted by exchange losses of -€32 m. Mark to market of €18 m reflects a positive contribution from derivatives to cover natural gas price risk, although partially offset by a loss related with CO_2 licences derivatives[1]. Financial results also benefited from the unwind of the outstanding 2020 refining hedges.

RCA taxes decreased YoY from €191 m to €20 m, following the lower operating results, namely from the Upstream.

Non-controlling interests positive at €12 m, reflecting Petrogal Brasil earnings in the quarter.

RCA net income was negative at -€52 m and IFRS net income was -€154 m, with non-recurring items of -€18 m and a post tax inventory effect of -€84 m.

First half

RCA Ebitda of €760 m, 31% lower YoY, impacted by the weak market conditions during the period.

RCA Ebit was €161 m, down 76% YoY, following lower operational contribution, as well as the impairment losses booked in 2Q20.

Financial results were -€70 m, reflecting exchange losses of -€88 m from the Brazilian Real depreciation against U.S. Dollar in Galp's subsidiary Petrogal Brasil. The negative swing on mark-to-market of -€78 m is mostly related with derivatives to cover natural gas price risks and includes the loss registered in 2Q20 from CO_2 licences derivatives[1].

RCA taxes decreased YoY from €363 m to €166 m, following the lower operating results, namely from the Upstream.

Non-controlling interests of €10 m, related with Petrogal Brasil results.

RCA net income was negative at -€22 m, while IFRS net income was negative at -€410 m, with non-recurring items of -€26 m and a material inventory effect of -€362 m.

[1] Please refer to note 18 of the Condensed Consolidated Financial Statements, in the appendices.

6.2 Capital Expenditure

€m

Quarter						First Half			
2Q19	1Q20	2Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
177	104	82	(96)	(54%)	Upstream	310	185	(124)	(40%)
91	1	(0)	(91)	n.m.	Exploration and appraisal activities	107	0	(107)	(100%)
87	103	82	(5)	(5%)	Development and production activities	203	185	(18)	(9%)
24	14	23	(1)	(6%)	Refining & Midstream	30	36	7	23%
22	24	26	4	19%	Commercial	24	50	26	n.m.
9	0	2	(7)	(78%)	Renewables & New Businesses	14	2	(12)	(84%)
5	3	4	(1)	(20%)	Others	7	7	(1)	(12%)
236	144	136	(100)	(43%)	Capex[1]	385	280	(104)	(27%)

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

Second quarter

Capex totalled €136 m during the quarter, of which 60% allocated to the Upstream business.

Investment in development and production activities reached €82 m and was mostly related with the execution of Lula and Berbigão/Sururu in Brazil, as well as with the Coral FLNG project in Mozambique.

Investments in downstream activities were mainly directed to the Commercial activity in Portugal, as well as to maintenance and higher efficiency programmes in the refineries.

First half

Capex was €280 m, of which 66% allocated to the Upstream business.

Investment in development and production activities reached €185 m and were mostly related with the execution of Lula and Berbigão/Sururu in Brazil, as well as with the Mozambican projects Coral FLNG and Rovuma LNG.

Investments in downstream activities were mostly allocated to the Commercial business, including logistic assets in Mozambique in 1Q20, and to efficiency improvements in the refining system.

6.3 Cash Flow

€m (IFRS figures)

Quarter				First Half	
2Q19	1Q20	2Q20		2019	2020
410	(127)	(144)	Ebit[1]	712	(271)
225	246	343	Depreciation, Amortisation and Impairments	441	588
76	1	34	Dividends from associates	87	35
29	289	11	Change in Working Capital	32	300
(127)	(165)	(83)	Corporate income taxes and oil and gas production taxes	(263)	(248)
613	**244**	**160**	**Cash flow from operations[2]**	**1,010**	**404**
(223)	(211)	(149)	Net capex	(375)	(360)
0	(25)	(13)	Net financial expenses	(41)	(38)
-	105	(43)	Realised Income from derivatives	-	62
(49)	(50)	(48)	Operating lease payments (IFRS 16)[3]	(93)	(98)
-	-	83	Equalisation related with unitisation processes[2]	-	83
342	**63**	**(10)**	**Free cash flow**	**501**	**52**
(39)	(108)	(86)	Dividends paid to non-controlling interests[4]	(107)	(194)
(296)	-	(318)	Dividends paid to shareholders	(296)	(318)
(1)	(16)	(21)	Others	42	(37)
(5)	61	436	Change in net debt	(139)	497

[1] 1Q19 and 2Q19 adjusted for the non-cash unitisation non-recurring item.
[2] Adjusted for the effects related with Lula, Atapu and Sépia equalisation processes, namely -€137 m on the CFFO caption and €220 m on net capex, leading to a net receivable position of €83 m.
[3] Includes both interest and capital payments, which in 2Q20 amounted to €21 m e €27 m, respectively.
[4] Mainly dividends paid to Sinopec.

Second quarter

CFFO was down YoY to €160 m, due to the weaker market environment conditions experienced during the period, highly impacted by the effects of the Covid-19 global outbreak.

FCF was negative at -€10 m, considering a net capex (cash) of €149 m and a net positive €83 m contribution from the equalisation settlement related with the already completed unitisation processes of Lula, Atapu and Sépia, in Brazil. FCF also includes the unwind of the outstanding 2020 refining hedges, which was more than offset by margin account provisions related with CO_2 licenses derivatives[1].

Considering dividends to shareholders in the amount of €318 m and non-controlling interests of €86 m, net debt increased to €436 m.

First half

CFFO amounted to €404 m, reflecting the weak operational contribution under a volatile market environment.

FCF stood positive at €52 m. Considering dividends paid to shareholders of €318 m and to non-controlling interests of €194 m, as well as other adjustments, net debt increased €497 m.

[1] Please refer to note 18 of the Condensed Consolidated Financial Statements, in the appendices.

6.4 Financial Position

€m (IFRS figures)

	31 Dec., 2019	31 Mar., 2020	30 Jun.,2020	Var. vs 31 Dec., 2019	Var. vs 31 Mar., 2020
Net fixed assets[1]	7,358	7,439	7,008	(350)	(431)
Rights of use (IFRS 16)	1,167	1,171	1,124	(43)	(47)
Working capital	952	663	652	(300)	(11)
Other assets/liabilities[1]	(1,161)	(1,184)	(982)	180	202
Capital employed	**8,316**	**8,089**	**7,802**	**(514)**	**(287)**
Short term debt	278	574	631	353	57
Medium-Long term debt	2,616	2,407	2,997	380	589
Total debt	**2,895**	**2,981**	**3,627**	**733**	**646**
Cash and equivalents	1,460	1,485	1,696	236	210
Net debt	**1,435**	**1,496**	**1,932**	**497**	**436**
Operating leases (IFRS 16)	1,223	1,232	1,188	(35)	(44)
Equity	5,657	5,360	4,682	(976)	(678)
Equity, net debt and operating leases	**8,316**	**8,089**	**7,802**	**(514)**	**(287)**

[1] Net fixed assets and other assets/liabilities include the estimated impact from unitisations.

On June 30, 2020, net fixed assets were €7,008 m, down €431 m from March 31 position, mostly reflecting the adjustments related with the equalisation settlement from the completion of three unitisation processes and the impairments related with smaller scale exploration assets. Work-in-progress, mainly related to the Upstream business, stood at €1,901 m.

6.5 Financial debt

€m (except otherwise stated)

	31 Dec., 2019	31 Mar., 2020	30 Jun.,2020	Var. vs 31 Dec., 2019	Var. vs 31 Mar., 2020
Cash and equivalents	1,460	1,485	1,696	236	210
Undrawn credit facilities	1,163	1,164	1,263	100	99
Bonds	1,822	1,926	2,669	848	743
Bank loans and other debt	1,073	1,055	958	(115)	(97)
Net debt	**1,435**	**1,496**	**1,932**	**497**	**436**
Operating leases (IFRS 16)	1,223	1,232	1,188	(35)	(44)
Average life (years)[1]	2.9	3.0	3.2	0.3	0.2
Average funding cost[1]	1.8%	1.7%	1.7%	(0.1 p.p.)	(0.0 p.p.)
Debt at floating rate[1]	60%	59%	49%	(12 p.p.)	(10 p.p.)
Net debt to RCA Ebitda [2]	0.7x	0.7x	1.1x	0.4x	0.4x

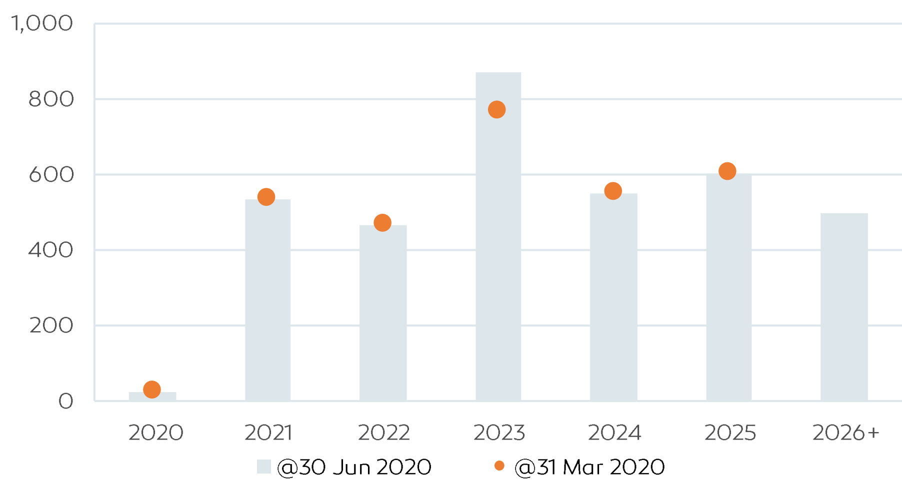
[1] Debt does not include operating leases.
[2] Ratio considers the LTM Ebitda RCA (€1,837 m on 30 June 2020), which is adjusted for the impact from the application of IFRS 16 (€195 m on 30 June 2020).

On June 30, 2020 net debt was €1,932 m, up €436 m QoQ, mostly reflecting the distributions made during the quarter. Net debt to RCA Ebitda is now at 1.1x. Liabilities associated with operating leases were €1,188 m.

It should be highlighted that, during the period, a €500 m bond was issued, with maturity in January 2026 and a coupon of 2.0%. The average funding cost was 1.7% and the average life increased to 3.2 years, with medium- and long-term debt accounting for 83% of total debt.

At the end of the period, Galp had unused credit lines of approximately €1.3 bn, of which c.75% were contractually guaranteed.

Debt maturity profile (€ m)



Reconciliation of IFRS and RCA figures

Ebitda by segment

€m

Second Quarter					2020	First Half				
IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda		IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda
207	**116**	**324**	**(33)**	**291**	Galp	**332**	**496**	**828**	**(68)**	**760**
237	-	237	(33)	204	Upstream	558	(0)	558	(68)	490
(92)	111	19	-	19	R&Mid.	(381)	490	109	-	109
54	5	60	(0)	59	Commercial	143	6	149	-	149
(4)	-	(4)	-	(4)	R&NB	(5)	-	(5)	-	(5)
12	-	12	-	12	Others	16	-	16	-	16

Ebit by segment

€m

Second Quarter					2020	First Half				
IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit		IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit
(144)	**116**	**(28)**	**(29)**	**(57)**	Galp	**(271)**	**496**	**225**	**(64)**	**161**
(4)	-	(4)	(28)	(32)	Upstream	177	(0)	177	(64)	113
(171)	111	(60)	-	(60)	R&Mid.	(540)	490	(51)	-	(51)
31	5	37	(0)	36	Commercial	98	6	104	-	104
(9)	-	(9)	-	(9)	R&NB	(16)	-	(16)	-	(16)
8	-	8	-	8	Others	10	-	10	-	10

Ebitda by segment

€m

Second Quarter					2019	First Half				
IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda		IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda
666	(23)	643	(28)	615	Galp	980	(47)	933	176	1,109
411	-	411	(3)	408	Upstream	581	(0)	581	201	782
144	(22)	122	(25)	97	R&Mid.	195	(47)	149	(25)	123
105	(0)	105	-	105	Commercial	196	(0)	195	-	195
-	-	-	-	-	R&NB	-	-	-	-	-
6	-	6	-	6	Others	8	-	8	-	8

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	Upstream	337	(0)	337	197	534
70	(22)	48	(25)	22	R&Mid.	47	(47)	0	(25)	(25)
82	(0)	81	-	81	Commercial	152	(0)	151	-	151
(0)	-	(0)	-	(0)	R&NB	(0)	-	(0)	-	(0)
4	-	4	-	4	Others	4	-	4	-	4

Non-recurring items

€m

Quarter				First Half	
2Q19	1Q20	2Q20		2019	2020
(28.5)	(35.4)	(32.9)	Non-recurring items impacting Ebitda	175.9	(68.3)
(3.0)	-	(30.6)	Margin (Change in production) - Unitisation	201.3	(30.6)
(25.4)	-	-	Gains/losses on disposal of assets	(25.4)	-
-	0.4	(0.4)	Employee restructuring charges	-	-
-	(35.8)	(1.9)	Exchange rate differences related with Brazil unitisation processes	-	(37.7)
0.1	-	4.3	Non-recurring items impacting non-cash costs	(4.4)	4.3
0.1	-	4.3	Depreciations and Amortisations - Unitisation	(4.4)	4.3
0.3	7.0	(61.1)	Non-recurring items impacting financial results	19.6	(54.1)
0.4	7.0	1.4	Gains/losses on financial investments	7.3	8.4
-	-	(67.1)	Gains/losses on financial investments - Unitisation	-	(67.1)
(0.2)	-	4.7	Financial costs - Unitisation	12.3	4.7
13.1	29.2	111.8	Non-recurring items impacting taxes	(38.2)	140.9
12.2	12.1	8.1	Taxes on non-recurring items	(60.0)	20.2
(8.4)	-	95.9	Tax deferrals on Upstream[1]	(8.4)	95.9
9.3	17.1	7.8	Energy sector contribution taxes	30.3	24.9
0.6	7.0	(4.0)	Non-controlling interests	(41.5)	3.1
(14.5)	7.8	18.1	Total non-recurring items	111.4	25.9

[1] Related with negative currency exchange rate differences on differed taxes in Brazil.

6.6 IFRS consolidated income statement

€m

Quarter				First Half	
2Q19	1Q20	2Q20		2019	2020
4,436	3,502	1,822	Sales	7,836	5,324
151	187	143	Services rendered	309	330
101	52	61	Other operating income	229	113
4,688	**3,741**	**2,026**	**Operating costs**	**8,374**	**5,767**
(3,491)	(2,953)	(1,392)	Inventories consumed and sold	(6,369)	(4,345)
(404)	(450)	(355)	Materials and services consumed	(797)	(805)
(73)	(82)	(68)	Personnel costs	(155)	(150)
(1)	(1)	(2)	Impairments on accounts receivable	1	(4)
(54)	(129)	(2)	Other operating costs	(75)	(131)
(4,022)	**(3,616)**	**(1,819)**	**Total operating costs**	**(7,394)**	**(5,435)**
666	**125**	**207**	**Ebitda**	**980**	**332**
(230)	(246)	(343)	Depreciation, Amortisation and Impairments	(441)	(588)
0	(6)	(9)	Provisions	0	(15)
437	**(127)**	**(144)**	**Ebit**	**539**	**(271)**
47	12	90	Net income from associates	76	102
(9)	(60)	(15)	Financial results	(21)	(74)
8	8	7	Interest income	19	14
(14)	(13)	(14)	Interest expenses	(26)	(27)
5	5	5	Capitalised interest	11	11
(23)	(21)	(21)	Operating leases interest (IFRS 16)	(45)	(41)
7	(56)	(32)	Exchange gain (loss)	1	(88)
15	(84)	18	Mark-to-market of derivatives	46	(66)
(7)	101	21	Other financial costs/income[1]	(27)	122
474	**(175)**	**(69)**	**Income before taxes**	**594**	**(244)**
(200)	(47)	(92)	Taxes[2]	(301)	(139)
(9)	(26)	(8)	Energy sector contribution taxes[3]	(39)	(34)
265	**(248)**	**(169)**	**Income before non-controlling interests**	**254**	**(417)**
(34)	(8)	15	Income attributable to non-controlling interests	(31)	7
231	**(257)**	**(154)**	**Net income**	**223**	**(410)**

[1] 1Q20 includes realised income of €105 m from Brent interest.

[2] Includes SPT payable in Brazil and IRP payable in Angola.

[3] Includes €12.92 m, €11.95 m and €9.26 m related to CESE I, CESE II and FNEE, respectively, during 1H20.

6.7 Consolidated financial position

€m	31 Dec., 2019	31 Mar., 2020	30 Jun., 2020
Assets			
Tangible fixed assets	5,671	5,750	5,548
Goodwill	85	86	87
Other intangible fixed assets	577	587	578
Rights of use (IFRS 16)	1,167	1,171	1,124
Investments in associates	870	814	606
Receivables	259	258	252
Deferred tax assets	367	376	479
Financial investments	169	217	206
Total non-current assets	**9,167**	**9,258**	**8,880**
Inventories[1]	1,055	878	689
Trade receivables	980	856	772
Other receivables	935	737	686
Financial investments	174	462	229
Current Income tax recoverable	-	-	41
Cash and equivalents	1,460	1,485	1,696
Total current assets	**4,603**	**4,419**	**4,112**
Total assets	**13,770**	**13,678**	**12,992**

[1] Includes €40.53 m in inventories made on behalf of third parties as of 30 June 2020.

€m

	31 Dec., 2019	31 Mar., 2020	30 Jun., 2020
Equity			
Share capital	829	829	829
Share premium	82	82	82
Reserves	1,356	1,427	1,344
Retained earnings	1,764	2,154	1,833
Net income	389	(257)	(410)
Total equity attributable to equity holders of the parent	**4,420**	**4,236**	**3,677**
Non-controlling interests	1,237	1,124	1,004
Total equity	**5,657**	**5,360**	**4,682**
Liabilities			
Bank loans and overdrafts	795	981	827
Bonds	1,822	1,426	2,169
Operating leases (IFRS 16)	1,042	1,050	1,009
Other payables	121	115	108
Retirement and other benefit obligations	332	326	321
Deferred tax liabilities	299	319	484
Other financial instruments	5	70	26
Provisions	819	847	873
Total non-current liabilities	**5,234**	**5,133**	**5,817**
Bank loans and overdrafts	278	74	131
Bonds	-	500	500
Operating leases (IFRS 16)	182	183	180
Trade payables	852	732	472
Other payables	1,343	1,279	1,064
Other financial instruments	84	404	147
Income tax payable	141	13	(0)
Total current liabilities	**2,879**	**3,184**	**2,493**
Total liabilities	**8,113**	**8,317**	**8,310**
Total equity and liabilities	**13,770**	**13,678**	**12,992**

07

BASIS OF REPORTING

7. BASIS OF REPORTING

Galp's consolidated financial statements have been prepared in accordance with IFRS. The financial information in the consolidated income statement and in the consolidated financial position is reported for the quarters ended on June 30 and March 31, 2020 and 2019 and December 31, 2019.

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 Part I – C. III Internal control and risk management of Corporate Governance Report 2019.

08

APPENDICES

8. APPENDIX

8.1 Governing bodies

The composition of the governing bodies of Galp Energia, SGPS, S.A. as of 30 June 2020 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 Vahia de Castro 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 Neves 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

8.2 Mandatory notices and statements

Shareholders with direct or indirect qualifying holdings on 30 June 2020

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

Shareholders	No. of shares	% of voting rights
Amorim Energia, B.V.	276,472,161	33.34%
Parpública - Participações Públicas (SGPS), S.A.	62,021,340 [1]	7.48%
T. Rowe Price Group, Inc.	4,647,067	5.02%
BlackRock, Inc.	41,449,604	4.998%
The Capital Group Companies, Inc.[2]	19,046,477	2.30%
The Bank of New York Mellon Corporation	17,283,900	2.08%
Massachusetts Financial Services Company	17,098,915	2.06%
Black Creek Investment Management Inc.	16,834,007	2.03%

[1] Of which 58,079,514 are subject to privatization process.

[2] Of which 2.02% is indirectly owned by its affiliate Capital Research and Management Company.

During the first half of 2020, the following transactions regarding Galp´s qualifying holdings occurred:

- The Bank of New York Mellon Corporation notified the Company that, on 8 January 2020, its subsidiaries BNY Mellon IHC, LLC and MBC Investments Corporation decreased its indirect holdings in Galp's voting rights, to below the 2.0% threshold;
- T. Rowe Price Group, Inc. notified the Company that, on 16 April 2020, it increased its holding in Galp's voting rights to 5.02%, above the 5.00% threshold;
- Black Creek Investment Management Inc. (Black Creek) notified the Company that, on 22 April 2020, it increased its holdings in Galp's voting rights from 1.99% to 2.003%, above the 2.0% threshold;
- The Bank of New York Mellon Corporation notified again the Company that, on 7 May 2020, its subsidiary BNY Mellon IHC, LLC increased its indirect holdings in Galp's voting rights to above the 2.0% threshold, through its subsidiary MBC Investments Corporation;
- Black Creek Investment Management Inc. (Black Creek) notified the Company that, on 09 June 2020, it decreased its holdings in Galp's voting rights from 2.003% to 1.997%, below the 2.0% threshold;
- Subsequently, Black Creek Investment Management Inc. (Black Creek) notified the Company that, on 23 June 2020, it increased its holdings in Galp's voting rights from 1.997% to 2.030%, above the 2.0% threshold.

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

Treasury shares

During the first half of 2020, Galp did not acquire or sell treasury shares. Galp held no treasury shares at the end of that period.

Share ownership on 30 June 2020 by current members of the management and supervisory bodies of Galp Energia, SGPS, S.A.

Under the terms of article 477, nr. 5 of the Commercial Companies' Code, it is stated that, on 30 June 2020, 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 31.12.2019	Acquisition			Disposal			Total shares as of 30.06.2020
		From 1 January to 30 June 2020						
		Date	No of shares	Value (€/share)	Date	No of shares	Value (€/share)	
Paula Amorim[1]	0							0
Miguel Athayde Marques	1,800							1,800
Carlos Gomes da Silva	2,410	13.03.2020	7,500	8.63943				9,910
Filipe Crisóstomo Silva	10,000	13.03.2020	5,000	8.52389				15,000
Thore E. Kristiansen	0							0
Carlos Costa Pina	2,200							2,200
José Carlos Silva	275							275
Sofia Tenreiro	0	16.03.2020	1,500	7.882197				1,500
Susana Quintana-Plaza	0							0
Marta Amorim[1]	19,263							19,263
Francisco Teixeira Rêgo[1]	17,680							17,680
Carlos Eduardo Ferraz Pinto	0							0
Luís Todo Bom	0							0
Jorge Seabra de Freitas[1]	0							0
Rui Paulo Gonçalves[1]	0							0
Diogo Tavares	2,940							2,940
Edmar de Almeida	0							0
Cristina Fonseca	0							0
Adolfo Mesquita Nunes	0							0
Members of the Audit Board								
José Pereira Alves	0							0
Pedro Antunes de Almeida	5							5
Maria de Fátima Geada	0							0
Suplente: Amável Calhau	0							0
Members of the Statutory Auditors								
Standing: Ernst & Young Audit & Associados, SROC, S.A.	0							0
represented by Rui Martins	0							0
Alternate: Manuel Mota	0							0

[1] 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 share

On 30 June 2020, 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 2020

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

During the first half of 2020, there 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 2019, 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 2020.

8.3 Statement of compliance of information presented

According to article 246, paragraph 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 2020 was produced in conformity with the applicable accounting requirements 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 2020 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, 23 July 2020

The Board of Directors

Chairman:

Paula Amorim

Vice-Chairman and Lead Independent Director:

Miguel Athayde Marques

Vice-Chairman:

Carlos Gomes da Silva

Members:

Filipe Crisóstomo Silva

Thore E. Kristiansen

Carlos Costa Pina

José Carlos Silva

Sofia Tenreiro

Susana Quintana-Plaza

Marta Amorim

Francisco Teixeira Rêgo

Carlos Eduardo Ferraz Pinto

Luis Todo Bom

Jorge Seabra de Freitas

Rui Paulo Gonçalves

Diogo Tavares

Edmar de Almeida

Cristina Fonseca

Adolfo Mesquita Nunes

8.4 Condensed Consolidated Financial Statements for the period ended 30 June 2020 INDEX

Condensed Consolidated Statement of Financial Position

Galp Energia, SGPS, S.A.

Condensed Consolidated Statement of Financial Position as of 30 June 2020 and 31 December 2019

(Amounts stated in million Euros - € m)

Assets	Notes	June 2020	December 2019
Non-current assets:			
Tangible assets	4	5,548	5,671
Goodwill and intangible assets	5	665	663
Right-of-use of assets	6	1,124	1,167
Investments in associates and joint ventures	7	606	870
Deferred tax assets	15.1	479	367
Other receivables	10.2	252	259
Other financial assets	11	206	169
Total non-current assets:		8,880	9,167
Current assets:			
Inventories	9	689	1,055
Other financial assets	11	229	174
Current income tax receivable		41	-
Trade receivables	10.1	772	980
Other receivables	10.2	686	935
Cash and cash equivalents	12	1,696	1,460
Total current assets:		4,112	4,603
Total assets:		12,992	13,770

Equity and Liabilities	Notes	June 2020	December 2019
Equity:			
Share capital and share premium		911	911
Reserves		1,344	1,356
Retained earnings		1,422	2,153
Total equity attributable to shareholders:		3,677	4,420
Non-controlling interests	19	1,004	1,237
Total equity:		4,682	5,657
Liabilities:			
Non-current liabilities:			
Financial debt	13	2,997	2,616
Lease liabilities	6	1,009	1,042
Other payables	14	108	121
Post-employment and other employee benefit liabilities	16	321	332
Deferred tax liabilities	15.1	484	299
Other financial instruments	18	26	5
Provisions	17	873	819
Total non-current liabilities:		5,817	5,234
Current liabilities:			
Financial debt	13	631	278
Lease liabilities	6	180	182
Trade payables	14	472	852
Other payables	14	1,064	1,343
Other financial instruments	18	147	84
Current income tax payable		-	141
Total current liabilities:		2,493	2,879
Total liabilities:		8,310	8,113
Total equity and liabilities:		12,992	13,770

The accompanying notes form an integral part of the condensed consolidated statement of financial position and should 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 periods ended 30 June 2020 and 30 June 2019

(Amounts stated in million Euros - € m)

	Notes	June 2020	June 2019
Sales	20	5,324	7,836
Services rendered	20	330	309
Other operating income	20	113	229
Financial income	20/22	120	66
Earnings from associates and joint ventures	7/20	102	76
Total revenues and income:		5,989	8,517
Cost of sales	21	(4,345)	(6,369)
Supplies and external services	21	(805)	(797)
Employee costs	21	(150)	(155)
Amortisation, depreciation and impairment losses on fixed assets	21	(588)	(441)
Provisions and impairment losses on receivables	21	(19)	1
Other operating costs	21	(131)	(75)
Financial expenses	22	(195)	(87)
Total costs and expenses:		(6,233)	(7,922)
Profit (Loss) before taxes and other contributions:		(244)	594
Taxes and SPT	15.1	(139)	(301)
Energy sector extraordinary contribution	15.2	(34)	(39)
Consolidated net (loss) profit for the period		(417)	254
Attributable to:			
Galp Energia, SGPS, S.A. Shareholders		(410)	223
Non-controlling interests	19	(7)	31
Basic and Diluted Earnings per share (in Euros)		(0.49)	(0.27)
Consolidated net (loss) profit for the period		(417)	254
Items which will not be recycled in the future through net income:			
Remeasurements		(2)	30
Income taxes related to remeasurements		-	(1)
Items which may be recycled in the future through net income:			-
Currency translation adjustments		7	78
Hedging reserves		(2)	(10)
Income taxes related to the above items		-	(1)
Total Comprehensive (loss) income for the period, attributable to:		(414)	350
Galp Energia, SGPS, S.A. Shareholders		(425)	300
Non-controlling interests		11	50

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

Condensed Consolidated Statement of Changes in Equity

Galp Energia, SGPS, S.A

Condensed Consolidated Statement of changes in equity for the six-month periods ended 30 June 2020 and 30 June 2019
(Amounts stated in million Euros - € m)

	Share Capital and Share Premium		Reserves			Retained earnings	Sub-Total	Non-controlling interests	Total
	Share Capital	Share Premium	Currency Translation Reserves	Hedging Reserves	Other Reserves				
As at 1 January 2019	829	82	(186)	6	2,024	1,832	4,587	1,460	6,047
Consolidated net profit 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)
Decrease in reserves	-	-	-	-	(489)	489	-	(244)	(244)
As at 30 June 2019	829	82	(130)	(2)	1,535	2,277	4,591	1,226	5,817
	-	-	-	-	-	-	-	-	-
Balance as at 1 January 2020	829	82	(169)	(10)	1,535	2,153	4,420	1,237	5,657
Consolidated net loss for the period	-	-	-	-	-	(410)	(410)	(7)	(417)
Other gains and losses recognised in equity	-	-	(11)	(1)	-	(2)	(15)	18	3
Comprehensive income for the period	-	-	(11)	(1)	-	(412)	(425)	11	(414)
Dividends distributed	-	-	-	-	-	(318)	(318)	(98)	(416)
Decrease in reserves	-	-	-	-	-	-	-	(145)	(145)
Balance as at 30 June 2020	829	82	(180)	(11)	1,535	1,422	3,677	1,004	4,682

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

Condensed Consolidated Statement of Cash Flow Galp Energia, SGPS, S.A.

Condensed Consolidated Statement of Cash Flow for the six-month periods ended 30 June 2020 and 30 June 2019

(Amounts stated in million Euros - €m)

	Notes	June 2020	June 2019
Operating activities:			
Cash received from customers		6,737	9,041
(Payments) to suppliers		(4,239)	(5,649)
(Payments) relating to tax on oil products ("ISP")		(895)	(1,265)
(Payments) relating to VAT		(666)	(749)
(Payments) relating to royalties, levies, "PIS" and "COFINS" and Others		(72)	(93)
(Payments) relating to payroll		(170)	(168)
Other (payments)/receipts relating to operating activities		(78)	69
(Payments) of income taxes - income tax (IRC), oil income tax (IRP), special participation (SPT)		(248)	(263)
Equalization impact		(137)	-
Cash received relating to dividends	7	35	87
Cash flow from operating activities (1)		267	1,010
Investing activities:			
Cash received from the disposal of tangible and intangible assets		-	33
(Payments) for the acquisition of tangible and intangible assets		(417)	(366)
Cash received in relation to financial investments		103	35
(Payments) relating to financial investments		(4)	(41)
Equalization impact		220	-
Cash received from loans granted		14	233
(Payments) relating to loans granted		(47)	(57)
Cash received from interest and similar income		10	18
Cash flow from investing activities (2)		(122)	(145)
Financing activities:			
Cash received from loans obtained	13	1,792	977
(Payments) relating to loans obtained	13	(1,117)	(1,330)
(Payments) of interest and similar costs		(49)	(59)
(Payments) related to leasing (IFRS16)	6	(97)	(93)
Capital/reserve reductions and other equity instruments	19	(145)	(244)
Dividends paid	19	(367)	(335)
Other financing receipts/payments		62	-
Cash flow used financing activities (3)		80	(1,084)
Net change in cash and cash equivalents (4) = (1) + (2) + (3)		225	(220)
Effect of foreign exchange rate changes in cash and cash equivalents		(49)	9
Cash and cash equivalents at the beginning of the period	12	1,431	1,504
Cash and cash equivalents at the end of the period	12	1,607	1,293

The accompanying notes form an integral part of the condensed consolidated statement of Cash Flow and should be read in conjunction.

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 for preparation, changes to the Group's accounting policies and matters related to the condensed consolidated financial statements

2.1. Basis for preparation

The condensed consolidated financial statements for the six-month period ended 30 June 2020 were prepared in accordance with IAS 34 - Interim Financial Reporting. These financial statements do not include all of the information and disclosures required for annual financial statements. In addition, only the material changes required by IFRS 7 and IFRS 13 are disclosed. For this reason, these financial statements should be read in conjunction with the consolidated financial statements of the Galp Group for the year ended 31 December 2019.

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

From 1 January 2020, the subsidiary Petrogal Brasil S.A. changed its functional currency from Brazilian Reais to US Dollars. Due to the significant impact of foreign currency translation movements in Petrogal Brasil's financial statements, the Group concluded that the currency which best reflects the primary economic environment in which Petrogal Brasil operates is the US Dollar. As per IAS 21, a change in functional currency should be accounted for prospectively from the date of the change. For this reason, the opening balance sheet as at 1 January 2020 had been translated from Brazilian Reais into US Dollars using the exchange rate at 1 January 2020.

Impacts of the COVID-19 pandemic

On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization (WHO). Strict social isolation measures have been put in place in several countries, contributing to a significant slowdown in the global economic environment, sharply reducing worldwide demand for oil and its products, including in key markets in which Galp operates such as Portugal and Spain.

As a result of this unpredictable scenario, Galp adopted a set of actions to mitigate the impact of the pandemic on its financial position, including cost and investment reductions, and increasing financial liquidity. Galp management believes that the company has adequate resources to continue its operations in the long-term, and therefore the going concern principle has been applied to the preparation of these condensed consolidated financial statements.

Triggered by recent macro events, the Company has also approved a more conservative set of long-term assumptions, leading to an impairment review of Galp's non-current assets. Further details of the impairment assessment carried out are included in Note 8.

Refineries activities

Given the significant reduction of demand for oil products and high inventory levels observed during the period, Galp reduced the throughputs of its refineries during second quarter. As a result, during the second quarter of 2020, raw materials processed decreased 50% from 26.8 mboe in the first quarter of 2020 to 13.4 mboe in the second quarter of 2020. Therefore, fixed costs directly linked to idle refinery capacity have not been included in the Refineries' stock valuation, having been recorded directly to profit and loss.

Pensions and other post-retirement benefits

Galp assessed the discount rate applicable to its long-term provisions relating to defined employee benefit plans and other post-retirement benefits. As the result of this assessment, the discount rate remained unchanged from that used in the preparation of the Consolidated Financial Statements for the year-ended 31 December 2019, as it reflects management´s best estimate of the rate to be used to value the defined benefit plan and the post retirement liabilities.

The Group's defined benefit pension plans are reviewed whenever necessary during the year when there is an indication of significant changes in the fair value of the plan assets or the present value of the defined benefit obligations. This review resulted in an impact of €10 m for the six-month period ended in 30 June 2020, due to a reduction in the fair value of the plan assets.

Impairment of financial assets measured at amortized cost (Accounts receivable and other debtors)

The impacts of IFRS 9 on Galp's financial position were deemed to be immaterial. A periodical review is performed of the expected credit loss allowances and their impact on the completeness of Galp's financial assets measured at amortised cost. The credit risk was updated to reflect the expected economic and financial impacts of COVID-19.

Liquidity risk

At 30 June 2020, Galp had €1.7 bn in Cash and Equivalents and €1.4 bn in commited credit lines available for use, totalling €3.1 bn.

Due to the fluctuations during the period on exchange rate differences and commodity prices, the overall monetary items and the mark-to-market (MTM) of derivatives have been impacted. These impacts are already reflected in the P&L and the financial position as at 30 June 2020.

2.2. Consolidation perimeter - changes

During the six-month period ended 30 June 2020, the following companies were included in Galp's consolidation perimeter, and were both consolidated based on the full consolidation method:

- LGA – Logística Global de Aviação, Lda. - Galp acquired 60% of the company's interest, for an acquisition amount equivalent to €0.3 m;
- Tagusgás - Propano, S.A. - Galp acquired 100% of the company's interest, for an amount of €3 m.

2.3. Equalization agreements

Following the approval of the Unitisation Agreements (UA) related to the Lula, Atapu and Sépia accumulations, Galp, through its Brazilian subsidiary Petrogal Brasil S.A., and its partners in the BM-S-11, BM-S-11A and BM-S-24 concessions, along with Petrobras for the Transfer of Rights area and Pré-Sal Petróleo S.A. open area, when applicable, agreed based on the terms and conditions for the equalisation agreements.

Concession | Galp's stake	Unitised area | Galp's stake
BM-S-11 | 10%	Lula | 9.209%
BM-S-11A | 10%	Atapu | 1.703%
BM-S-24 | 20%	Sépia | 2.414%

The equalisation agreements for the above mentioned UAs were signed on April 30, 2020, based on the tract participation each party holds in the unitised areas, the past capital expenditure incurred by partners for their original interests, and the net profits received thereunder.

As a result of these agreements, all processes were settled simultaneously during the second quarter of 2020, with Galp having received €83 m, which includes €220 m related to past capital expenditure made by Petrogal Brazil, S.A. in Brazil, and by its joint ventures Tupi B.V. and Iara B.V. in the Netherlands, adjusted by €137 m related net profits received from the concessions.

The BM-S-11A licence holds two additional accumulations, Berbigão and Sururu, which are still subject to unitisation approval.

2.4. Solar energy projects in Spain

On 22 January 2020, Galp signed a Sale and Purchase Agreement (SPA) with the ACS Group for the acquisition solar photovoltaic projects in Spain comprising of c.2.9 GW, of which over 900 MW have been recently commissioned. The transaction considers an enterprise value of c.€2.2 bn related with the acquisition, development and construction of the entire portfolio.

The SPA has recently been amended to establish new terms and conditions for the acquisition, including the setting up of a joint venture under which Galp acquires 75.01% and ACS Group maintains a stake of 24.99%, with a governance structure of joint control being set out under a Shareholders' Agreement to be signed upon closing, and therefore creating a joint venture in accordance with IFRS 11 – 'Joint Arrangements' and accounted for based on the equity method of accounting.

Galp is expected to pay an amount of €300-350 m at closing for the stake acquisition and previous development costs. All further development and construction costs related with the portfolio will be assumed by the joint venture and intended to be project financed. The agreement maintains the development and construction of the portfolio to be made by Cobra, an affiliate of ACS.

The amended SPA includes conditions precedent customary for this type of transaction, including competition approval from the European Commission. The transaction is expected to be completed before the year end.

3. Segment reporting

Galp has restructured its organisation in order better to capture the full potential of each business, according to its characteristics, cash contribution and risk profile. The new structure consists of four business units: Upstream segment (unchanged), Refining & Midstream segment, Commercial segment and Renewables & New Businesses segment.

The Upstream segment represents 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 & Midstream segment incorporates the refining and logistics business, as well as the Group's oil, gas and power supply and trading activities. This segment also includes co-generation and gas infrastructure.

The Commercial segment integrates the entire offering to Galp's clients - business to business (B2B) and business to consumer (B2C), of oil, gas, power and non-fuel products.This retail marketing activity using the Galp brand also extends to certain countries in Africa.

The Renewables & New Businesses segment encompasses renewables power generation, mobility and new business.

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

Therefore, figures related to six-month period ended 30 June 2019 have been restated for comparison reasons.

Segmented reporting is presented on a replacement cost (RC) basis, which is the earnings metric used by the Chief Operating Decision Maker to make decisions regarding the allocation of resources and to assess performance. Based on 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 segments identified above, for the six-month periods ended 30 June 2020 and 2019, is as follows:

Unit: € m

	Consolidated		Upstream		Reffining and Midstream		Commercial		Renewable and New businesses		Others		Consolidation adjustments	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sales and services rendered	5,654	8,145	989	1,050	2,161	3,080	2,952	4,423	14	13	101	69	(564)	(491)
Cost of sales	(3,849)	(6,416)	(13)	(238)	(1,757)	(2,688)	(2,457)	(3,831)	(11)	(10)	-	-	390	351
of which Variation of Production	(252)	(252)	(20)	(206)	(232)	(46)	-	-	-	-	-	-	-	-
Other revenue & expenses	(976)	(796)	(418)	(231)	(295)	(244)	(345)	(397)	(8)	(3)	(85)	(61)	175	140
of which Under & Overlifting	(113)	123	(113)	123	-	-	-	-	-	-	-	-	-	-
EBITDA at Replacement Cost	828	933	558	581	109	149	149	195	(5)	-	16	8	-	-
Amortisation, depreciation and impairment losses on fixed assets	(588)	(441)	(377)	(244)	(159)	(149)	(45)	(44)	(1)	-	(6)	(5)	-	-
Provisions (net)	(15)	-	(4)	-	(1)	-	-	-	(11)	-	-	-	-	-
EBIT at Replacement Cost	225	492	177	337	(51)	-	104	151	(16)	-	10	4	-	-
Earnings from associates and joint ventures	102	76	71	33	33	41	(1)	2	(1)	-	-	-	-	-
Financial results	(74)	(21)	-	-	-	-	-	-	-	-	-	-	-	-
Taxes at Replacement Cost	(273)	(286)	-	-	-	-	-	-	-	-	-	-	-	-
Energy Sector Extraordinary Contribution	(34)	(39)	-	-	(13)	(19)	(9)	(8)	-	-	(12)	(12)	-	-
Consolidated net income at Replacement Cost, of which:	(55)	222	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to non-controlling interests	7	(31)	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to shareholders of Galp Energia SGPS S.A.	(48)	191	-	-	-	-	-	-	-	-	-	-	-	-
OTHER INFORMATION														
Segment Assets [1]														
Financial investments [2]	606	870	290	524	264	281	13	15	37	49	1	1	-	-
Other assets	12,386	12,900	7,069	7,485	2,508	3,082	2,206	2,523	25	43	1,195	980	(616)	(1,212)
Segment Assets	12,992	13,770	7,359	8,008	2,771	3,363	2,219	2,538	62	92	1,196	982	(616)	(1,212)
of which Rights of use of assets	1,124	1,167	708	750	205	194	133	144	-	-	77	79	-	-
Investment in Tangible and Intangible Assets	363	354	289	304	37	30	28	15	2	-	7	6	-	-

[1] Net amount

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

The details of sales and services rendered, tangible and intangible assets and financial investments for each geographical region in which Galp operates were as follow:

Unit: € m

	Sales and services rendered [1]		Tangible and intangible assets		Financial investments	
	2020	2019	2020	2019	2020	2019
	5,654	8,145	6,213	6,334	606	870
Africa	176	307	1,164	1,168	65	53
Latin America	1,039	634	3,137	3,154	268	528
Europe	4,439	7,205	1,911	2,012	273	290

[1] Net consolidation operation

The reconciliation between the segment reporting and the Condensed Consolidated Income Statement for the periods ended 30 June 2020 and 2019 was as follows:

Unit: € m

	2020	2019
Sales and services rendered	5,654	8,145
Cost of sales	(4,345)	(6,369)
Replacement cost adjustments (1)	496	(47)
Cost of sales at Replacement Cost	(3,849)	(6,417)
Other revenue and expenses	(976)	(796)
Depreciation and amortisation	(588)	(441)
Provisions (net)	(15)	-
Earnings from associates and joint ventures	102	76
Financial results	(74)	(21)
Profit before taxes and other contributions at Replacement Cost	253	546
Replacement Cost adjustments	(496)	47
(Loss) Profit before taxes and other contributions at IFRS	(243)	591
Income tax	(139)	(301)
Income tax on Replacement Cost Adjustment (2)	(134)	15
Energy Sector Extraordinary Contribution	(34)	(39)
Consolidated net (loss) income for the period at Replacement Cost	(54)	221
Replacement Cost (1) +(2)	(362)	32
Consolidated net (loss) income for the period based on IFRS	(417)	254

4. Tangible assets

Unit: € m

	Land, natural resources and buildings	Plant and machinery	Other equipment	Assets under construction	Total
As at 30 June 2020					
Acquisition cost	1,232	10,418	495	2,068	14,214
Impairment	(29)	(65)	(4)	(200)	(298)
Accumulated depreciation and depletion	(754)	(7,171)	(442)	-	(8,367)
Net Value	449	3,182	49	1,868	5,548
Balance as at 1 January 2020	457	3,267	51	1,896	5,671
Additions	-	19	2	349	370
Depreciation, depletion and impairment	(11)	(385)	(9)	(96)	(501)
Disposals/Write-offs	-	(2)	-	-	(2)
Transfers	4	272	6	(289)	(8)
Currency exchange differences and other adjustments	(2)	12	(1)	9	18
Balance as at 30 June 2020	449	3,182	49	1,868	5,548

During the period under review and in line with its strategy, the Group has made investments mostly in the Upstream business unit, in the amount of €300 m, related to projects in Brazil (€222 m), Angola (€26 m) and Mozambique (€50 m). The additions to tangible assets for the six-month period ended 30 June 2020 also include the capitalisation of financial charges amounting to €11 m (Note 22).

5. Goodwill and intangible assets

Unit: € m

	Industrial properties and other rights	Intangible assets in progress	Goodwill	Total
As at 30 June 2020				
Acquisition cost	1,012	60	89	1,161
Impairment	(22)	(23)	(2)	(46)
Accumulated amortisation	(450)	-	-	(450)
Net Value	540	38	87	665
Balance as at 1 January 2020	542	35	85	663
Additions	-	12	2	13
Amortisation and impairment	(18)	-	-	(18)
Transfers	17	(9)	-	8
Currency exchange differences and other adjustments	(1)	-	-	-
Balance as at 30 June 2020	540	38	87	665

The additions of €2 m recorded in Goodwill are related to the provisional business combination impacts related to the acquisition of Tagusgás - Propano, S.A. (Note 2.2).

6. Leases

The details of Right-of-use assets were as follow:

Unit: € m

	FPSO's[1]	Buildings	Service stations	Vessels	Other usage rights	Total
As at 30 June 2020						
Acquisition cost	657	91	151	191	230	1,320
Accumulated amortisation	(72)	(8)	(25)	(64)	(27)	(196)
Net Value	586	83	125	127	203	1,124
As at 1 January 2020	607	85	136	146	194	1.167
Additions	-	3	1	4	1	9
Amortisation	(24)	(3)	(8)	(24)	(9)	(68)
Write-offs/Disposals	-	1	1	-	-	1
Currency exchange differences and other adjustments	2	(2)	(4)	1	18	15
Balance as at 30 June 2020	586	83	125	127	203	1,124

[1] Floating, production, storage and offloading unit.

Lease liabilities were as follow:

Unit: € m

	June 2020	December 2019
Maturity analysis – contractual undiscounted cash flow	1,882	1,919
Less than one year	192	190
One to five years	601	606
More than five years	1,089	1,123
Lease liabilities included in the statement of financial position	1,188	1,223
Non current	1,009	1,042
Current	180	182

The amounts recognised in consolidated profit or loss were as follow:

Unit: € m

	June 2020	June 2019
	282	210
Interest on lease liabilities	41	45
Expenses related to short term, low value and variable payments of operating leases [1]	240	165

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

Amounts recognised in the consolidated statement of cash flow were as follow:

Unit: € m

	June 2020	June 2019
Financing activities	97	93
(Payments) relating to leasing (IFRS 16)	53	48
(Payments) relating to leasing (IFRS 16) interests	44	45

7. Investments in associates and joint ventures

Investments in associates and joint ventures were as follow:

Unit: € m

	June 2020	December 2019
	606	870
Joint ventures	526	758
Associates	80	112

7.1. Investments in joint ventures

Unit: € m

	As at 31 December 2019	Share capital increase/ decrease	Equity Method	Foreign exchange rate differences	Dividends	As at 30 June 2020
	758	(323)	10	87	(6)	526
Tupi B.V.	368	(164)	6	24	-	234
Iara B.V.	114	(159)	(2)	47	-	1
Galp Gás Natural Distribuição, S.A.	213	-	6	-	-	219
Coral FLNG, S.A.	41	-	-	14	-	55
Other joint ventures	22	-	-	1	(6)	16

During the period, Galp Sinopec Brasil Services B.V. sold 0.74% and 8.28% of Tupi B.V. and Iara B.V.'s interest, respectively, resulting in capital gains amounting €23 m and €44 m, respectively (Note 20).

In addition, Tupi B.V. and Iara B.V. repaid share premium contributions to their shareholders on total amount of €323 m, which includes a result of a cash surplus arising from the sale of equipment to the E&P operations in Brazil and an agreed equalization amount (Note 2.3).

7.2. Investments in associates

Unit: € m

	As at 31 December 2019	Share capital increase/ decrease	Equity Method	Foreign exchange rate differences	Dividends	As at 30 June 2020
	112	52	27	(67)	(44)	80
EMPL - Europe Magreb Pipeline, Ltd	40	-	21	(1)	(40)	21
Sonangalp - Sociedade Distribuição e Comercialização de Combustíveis, Lda.	8	-	1	(1)	-	7
Gasoduto Al-Andaluz, S.A.	7	-	3	-	(2)	7
Tauá Brasil Palma, S.A.	45	52	(1)	(64)	-	33
Other associates	12	-	3	-	(2)	12

During the six-month period under review, the amount of €51 m was declared in dividends from investments in joint ventures and associates, but the amount of €17 m still to be received. Additionally, €1 m was received from associates related to dividends declared in 2019.

8. Impairment analysis

8.1. Tangible assets

Upstream

Non-current assets related to the Upstream segment were tested for impairment at 30 June 2020, reflecting the revised long-term commodity price assumptions. In addition, sensitivity analysis were prepared to assess the potential impacts of further fluctuations in commodity prices.

The following Brent prices have been assumed for impairment testing:

2020	2021	2022	2023	2024	2025	2026+
						(RT19*)
$40	$45	$50	$55	$60	$65	$60

* Real prices, based on 2019

Based on the impairment testing carried out, the expected future benefits from development and production assets are higher than the carrying values of the CGUs for all regions in which Galp operates. Therefore, no impairment has been recognized. The discount rate used in the impairment testing is consistent with that disclosed in the 2019 consolidated financial statements, and reflects the risks specific to Upstream assets, calculated on a US Dollar basis.

As the result of the sensitivity analysis performed, all CGUs are not expected to present relevant impairments. Changes in the assumptions used for this impairment test could lead to impairment charges in the future.

In addition, regarding Exploration and Appraisal assets, and based on the assessment of prospects' potential performed during the second quarter of 2020, impairments of €92 m have been recorded, mainly related to Potiguar basin smaller scale exploration prospects.

Refining and Midstream

Impairment testing was carried out for all CGUs, including Refineries and Storage facilities, with no impairment deemed necessary. A further increase of 1 p.p. in the discount rate or a negative variation in the projected cash flow by 10% would not trigger impairments.

Commercial

Impairment testing and a sensitivity analysis have been carried out on the relevant commercial infrastructure in Portugal and Spain. The sensitivity analysis performed was based on the following assumptions:

- A 10% negative variation in cash flow; and
- An increase in the discount rate by 1 p.p.

The commercial infrastructure had headroom based on impairment testing, and no impairment losses were required to be recorded as at 30 June 2020. The commercial infrastructure in Spain, with the outcome of the sensitivity analysis described above, would indicate a potential risk of impairment of €70 m.

8.2. Goodwill, intangible assets and investments in joint ventures and associates

Based on the assessment performed, no impairments were deemed necessary on Goodwill, intangible assets and investments in joint ventures and associates.

Methods and discount rates used in the impairment testing

Valuation Model	Cash Flows	Growth factor	Discount rates 30 June 2020
DCF (Discounted Cash Flow)	Based on the current oulook 2020-2025 and adjusted to reflect the revised long-term assumptions.	Gordon model with a perpetual growth rate of 2%, except for Upstream projects that used project's cash flow	Commercial [5.6% a 6.2%] Upstream [10.5%] Refining and Midstream [6.4%]

9. Inventories

Inventories as at 30 June 2020 and 31 December 2019 were as follows:

Unit: € m

	June 2020	December 2019
	689	1,055
Raw, subsidiary and consumable materials	261	358
Crude oil	125	167
Other raw materials	71	68
Raw materials in transit	64	123
Finished and semi-finished products	305	537
Goods	181	180
Adjustments to net realisable value	(59)	(20)

On 30 June 2020, the Group carried out Contango operations, whereby some cargos of Crude Oil are valued on a fair value basis with an impact on P&L (Cost of Sales). The Crude oil stock as part of the Contango operations have been valued at fair value in the amount of €17 m, which has been included in the 'Crude oil' line item in the table above. These operations are covered by financial derivatives (Note 18).

The movements in the adjustments to net realisable value balance for the six-month period ended 30 June 2020 were as follow:

Unit: € m

	Raw, subsidiary and consumable materials	Finished and semi-finished products	Goods	Adjustments	Total
Adjustments to net realisable value at 1 January 2020	16	1	3	-	20
Net reductions	(4)	36	7	2	41
Other adjustments	-	-	-	(2)	(2)
Adjustments to net realisable value at 30 June 2020	12	38	9	-	59

The net reductions in the amount of €41 m were recorded in the income statement as part of cost of sales. These reductions are mainly related to adjustments to reflect expected market price movements during the period under review.

10. Trade and other receivables

10.1. Trade receivables

The details of trade receivables as at 30 June 2020 and 31 December 2019 were as follow:

Unit: € m

	Notes	June 2020	December 2019
		Current	Current
		772	980
Trade receivables		913	1,143
Allowance for doubtful amounts	10.3	(141)	(163)

10.2. Other receivables

The details of other receivables as at 30 June 2020 and 31 December 2019 were as follow:

Unit: € m

	Notes	June 2020		December 2019	
		Current	Non-current	Current	Non-current
		686	252	935	259
State and other Public Entities		33	18	24	28
Other debtors		390	75	623	65
Non-operated oil blocks		259	-	348	-
Underlifting		61	-	190	-
Other receivables		71	75	84	65
Related Parties		19	-	5	-
Contract Assets		171	69	206	68
Sales and services rendered but not yet invoiced		60	-	96	-
Adjustments to tariff deviation - "pass through"		16	-	17	-
Other accrued income		95	69	94	68
Deferred charges		78	91	82	98
Energy sector extraordinary contribution (CESE II)	15.2	13	41	15	46
Deferred charges with services		2	20	3	21
Other deferred charges		63	30	65	31
Impairment of other receivables	10.3	(5)	-	(6)	-

The balance of €259 m recorded under "Other debtors - Non-operated oil blocks" includes €41 m related to receivables from partners for payments made by the Group on their behalf, which will be recovered from the respective partners during the production period.

The balance of €61 m recorded in "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 as at the sale date and the market price as at 30 June 2020.

Other deferred charges (non-current) include the amount of €29 m relating to post-employment benefits (Note 16).

10.3. Impairment of Trade Receivables and Other Receivables

The movements in the impairment of trade receivables and other receivables, for the six-month period ended 30 June 2020, were as follow:

Unit: € m

	Opening balance	Increase	Decrease	Utilisation	Closing balance
	169	10	(6)	(26)	146
Trade receivables	163	10	(6)	(26)	141
Other receivables	6	-	-	-	5

11. Other financial assets

As at 30 June 2020 and 31 December 2019, Other financial assets were as follow:

Unit: € m

	Notes	June 2020		December 2019	
		Current	Non-current	Current	Non-current
		229	206	174	169
Financial Assets at fair value through profit & loss	18	186	21	131	9
Financial Assets at fair value through comprehensive income		-	3	-	3
Financial Assets not measured at fair value - Loans and Capital subscription		43	159	43	135
Others		-	23	-	23

Loans and Capital subscription (current) in the amount of €43 m relate to the subscribed and unrealised capital increase made by Winland International Petroleum, S.A.R.L. (a Sinopec company) in Petrogal Brasil, S.A., which is considered as a financial asset given the terms established for this capital increase.

12. Cash and cash equivalents

For the periods ended 30 June 2020 and 31 December 2019, the details of Cash and cash equivalents in the Condensed consolidated statement of cash flow were as follow:

Unit: € m

	Notes	June 2020	December 2019
		1,607	1,431
Cash at bank		1,696	1,460
Bank overdrafts	13	(89)	(29)

13. Financial debt

The details of financial debt as at 30 June 2020 and 31 December 2019 were as follow:

Unit: € m

		June 2020		December 2019	
	Notes	Current	Non-current	Current	Non-current
		631	2,997	278	2,616
Bank loans		131	827	278	795
Loans and commercial paper		42	828	249	795
Bank overdrafts	12	89	-	29	-
Bonds and notes		500	2,169	-	1,822
Origination fees		-	(9)	-	(6)
Bonds		-	1,179	-	828
Notes		500	1,000	-	1,000

Changes in financial debt during the period from 31 December 2019 to 30 June 2020 were as follow:

Unit: € m

	Opening balance	Loans obtained	Principal Repayment	Changes in Overdrafts	Foreign exchange rate differences and others	Closing balance
	2,895	1,792	(1,117)	60	(3)	3,627
Bank Loans:	1,073	942	(1,117)	60	-	958
Loans and commercial paper	1,044	942	(1,117)	-	-	870
Bank overdrafts	29	-	-	60	-	89
Bond and Notes:	1,822	850	-	-	(2)	2,669
Origination fees	(6)	-	-	-	(3)	(9)
Bonds	828	350	-	-	1	1,179
Notes	1,000	500	-	-	-	1,500

The average cost of financial debt for the period under review, including charges for the use of credit lines, amounted to 1.71%.

During the first six months of 2020, the Group contracted new bonds as detailed below:

Unit: € m

Issuance	Due amount	Interest rate	Maturity	Reimbursement
	350			
BONDS GALP ENERGIA 2020/2025	100	Euribor 6M + spread	March '25	March '25
GALP ENERGIA/2020 - 2023	100	Euribor 6M + spread	May '23	May '23
GALP ENERGIA/2020 - EUR 150,000,000 FLOATING RATE NOTES DUE 20 APRIL 2025	150	Euribor 6M + spread	April '25	April '25

Additionally, during this period, the Group contracted new notes as detailed below:

Unit: € m

Issuance	Due amount	Interest rate	Maturity	Reimbursement
	500			
GALP ENERGIA/2020-EMTN-EUR 500,000,000 FIXED RATE NOTES-15 JAN.2026-SR.4	500	Fixed Rate 2.000%	January '26	January '26

During this period, the Group issued and repaid €940 m under commercial paper programmes.

During the period, €175 m of other bank loans and project finance were repaid.

Financial debt, excluding origination fees and bank overdrafts, had the following repayment plan as at 30 June 2020:

Unit: € m

Maturity			Loans
	Total	Current	Non-current
	2.444	542	1.901
2020	25	25	-
2021	535	517	18
2022	465	-	465
2023	870	-	870
2024	549	-	549
2025	605	-	605
2026	500	-	500

14. Trade payables and other payables

As at 30 June 2020 and 31 December 2019, the details of Other payables were as follow:

Unit: € m

	June 2020		December 2019	
	Current	Non-current	Current	Non-current
Trade payables	472	-	852	-
Other payables	1,064	108	1,343	121
State and other public entities	280	-	355	-
Payable VAT	136	-	219	-
Tax on oil products (ISP)	101	-	100	-
Other taxes	43	-	35	-
Other payables	389	66	477	70
Suppliers of tangible and intangible assets	363	66	430	70
Overlifting	1	-	20	-
Other Creditors	24	-	27	-
Related parties	25	-	3	-
Other accounts payable	37	5	41	6
Accrued costs	289	24	461	30
External supplies and services	144	-	295	-
Holiday, holiday subsidy and corresponding contributions	32	3	52	4
Other accrued costs	113	21	115	26
Contract liabilities	35	-	6	-
Other deferred income	8	12	-	15

15. Taxes and other contributions

15.1. Taxes and Special Participation Tax (SPT)

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 since 2005. Currently, 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 condensed consolidated income statement for the six-month periods ended 30 June 2020 and 2019 were as follow:

Unit: € m

			June 2020			June 2019
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Taxes and SPT for the period	64	75	139	297	4	301
Current income tax	(88)	79	(10)	63	4	67
Oil income Tax (IRP)	12	(4)	8	9	5	14
Special Participation Tax (SPT)	141	-	141	226	(5)	221

As at 30 June 2020, the movements in deferred tax assets and liabilities were as follow:

Unit: € m

	As at 31 December 2019	Impact on the income statement	Foreign exchange rate changes	As at 30 June 2020
Deferred Taxes – Assets	367	108	3	479
Adjustments to tangible and intangible assets	10	115	2	129
Retirement benefits and other benefits	96	(3)	-	92
Tax losses carried forward	73	-	-	73
Regulated revenue	8	(2)	-	6
Temporarily non-deductible provisions	110	(3)	-	107
Foreign exchange rate differences in Brazil	41	-	-	41
Others	30	1	-	31
Deferred Taxes – Liabilities	(299)	(183)	(3)	(484)
Adjustments to tangible and intangible assets	(272)	(188)	(3)	(462)
Adjustments to tangible and intangible assets fair value	(6)	1	-	(5)
Regulated revenue	(14)	1	-	(13)
Others	(8)	3	-	(4)

15.2. Energy Sector Extraordinary Contribution

As at 30 June 2020, the details of the Energy Sector Extraordinary Contribution were as follow:

Unit: € m

	Statement of financial position				Income statement
	Provisions (Note 17)		"CESE II" Deferred Charges (Note 10.2)		Energy Sector Extraordinary Contribution
	CESE I	CESE II	Current	Non-current	
As at 1 January 2020	(102)	(220)	15	46	-
"CESE I" Increase	(13)	-	-	-	13
"CESE II" Increase	-	(5)	(2)	(5)	12
Fondo Nacional de Eficiencia Energética (FNEE)	-	-	-	-	9
As at 30 June 2020	(115)	(225)	13	41	34

16. Post-employment benefits

During the period under review there were no significant changes compared to 31 December 2019.

On 30 June 2020 and 31 December 2019, the assets of the Pension Funds, valued at fair value, were as follow, in accordance with the report presented by the respective management company:

Unit: € m

	June 2020	December 2019
Total	257	267
Shares	42	39
Bonds	161	151
Real Estate	45	49
Liquidity	5	23
Others	4	5

As at 30 June 2020 and 31 December 2019, the details of post employee benefits were as follow:

Unit: € m

	June 2020	December 2019
Assets under the heading "Other Receivables" (Note 10.2)	29	30
Liabilities	(321)	(332)
Net responsibilities	**(292)**	**(301)**
Liabilities, of which:	**(549)**	**(568)**
Past service liabilities covered by the pension fund	(229)	(237)
Other employee benefit liabilities	(320)	(331)
Assets	**257**	**267**

17. Provisions

During the six-month period ended 30 June 2020, the movements in Provisions were as follow:

Unit: € m

	June 2020				December 2019
	Decomissioning/ environmental provisions	CESE (I and II)	Other provisions	Total	
At the beginning of the period	421	322	77	819	658
Additional provisions and increases to existing provisions	17	17	17	52	175
Decreases of existing provisions	(1)	-	-	(1)	(7)
Amount used during the period	(3)	-	(1)	(4)	(5)
Regularization	9	-	8	17	-
Adjustments during the period	1	-	(11)	(10)	-
At the end of the period	444	339	90	873	819

18. Other financial instruments

The details of the financial position of the balance of derivative financial instruments as at 30 June 2020 and 31 December 2019 were as follow:

Unit: € m

	June 2020					December 2019				
	Assets (Note 11)		Liabilities		Equity	Assets (Note 11)		Liabilities		Equity
	Current	Non current	Current	Non current		Current	Non current	Current	Non current	
	186	21	(147)	(26)	(14)	131	9	(84)	(5)	(13)
Commodity swaps	91	18	(115)	(20)	(3)	68	6	(72)	(4)	(3)
Options	25	-	(25)	-	-	19	-	-	-	-
Commodity futures	56	-	-	-	(11)	19	-	-	-	(10)
Forwards	14	3	(7)	(6)	-	25	3	(12)	(1)	-

The accounting impacts of gains and losses on derivative financial instruments on the income statements and comprehensive income as at 30 June 2020 and 30 June 2019 are presented below:

Unit: € m

	June 2020				June 2019			
	Income statement				Income statement			
	MTM	Realised	MTM + Realised	Equity	MTM	Realised	MTM + Realised	Equity
	(82)	76	(7)	(2)	20	(19)	–	(11)
Commodities	(73)	67	(6)	(2)	12	(21)	(9)	(11)
Swaps	(25)	(11)	(36)	-	(113)	(14)	(127)	(2)
Swaps - Fair value hedge	12	-	12	-	49	-	49	-
Options	(19)	105	86	-	3	(1)	2	-
Futures	(41)	(27)	(68)	(1)	73	(6)	68	(9)
Currency	(10)	9	(1)	-	8	2	9	-
Forwards	(10)	9	(1)	-	8	2	9	-

The heading Futures (MTM) includes a negative c.€50 m regarding the MTM of CO_2 futures position. All CO_2 positions were liquidated during July 2020 representing a cash outflow of €60 m.

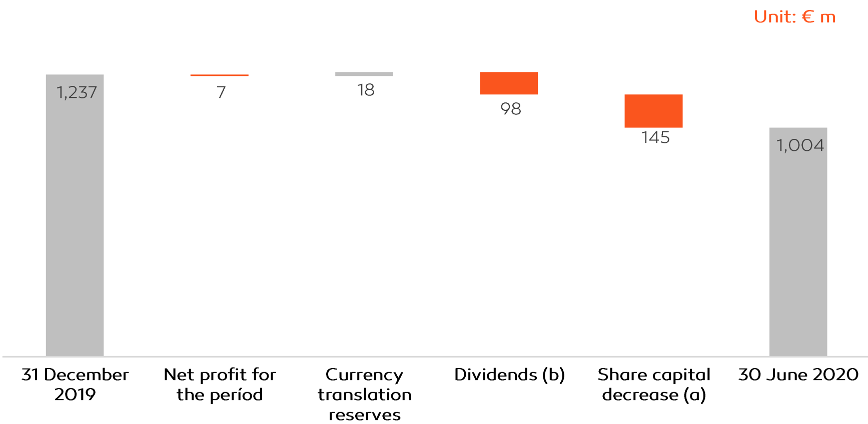
The MTM heading includes a derivative swap in the amount of €7 m, which is connected with the Contango operations carried out in March 2020 and still open (Note 9). The MTM of these derivatives is recognized directly in Cost of Sales.

The realised results of derivative financial instruments are mainly recognised as part of the cost of sales (Note 21), financial income or expenses. The breakdown of the results related to derivative financial instruments (Note 22) is as follows:

Unit: € m

	June 2020	June 2019
	73	46
Commodity swaps	(6)	(65)
Options	(19)	3
Commodity futures	(41)	73
Premium option	105	-
Other trading operations	34	34

19. Non-controlling interests



(a) The Share capital decrease is related to the share premium reduction in Galp Sinopec Brazil Services B.V. (GSBV).

(b) Non-controlling interest dividends in the amount of €98 m were declared during the period, although only €49 m was paid.

20. Revenue and income

The details of revenue and income for the six-month periods ended 30 June 2020 and 2019 were as follow:

Unit: € m

	Notes	June 2020	June 2019
		5,989	8,517
Total sales		5,324	7,836
Goods		2,279	3,408
Products		3,049	4,420
Exchange differences		(4)	8
Services rendered		330	309
Other operating income		113	229
Underlifting income		-	146
Others		113	83
Earnings from associates and joint ventures	7	102	76
Financial income	22	120	66

The amount in the caption Earnings from associates and joint ventures of €102 m includes the Equity Method Value of associates and joint ventures, as well as the capital gains arising from the partial sale of the participation in Tupi B.V. and Iara B.V., amounting to €23 m and €44 m, respectively (Note 7.1).

21. Costs and expenses

The details of costs and expenses, for the six-month periods ended 30 June 2020 and 2019 were as follow:

Unit: € m

	Notes	June 2020	June 2019
Total costs and expenditure:		6,233	7,923
Cost of sales		4,345	6,369
Raw and subsidiary materials		2,200	2,758
Goods		681	2,014
Tax on oil products		1,099	1,356
Variations in production		252	252
Write downs on inventories	9	41	(29)
Financial derivatives	18	79	17
Exchange differences		(7)	1
External supplies and services		805	797
Subcontracts - network use		160	193
Transportation of goods		207	148
E&P - production costs		79	98
E&P - exploration costs		10	92
Royalties		67	23
Other costs		282	242
Employee costs		150	155
Amortisation, depreciation and impairment losses on fixed assets	4/ 5/ 6	588	441
Provision and impairment losses on receivables	10.3 / 17	19	(1)
Other costs		131	75
Other taxes		13	11
Costs related to CO_2 emissions		12	17
Overlifting costs		113	25
Other operating costs		(8)	23
Financial expenses	22	195	87

22. Financial results

The details of financial income and costs for the six-month periods ended 30 June 2020 and 2019 were as follow:

Unit: € m

	Notes	June 2020	June 2019
		(74)	(21)
Financial income		120	66
Interest on bank deposits		13	18
Interest and other income from related companies		1	1
Other financial income		1	1
Derivative financial instruments	18	73	46
Financial expenses		(195)	(87)
Interest on bank loans, bonds, overdrafts and others		(39)	(27)
Interest capitalised within fixed assets	4	11	11
Interest on lease liabilities	6	(41)	(45)
Exchange gains/(losses)		(88)	1
Other financial costs		(5)	(27)

23. Approval of the financial statements

The consolidated financial statements were approved by the Board of Directors on 23 July 2020.

Chairman:
Paula Amorim

Vice-chair and Lead

Independent Director:
Miguel Athayde Marques

Vice-chair:
Carlos Gomes da Silva

Members:
Filipe Silva
Thore E. Kristiansen
Carlos Costa Pina
Carlos Silva
Sofia Tenreiro
Susana Quintana- Plaza
Marta Amorim
Francisco Rêgo
Carlos Pinto
Luís Todo Bom
Jorge Seabra
Rui Paulo Gonçalves
Diogo Tavares
Edmar de Almeida
Cristina Neves Fonseca
Adolfo Mesquita Nunes

Accountant:
Paula de Freitas Gazul

24. Explanation regarding translation

These English language financial statements are a translation of the financial statements prepared 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 discrepancy, 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 Group), which comprise the Consolidated Statement of Financial Position as at 30 June 2020 (showing a total of 12.992 million Euros and a total shareholders' equity of 4.682 million Euros, including a consolidated net loss for the period of 417 million Euros), Consolidated Statement of Profit and Loss, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the six month period then ended, and notes to the 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 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 limited review of financial statements is a limited assurance engagement. The procedures performed consisted primarily of making inquiries of management and others within the Group and its subsidiaries, as appropriate, and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a limited 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 2020, 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, 24 July de 2020

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
Registered with the Portuguese Securities Market Commission under license nr. 20160731

9. 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
ACS: Atividades de
APETRO: Associação Portuguesa de Empresas Petrolíferas (Portuguese association of oil companies)
B2B: Business to business
B2C: Business to consumer
bbl: barrel of oil
bn: billion
boe: barrels of oil equivalent
BRL: Brazilian real
c.: circa
CO_2: Carbon dioxide
Capex: Capital expenditure
CESE: Contribuição Extraordinária sobre o Sector Energético (Portuguese Extraordinary Energy Sector Contribution)
CFFO: Cash flow from operations
COFINS: Contribution for the Financing of Social Security
CMVM: Portuguese Securities Market Commission
CORES: Corporación de Reservas Estratégicas de Produtos Petrolíferos (Spain)
d: day
DD&A: Depreciation, Depletion and Amortisation
Ebit: Earnings before interest and taxes
Ebitda: Ebit plus depreciation, amortisation and provisions
EMPL: Europe Magreb Pipeline, Ltd
EUR/€: Euro
FCF: Free Cash Flow
FLNG: Floating liquified natural gas
FNEE: Fondo Nacional de Eficiência Energética (Spain)
FPSO: Floating, production, storage and offloading unit
Galp, Company or Group: Galp Energia, SGPS, S.A., subsidiaries and participated companies
GGND: Galp Gás Natural Distribuição, S.A.
GSBV: Galp Sinopec Brazil Services
GW: Gigawatt
GWh: Gigawatt per hour
IAS: International Accounting Standards
IRC: Income tax
IFRS: International Financial Reporting Standards
IRP: Oil income tax (Oil tax payable in Angola)
ISP: Payments relating to tax on oil products
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
mbbl: million barrels of oil
mboe: millions of barrels of oil equivalent
mbtu: million British thermal units
mm^3: million cubic metres
mton: millions of tonnes
MW: Megawatt
MWh: Megawatt-hour
NB: New Businesses
NG: natural gas

n.m.: not meaningful
NWE: Northwestern Europe
PV: photovoltaic
PIS: payment initiation service
p.p.: percentage point
Q: Quarter
QoQ: Quarter-on-quarter
R&Mid: Refining & Midstream
R&NB: Renewables & New Businesses
REN: Rede Eléctrica Nacional
RC: Replacement Cost
RCA: Replacement Cost Adjusted
SPA: Sale and purchase agreement
SPT: Special participation tax
ton: tonnes
TTF: Title transfer facility
TWh: Terawatt-hour
UA: Unitisation Agreements
U.S.: United States
USD/$: Dollar of the United States of America
Var.: Variation
WI: working interest
YoY: year-on-year

Galp Energia, SGPS, S.A.
Investor Relations

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