RESULTS
4th QUARTER & FULL YEAR 2020

22 FEBRUARY 2021

UNAUDITED

galp

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Cautionary Statement

This document 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, operational or environmental goals, targets or commitments 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; any of 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 changes in law and regulations and 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. This document may also contain statements regarding the perspectives, objectives, and goals of Galp, including with respect to energy transition, carbon intensity reduction or carbon neutrality. An ambition expresses an outcome desired or intended by Galp, it being specified that the means to be deployed may not depend solely on Galp. All statements other than statements of historical facts are, or may be deemed to be, forward-looking statements. Forward-looking statements express future expectations that are based on management's expectations and assumptions as of the date they are disclosed and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such those statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Galp to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections, and assumptions. These forward-looking statements may generally be identified by the use of the future or conditional tense or the use of terms and phrases such as "aim", "ambition", "anticipate", "believe", "consider", "could", "envision", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "schedule", "seek", "should", "target", "think", "will" or the negative of these terms and similar terminology.

Financial information by business segment is reported in accordance with the Galp's management reporting policies and shows internal segment information that is used to manage and measure the Group's performance. In addition to IFRS measures, certain alternative performance measures are presented, such as performance measures adjusted for special items (adjusted earnings before interest, taxes, depreciation and amortisation, adjusted earnings before interest and taxes, and adjusted net income), return on equity (ROE), return on average capital employed (ROACE), gearing ratio, cash flow from operations and free cash flow. These indicators are meant to facilitate the analysis of the financial performance of Galp and comparison of results and cash flow among periods. In addition, the results are also measured in accordance with the replacement cost method, adjusted for special items. This method is used to assess the performance of each business segment and facilitate the comparability of the segments' performance with those of its competitors. This document also contains non-financial performance indicators, including a carbon intensity indicator for energy products sold by Galp, that measures the amount of greenhouse gas emissions of those products, from their production to their end use, per unit of energy delivered. This indicator covers the direct GHG emissions of production and processing facilities (scope 1) and their indirect emissions associated with energy purchased (scope 2), as well as the emissions associated with the use of products by Galp's costumers (scope 3). The same emissions are considered for products purchased from third parties and sold or transformed by Galp. For a complete definition of scopes 1, 2 and 3 and the methodology used by Galp for this indicator please refer to Galp's website at galp.com.

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RESULTS HIGHLIGHTS

1. RESULTS HIGHLIGHTS

Fourth quarter 2020

Cash flow from operations (CFFO) was down 48% YoY, to €231 m, reflecting the weaker market environment. FCF amounted to €68 m, while net debt at the end of the period was €2,066 m.

RCA Ebitda of €410 m, with the following highlights:

- Upstream: RCA Ebitda was €319 m, down 36% YoY, following the decline in oil prices and lower production, as well as the USD depreciation against the Euro.

  Working interest (WI) production was down 10% YoY to 122.8 kboepd, impacted by a concentration of planned maintenance activities and operational constraints, resulting primarily from the pandemic circumstances.

- Commercial: RCA Ebitda of €71 m, down 30% YoY, following the lower market demand and decline in oil products and natural gas sales.

- Refining & Midstream: RCA Ebitda was €17 m, a 68% decrease YoY, with the negative Refining performance reflecting the harsh refining margin environment, only partially offset by a resilient contribution from the Midstream segment.

- Renewables & New Businesses: The solar portfolio currently under production (Spain) is not consolidated in Group's accounts, so it has no contribution to Ebitda.

RCA Ebit was down YoY to €159 m, mostly driven by the weaker operational performance.

RCA net income was €3 m. IFRS net income was -€35 m, with an inventory effect of €22 m and non-recurring items of -€60 m.

Full year

CFFO was €1,025 m, 46% lower YoY, while RCA Ebitda amounted to €1,570 m, 34% lower YoY, both reflecting the impact of the significantly weaker macro conditions resulting from the pandemic.

Net capex, considering the proceeds from the unitisation processes, stood at €830 m, including the €325 m payment for the solar PV acquisition made in 3Q20. Upstream accounted for 36% of total investments, whilst the downstream activities represented 23% and Renewables & New Businesses 39%.

Free cash flow (FCF) was €42 m, during one of the most challenging years for the industry and considering the relevant strategic acquisition executed in the renewables division.

Net debt increased to €2,066 m, considering the €544 m in dividends paid to shareholders and to minorities during the period, as well as €129 m of other effects, mostly related with impacts from the BRL and USD devaluations.

FCF would have been €410 m and net debt €1,698 m if considering the GGND sale agreement established in October, with the proceeds of €368 m expected to be received soon.

2021 Outlook

Galp revised its 2021 outlook incorporating additional layers of prudency given the uncertain macro circumstances and its potential effects on the Company's operations and results. The key operational and financial guidance for 2021 is as follows:

	2021 guidance
Macro	
Brent ($/bbl)	50
Galp refining margin ($/boe)	2 – 3
Average exchange rate EUR:USD	1.20
Operational Indicators	
WI production (kboepd)	125 – 135
Sines refining crude utilisation (%)	90
Oil products sales to direct clients (mton)	7.0 – 8.0
NG and power sales to direct clients (TWh)	26 – 27
Renewable generation @100% (TWh)	1.1 – 1.4
Financial Indicators	
RCA Ebitda (€ bn)	1.6 – 1.8
CFFO (€ bn)	1.3 – 1.5
Net capex[1] (€ bn)	0.5 – 0.7

[1] Considers divestments, such as the €368 m proceeds from GGND stake sale, expected to be received in 1Q21.

Shareholder dividend proposal

The Board of Directors will propose at the Annual General Meeting in April, a dividend per share (DPS) of €0.35/share, related to the 2020 fiscal year, to be paid in May. The dividend cut reflects the impacts from unexpected and unprecedented market conditions.

The Board also indicated a DPS target of €0.50/share related to the 2021 fiscal year, considering the foreseen macro scenario.

Other highlights

GGND stake sale

In October, Galp agreed with Allianz Capital Partners, acting on behalf of Allianz insurance companies and the Allianz European Infrastructure Fund, the sale of 75.01% of Galp Gás Natural Distribuição, S.A. (GGND) for a total consideration of €368 m. Completion is expected to occur in 1Q21, after which Galp will maintain a 2.49% stake in GGND. The full announcement related with this operation can be found here.

Given that the relevant customary regulatory conditions were met, the GGND sale has been recorded in Galp's financial statements, whereas it was previously classified as assets held for sale, with €99 m capital gain registered under the IFRS consolidated income statement. The upcoming cash consideration has been accounted for as other receivables.

Concentration of refining operations in Sines

Considering the structural changes in oil products demand patterns, driven by the regulatory context in Europe and the effects caused by the pandemic, Galp decided to concentrate its core refining activities in Sines, while discontinuing the refining operations in Matosinhos, from 2021. Galp will continue to supply the regional market by maintaining all key Matosinhos' import, storage and distribution facilities. The full announcement related with this decision can be found here.

Following this decision, using current best estimates, Galp registered restructuring costs of €35 m, as well as decommissioning impairments and provisions amounting to €247 m, all considered non-recurring items and totalling post-tax €200 m. The Company is currently performing a detailed decommissioning plan as well as evaluating alternative uses for the site, which should originate value options in the future.

Evolution of reserves and resources

In 2020, proven and probable reserves (2P), together with 2C contingent resources, remained stable YoY at 2.4 bn boe.

2P reserves decreased 5% YoY, to 700 mboe, mainly reflecting the production during the period, as no Final Investment Decisions (FID) were made in 2020. Natural gas reserves represent 21% of current 2P reserves.

2C contingent resources stand at 1,720 mboe, 2% higher YoY, mainly due to the incorporation of resources from the first exploration well in the Uirapuru block, in Brazil. Natural gas resources account for 51% of current 2C resources, mainly attributable to Mozambique.

Financial data

€m (IFRS, except otherwise stated)

Quarter						Full Year			
4Q19	3Q20	4Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
653	401	410	(243)	(37%)	**RCA Ebitda**	2,381	1,570	(810)	(34%)
500	302	319	(181)	(36%)	Upstream	1,751	1,111	(640)	(37%)
102	105	71	(31)	(30%)	Commercial	410	325	(85)	(21%)
52	(12)	17	(35)	(68%)	Refining & Midstream	207	113	(94)	(45%)
(5)	(2)	(3)	(2)	(44%)	Renewables & New Businesses	(6)	(9)	4	67%
354	108	159	(195)	(55%)	**RCA Ebit**	1,387	427	(959)	(69%)
332	133	161	(171)	(52%)	Upstream	1,189	407	(782)	(66%)
63	81	47	(16)	(25%)	Commercial	304	232	(72)	(24%)
(38)	(108)	(51)	13	35%	Refining & Midstream	(109)	(210)	101	93%
(5)	(2)	(1)	(4)	(74%)	Renewables & New Businesses	(6)	(19)	13	n.m.
157	(23)	3	(154)	(98%)	**RCA Net income**	560	(42)	(603)	n.m.
106	(106)	(35)	(141)	n.m.	**IFRS Net income**	389	(551)	(940)	n.m.
(49)	(85)	(60)	10	21%	Non-recurring items	(177)	(171)	(7)	(4%)
(2)	2	22	24	n.m.	Inventory effect	6	(338)	(344)	n.m.
282	444	173	(109)	(39%)	**Capex**	856	898	42	5%
446	391	231	(215)	(48%)	**Cash flow from operations**	1,890	1,025	(865)	(46%)
229	(79)	68	(161)	(70%)	**Free cash flow**	922	42	(880)	(95%)
(25)	(29)	(2)	(23)	(92%)	**Dividends paid to non-controlling interests**	(132)	(225)	93	71%
-	-	-	-	n.m.	**Dividends paid to shareholders**	(559)	(318)	(240)	(43%)
1,435	2,091	2,066	631	44%	**Net debt**	1,435	2,066	631	44%
0.7x	1.3x	1.5x	0.8x	-	**Net debt to RCA Ebitda**[1]	0.7x	1.5x	0.8x	-

[1] Ratio considers the LTM Ebitda RCA (€1,380 m on 31 December 2020), which includes the adjustment for the impact from the application of IFRS 16 (€191 m on 31 December 2020).

Operational data

Quarter						Full Year			
4Q19	3Q20	4Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
136.9	133.8	122.8	(14.1)	(10%)	Average working interest production (kboepd)	121.8	130.0	8.3	7%
135.1	132.0	121.1	(14.0)	(10%)	Average net entitlement production (kboepd)	120.0	128.2	8.3	7%
(6.3)	(4.4)	(5.0)	(1.4)	(21%)	Oil & gas realisations - Dif. to Brent (USD/boe)	(7.3)	(5.6)	(1.7)	(24%)
26.5	23.4	23.5	(3.0)	(11%)	Raw materials processed (mboe)	96.0	87.1	(8.9)	(9%)
3.3	(0.7)	1.6	(1.7)	(53%)	Galp refining margin (USD/boe)	3.1	1.1	(2.0)	(65%)
4.2	3.6	3.7	(0.5)	(13%)	Oil products supply[1] (mton)	16.2	13.9	(2.3)	(14%)
23.2	17.9	24.1	0.9	4%	NG/LNG supply & trading volumes[1] (TWh)	89.3	71.4	(17.9)	(20%)
0.4	0.3	0.4	(0.0)	(1%)	Sales of electricity to the grid[2] (TWh)	1.3	1.4	0.0	2%
2.0	1.5	1.5	(0.5)	(24%)	Oil Products - client sales (mton)	8.3	6.0	(2.3)	(28%)
7.8	5.4	5.9	(1.8)	(24%)	Natural gas - client sales (TWh)	31.6	22.9	(8.7)	(27%)
0.8	0.9	0.9	0.1	9%	Electricity - client sales (TWh)	3.2	3.3	0.1	4%
11.2	142.7	169.8	158.6	n.m.	Renewable power generation (GWh)[3]	31.3	327.2	295.9	n.m.
-	36.2	39.2	n.m.	n.m.	Galp solar captured price (EUR/MWh)[4]	-	30.3	n.m.	n.m.

[1] Includes volumes sold to the Commercial segment.
[2] Sales from cogeneration plants.
[3] Full year renewables power generation only accounts for solar power generation from September to December, as per the completion of the transaction with ACS.
[4] Galp solar price captured considers the full periods of 3Q20 and 2020, for comparison purposes with market indicators.

Market indicators

Quarter						Full Year			
4Q19	3Q20	4Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
1.11	1.17	1.19	0.09	8%	Average exchange rate EUR:USD	1.12	1.14	0.02	2%
4.56	6.28	6.44	1.88	41%	Average exchange rate EUR:BRL	4.41	5.89	1.48	33%
63.1	42.9	44.2	(18.9)	(30%)	Dated Brent price (USD/bbl)	64.2	41.8	(22.4)	(35%)
(1.5)	0.1	(0.1)	(1.4)	(93%)	Heavy-light crude price spread[1] (USD/bbl)	(0.6)	(0.8)	0.2	28%
12.8	9.1	15.3	2.5	19%	Iberian MIBGAS natural gas price (EUR/MWh)	15.4	10.2	(5.2)	(34%)
12.7	7.8	14.8	2.1	16%	Dutch TTF natural gas price (EUR/MWh)	13.5	9.5	(4.0)	(30%)
5.8	3.6	7.9	2.1	37%	Japan/Korea Marker LNG price (USD/mbtu)	5.5	3.1	(2.4)	(43%)
41.0	37.5	40.1	(0.9)	(2%)	Iberian baseload pool price (EUR/MWh)	47.7	34.0	(13.7)	(29%)
42.7	37.5	39.6	(3.0)	(7%)	Iberian solar captured price (EUR/MWh)	48.4	33.0	(15.4)	(32%)
16.3	13.3	13.4	(2.9)	(18%)	Iberian oil market (mton)	65.7	51.9	(13.8)	(21%)
122	109	114	(7)	(6%)	Iberian natural gas market (TWh)	466	427	(39)	(8%)

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

02

UPSTREAM

2. UPSTREAM

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

Quarter						Full Year			
4Q19	**3Q20**	**4Q20**	**Var. YoY**	**% Var. YoY**		**2019**	**2020**	**Var. YoY**	**% Var. YoY**
136.9	**133.8**	**122.8**	**(14.1)**	**(10%)**	**Average working interest production[1] (kboepd)**	**121.8**	**130.0**	**8.3**	**7%**
121.8	120.0	111.1	(10.7)	(9%)	Oil production (kbpd)	108.0	116.9	8.9	8%
135.1	**132.0**	**121.1**	**(14.0)**	**(10%)**	**Average net entitlement production[1] (kboepd)**	**120.0**	**128.2**	**8.3**	**7%**
13.3	11.8	11.3	(2.0)	(15%)	Angola	11.7	12.5	0.8	6%
121.8	120.2	109.8	(12.0)	(10%)	Brazil	108.3	115.8	7.5	7%
(6.3)	**(4.4)**	**(5.0)**	**(1.4)**	**(21%)**	**Oil and gas realisations - Dif. to Brent (USD/boe)**	**(7.3)**	**(5.6)**	**(1.7)**	**(24%)**
4.8	**3.5**	**3.7**	**(1.1)**	**(23%)**	**Royalties (USD/boe)**	**5.0**	**3.4**	**(1.6)**	**(32%)**
2.7	**1.9**	**2.2**	**(0.5)**	**(19%)**	**Production costs (USD/boe)**	**3.6**	**2.3**	**(1.2)**	**(34%)**
15.2	**16.3**	**15.9**	**0.7**	**5%**	**DD&A[2] (USD/boe)**	**14.4**	**14.7**	**0.3**	**2%**
500	**302**	**319**	**(181)**	**(36%)**	**RCA Ebitda**	**1,751**	**1,111**	**(640)**	**(37%)**
(168)	(169)	(159)	(9)	(5%)	Depreciation, Amortisation and Impairments[3]	(561)	(701)	140	25%
(1)	-	1	2	n.m.	Provisions	(1)	(3)	2	n.m.
332	**133**	**161**	**(171)**	**(52%)**	**RCA Ebit**	**1,189**	**407**	**(782)**	**(66%)**
333	**132**	**159**	**(173)**	**(52%)**	**IFRS Ebit[4]**	**994**	**468**	**(525)**	**(53%)**
(0)	**4**	**(0)**	**(0)**	**(39%)**	**Net Income from Upstream Associates**	**36**	**7**	**(28)**	**(79%)**

[1] Includes natural gas exported; excludes natural gas used or reinjected.
[2] Includes abandonment provisions. 2020 figures exclude impairments of €101 m related with exploration assets.
[3] Includes abandonment provisions.
[4] Includes unitisation impacts.

Fourth quarter

Operations

WI production decreased 10% YoY to 122.8 kboepd, impacted by a concentration of planned maintenance and operational restrictions, resulting primarily from the pandemic circumstances, which continues to impact offshore logistic activities. Natural gas amounted for 10% of Galp's total production.

In Brazil, production was 10% lower YoY, at 109.8 kboepd, whilst in Angola WI production decreased YoY, from 15.1 kbpd to 13.1 kbpd, following Block 14 natural decline and Kaombo efficiency decrease.

The Group's net entitlement production decreased 10% YoY to 121.1 kboepd.

Results

RCA Ebitda was €319 m, a 36% decrease YoY, reflecting the decline in oil prices and the lower production levels, as well as the USD depreciation against the Euro.

Production costs were €21 m, excluding costs related with IFRS 16 operating leases of €31 m, 33% lower YoY. In unit terms, and on a net entitlement basis, production costs were $2.2/boe.

Amortisation and depreciation charges (including abandonment provisions) were down YoY to €147 m. On a net entitlement basis, DD&A and Provisions are higher YoY, at $15.9/boe, reflecting the lower production dilution.

RCA Ebit was €161 m, down 52% YoY. IFRS Ebit amounted to €159 m.

Full year

Operations

Average WI production during 2020 was 130.0 kboepd, a 7% increase YoY, mostly supported by the continued development of the Brazilian projects, despite the impacts in all offshore activities from the pandemic.

In Brazil, the ramp-up stage from the units located in Tupi Extreme South and Tupi North was concluded, while the Berbigão/Sururu FPSO continued its ramp-up process. In June, a new FPSO started operations, in Atapu.

Angola maintained its supportive contribution, with the higher production from Block 32 more than offsetting Block 14 gradual decline.

Net entitlement production increased 7% YoY to 128.2 kboepd.

Results

RCA Ebitda was €1,111 m, down 37% YoY, as the lower oil price conditions experienced in the period and the USD depreciation against the Euro, more than offset the higher production.

Production costs were €97 m, excluding costs related with operating leases of €133 m. In unit terms, and on a net entitlement basis, production costs were $2.3/boe.

Amortisation and depreciation charges (including abandonment provisions) amounted to €701 m, up €140 m YoY, following the asset base increase and including impairments of €101 m related with exploration assets, mainly in the Potiguar basin. On a net entitlement basis, and disregarding impairments, unit DD&A was $14.7/boe.

RCA Ebit was €407 m, down from €1,189 m YoY. IFRS Ebit was €468 m.

Development of reserves and resources

In 2020, proven and probable reserves (2P), together with 2C contingent resources, remained stable YoY at 2.4 bn boe.

2P reserves decreased 5% YoY, to 700 mboe, mainly reflecting the production during the period, as no FID were made in 2020. Natural gas reserves represent 21% of current 2P reserves.

2C contingent resources stand at 1,720 mboe, 2% higher YoY, mainly due to the incorporation of resources from the first exploration well in the Uirapuru block, in Brazil. Natural gas resources account for 51% of current 2C resources, mainly attributable to Mozambique.

Reserves (mboe)	2019	2020	Change
1P	404	385	-5%
2P	739	700	-5%
3P	982	923	-6%
Contingent resources (mboe)	**2019**	**2020**	**Change**
1C	498	525	6%
2C	1,680	1,720	2%
3C	3,394	3,471	2%
Prospective resources (mboe)	**2019**	**2020**	**Change**
Unrisked	4,530	4,910	8%
Risked	766	861	12%

Note: All figures are based on DeGolyer and MacNaughton report as of 31.12.2020. Reserves figures on a net entitlement basis. Contingent resources and prospective resources on a working interest basis. Reserves economic evaluation performed with 2020 average oil price ($41.8/bbl).

03

COMMERCIAL

3. COMMERCIAL

€m (RCA, except otherwise stated)

Quarter						Full Year			
4Q19	3Q20	4Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
					Commercial sales to clients				
2.0	1.5	1.5	(0.5)	(24%)	Oil products (mton)	8.3	6.0	(2.3)	(28%)
7.8	5.4	5.9	(1.8)	(24%)	Natural Gas (TWh)	31.6	22.9	(8.7)	(27%)
0.8	0.9	0.9	0.1	9%	Electricity (TWh)	3.2	3.3	0.1	4%
102	**105**	**71**	**(31)**	**(30%)**	**RCA Ebitda**	**410**	**325**	**(85)**	**(21%)**
(28)	(24)	(25)	(3)	(12%)	Depreciation, Amortisation and Impairments	(95)	(94)	(1)	(1%)
(11)	(0)	1	12	n.m.	Provisions	(11)	1	12	n.m.
63	**81**	**47**	**(16)**	**(25%)**	**RCA Ebit**	**304**	**232**	**(72)**	**(24%)**
71	**79**	**50**	**(22)**	**(30%)**	**IFRS Ebit**	**312**	**227**	**(86)**	**(27%)**
0	**0**	**(1)**	**(2)**	**n.m.**	**Net Income from Commercial Associates**	**5**	**(2)**	**(7)**	**n.m.**

Fourth quarter

Operations

Total oil products' sales decreased 24% YoY to 1.5 mton, impacted by the lower demand in Iberia, namely in segments such as aviation, marine bunkers and retail, as a result of the mobility restrictions and weaker economic environment.

Natural gas volumes sold declined 24% YoY to 5.9 TWh, following the lower consumptions registered, mostly from the B2B segment in Spain.

Sales of electricity were 0.9 TWh, 9% up YoY, driven by a higher consumption from the B2B segment in Iberia.

Results

RCA Ebitda for the Commercial business was €71 m, down 30% YoY, as a result of the lower oil products and natural gas sales, as well as slightly higher operational costs resulting from year-end adjustments from previous periods.

RCA Ebit was €47 m, while IFRS Ebit was €50 m.

Full year

Operations

Total oil products' sales were 6.0 mton, down 28% YoY, following the lower demand across most segments, resulting from the economic impact of the pandemic.

Natural gas volumes were 22.9 TWh, down 27% YoY, impacted by the challenging macro environment and lower contribution from the B2B segment.

Electricity sales were 3.3 TWh, 4% higher YoY, reflecting a higher consumption from the B2B segment.

Results

RCA Ebitda decreased 21% YoY to €325 m, reflecting the lower volumes of oil products and natural gas sold to direct clients during the period.

RCA Ebit was €232 m, while IFRS Ebit was €227 m.

04

REFINING & MIDSTREAM

4. REFINING & MIDSTREAM

€m (RCA, except otherwise stated)

Quarter						Full Year			
4Q19	3Q20	4Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
26.5	**23.4**	**23.5**	**(3.0)**	**(11%)**	**Raw materials processed (mboe)**	**96.0**	**87.1**	**(8.9)**	**(9%)**
24.3	21.0	20.8	(3.5)	(14%)	Crude processed (mbbl)	82.6	78.3	(4.3)	(5%)
3.3	**(0.7)**	**1.6**	**(1.7)**	**(53%)**	**Galp refining margin (USD/boe)**	**3.1**	**1.1**	**(2.0)**	**(65%)**
3.7	**2.4**	**2.7**	**(1.1)**	**(29%)**	**Refining cost (USD/boe)**	**2.9**	**2.7**	**(0.2)**	**(8%)**
0.3	**-**	**(0.0)**	**(0.3)**	**n.m.**	**Refining margin hedging[1] (USD/boe)**	**0.1**	**0.2**	**0.1**	**n.m.**
4.2	**3.6**	**3.7**	**(0.5)**	**(13%)**	**Oil products supply[2] (mton)**	**16.2**	**13.9**	**(2.3)**	**(14%)**
23.2	**17.9**	**24.1**	**0.9**	**4%**	**NG/LNG supply & trading volumes[2] (TWh)**	**89.3**	**71.4**	**(17.9)**	**(20%)**
9.0	5.6	11.3	2.4	26%	Trading (TWh)	34.3	26.0	(8.3)	(24%)
0.4	**0.3**	**0.4**	**(0.0)**	**(1%)**	**Sales of electricity to the grid[3] (TWh)**	**1.3**	**1.4**	**0.0**	**2.2%**
52	**(12)**	**17**	**(35)**	**(68%)**	**RCA Ebitda**	**207**	**113**	**(94)**	**(45%)**
(93)	(96)	(67)	(26)	(28%)	Depreciation, Amortisation and Impairments	(321)	(323)	2	1%
4	0	0	(4)	(98%)	Provisions	5	(0)	(5)	n.m.
(38)	**(108)**	**(51)**	**13**	**35%**	**RCA Ebit**	**(109)**	**(210)**	**101**	**93%**
(46)	**(118)**	**(308)**	**263**	**n.m.**	**IFRS Ebit**	**(75)**	**(967)**	**892**	**n.m.**
21	**16**	**13**	**(8)**	**(37%)**	**Net Income from R&Mid. Associates**	**95**	**70**	**(25)**	**(26%)**

[1] Impact on Ebitda

[2] Includes volumes sold to the Commercial segment.

[3] Sales from cogeneration plants.

Fourth quarter

Operations

Raw materials processed in the quarter were 23.5 mboe, 11% lower YoY, mostly reflecting the slowdown of the fuels unit in the Matosinhos refinery.

Total supply of oil products decreased 13% YoY to 3.7 mton, mainly impacted by the lower demand in Iberia, still reflecting the weak economic environment.

Supply & trading volumes of NG/LNG increased 4% YoY to 24.1 TWh, driven by increased network trading of natural gas.

Sales of electricity to the grid from the cogeneration plants were stable YoY at 351 GWh.

Results

RCA Ebitda for the Refining & Midstream business was €17 m, compared to €52 m one year ago.

Galp's refining margin was down YoY to $1.6/boe, given the depressed international refining environment.

Refining costs were €52 m or $2.7/boe, down YoY, as the fourth quarter of 2019 was impacted by planned maintenance activities.

Midstream contribution in the quarter decreased, mostly driven by gas trading activities lower performance, as a result of the weaker market environment.

Results from associated companies were €13 m, mainly related to Galp's equity interest in the international pipelines.

RCA Ebit was -€51 m. IFRS Ebit was -€308 m, including -€35 m of restructuring costs and -€247 m of pre-tax impairments and provisions related with the decision to concentrate the refining activities in Sines, discontinuing operations in Matosinhos.

Full year

Operations

Raw materials processed were 87.1 mboe during the period, 9% lower YoY, amid planned maintenance activities and operational slowdowns of the refining system throughout the year, performed to cope with the weak demand and difficult refining environment.

Crude oil accounted for 90% of raw materials processed, of which 88% corresponded to medium and heavy crudes. Sweet crudes represented 89% of the total crudes processed.

Middle distillates (diesel and jet) accounted for 46% of production, gasoline for 20% and fuel oil for 18%. Consumption and losses accounted for 8% of raw materials processed.

Total oil products supplied decreased 14% YoY to 13.9 mton, driven by the lower demand, particularly in Iberia.

Supply & trading volumes of NG/LNG were 71.4 TWh, decreasing 20% YoY, following the lower volumes directed to the Commercial segment and the decline in natural gas trading activities.

Sales of electricity to the grid were 1,355 GWh during the period, up 2% YoY.

Results

RCA Ebitda for Refining & Midstream decreased €94 m YoY to €113 m, impacted by the weaker refining performance.

Galp's refining margin was down YoY, from $3.1/boe to $1.1/boe, following the harsh international refining environment during the year.

Refining costs were $2.7/boe, lower YoY, considering the operational adjustments and cost optimisation measures implemented. Refining margin hedging had a positive impact on Ebitda of €16 m during the period.

Midstream Ebitda benefited from the market volatility, namely a positive swing in pricing lag effects in 1H20.

Results from associated companies were €70 m.

RCA Ebit was -€210 m. IFRS Ebit was -€967 m reflecting a material negative inventory effect and the impairments and provisions related to Matosinhos refinery, registered this quarter.

05

RENEWABLES & NEW BUSINESSES

5. RENEWABLES & NEW BUSINESSES

€m (RCA, except otherwise stated)

Quarter						Full Year			
4Q19	3Q20	4Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
					Operational indicators on a 100% basis				
12	926	926	914	n.m.	Renewable generation installed capacity (MW)	12	926	914	n.m.
11	143	170	159	n.m.	Renewable power generation (GWh)[1]	31	327	296	n.m.
-	36.2	39.2	n.m.	n.m.	Galp solar captured price (EUR/MWh)[2]	-	30.3	n.m.	n.m.
					Consolidated indicators				
(5)	(2)	(3)	(2)	(0.4)	RCA Ebitda	(6)	(9)	4	67%
(5)	(2)	(1)	(4)	(0.7)	RCA Ebit	(6)	(19)	13	n.m.
(5)	(2)	(1)	(4)	(0.7)	IFRS Ebit	(6)	(19)	13	n.m.
0	3	(4)	(4)	n.m.	**Net Income from Renewables & NB Associates[3]**	0	(2)	(2)	n.m.

[1] Full year renewables power generation only accounts for solar power generation from September to December, as per the completion of the transaction with ACS.
[2] Galp solar price captured considers the full periods of 3Q20 and 2020, for comparison purposes with market indicators.
[3] Includes sustainable vegetable oil joint venture (JV) in Brazil.

Full year

Operations

Following the closing of the solar acquisition in September 2020, Galp generation capacity installed increased from 12 MW to 926 MW, on a 100% basis, including the legacy position in a 12 MW wind farm.

Renewable energy generation in 2020 was 327 GWh, with contribution from the solar PV projects since September. Power generation in 4Q20 reflected seasonal lower sunlight hours and an upset on transformers impacting the availability of c.375 MW.

Results

Consolidated Renewables & New Businesses Ebitda includes general administrative and corporate expenses with associates results of -€2.3 m, from renewables and sustainable vegetable oil in Brazil joint venture (JV) in associates companies.

The Ebitda of Galp's solar PV joint venture with ACS, on a 100%, was €5 m, only considering the four month period which followed the completion of the acquisition and reflecting the low generation in the period, impacted by the upset on transformers. Galp solar capture price for the full 2020 of €30.3/MWh, pressured by baseload electricity prices in Iberia aligned with the low commodity prices environment. If only considering the last four months of the year, Galp solar capture price would have been €40/MWh.

06

FINANCIAL DATA

6. FINANCIAL DATA (UNAUDITED)

6.1 Income Statement

€m (RCA, except otherwise stated)

Quarter						Full Year			
4Q19	3Q20	4Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
4,141	2,899	2,828	(1,312)	(32%)	Turnover	16,570	11,381	(5,189)	(31%)
(3,052)	(2,012)	(2,129)	(923)	(30%)	Cost of goods sold	(12,405)	(8,021)	(4,383)	(35%)
(452)	(370)	(298)	(154)	(34%)	Supply & Services	(1,650)	(1,473)	(177)	(11%)
(81)	(73)	(79)	(2)	(2%)	Personnel costs	(325)	(302)	(24)	(7%)
97	(38)	88	(9)	(9%)	Other operating revenues (expenses)	189	(6)	(195)	n.m.
1	(4)	(0)	(2)	n.m.	Impairments on accounts receivable	1	(8)	(9)	n.m.
653	**401**	**410**	**(243)**	**(37%)**	**RCA Ebitda**	**2,381**	**1,570**	**(810)**	**(34%)**
650	**362**	**418**	**(232)**	**(36%)**	**IFRS Ebitda**	**2,219**	**1,113**	**(1,106)**	**(50%)**
(291)	(294)	(253)	(38)	(13%)	Depreciation, Amortisation and Impairments	(986)	(1,131)	144	15%
(8)	1	2	10	n.m.	Provisions	(8)	(13)	5	62%
354	**108**	**159**	**(195)**	**(55%)**	**RCA Ebit**	**1,387**	**427**	**(959)**	**(69%)**
353	**69**	**(80)**	**(434)**	**n.m.**	**IFRS Ebit**	**1,232**	**(282)**	**(1,514)**	**n.m.**
21	23	8	(14)	(64%)	Net income from associates	136	73	(63)	(46%)
43	(93)	(19)	(62)	n.m.	Financial results	(54)	(182)	127	n.m.
(5)	(7)	(19)	15	n.m.	Net interests	(16)	(39)	23	n.m.
7	(1)	12	6	87%	Capitalised interest	24	22	(3)	(11%)
24	(25)	34	10	43%	Exchange gain (loss)	(10)	(78)	67	n.m.
66	(36)	59	(7)	(11%)	Mark-to-market of derivatives	81	(44)	(125)	n.m.
(22)	(20)	(19)	(3)	(15%)	Operating leases interest (IFRS 16)	(90)	(80)	(10)	(11%)
(26)	(3)	(86)	60	n.m.	Other financial costs/income	(43)	37	81	n.m.
418	**37**	**147**	**(271)**	**(65%)**	**RCA Net income before taxes and minority interests**	**1,468**	**319**	**(1,150)**	**(78%)**
(215)	(52)	(120)	(96)	(44%)	Taxes	(758)	(337)	(421)	(55%)
(251)	(80)	(72)	(180)	(72%)	Taxes on oil and natural gas production[1]	(610)	(301)	(309)	(51%)
(46)	(9)	(25)	(21)	(46%)	Non-controlling interests	(150)	(24)	(126)	(84%)
157	**(23)**	**3**	**(154)**	**(98%)**	**RCA Net income**	**560**	**(42)**	**(603)**	**n.m.**
(49)	(85)	(60)	10	21%	Non-recurring items	(177)	(171)	(7)	(4%)
108	**(108)**	**(57)**	**(165)**	**n.m.**	**RC Net income**	**383**	**(213)**	**(596)**	**n.m.**
(2)	2	22	24	n.m.	Inventory effect	6	(338)	(344)	n.m.
106	**(106)**	**(35)**	**(141)**	**n.m.**	**IFRS Net income**	**389**	**(551)**	**(940)**	**n.m.**

[1] Includes income taxes and taxes on oil and natural gas production, such as SPT payable in Brazil and IRP payable in Angola.

Fourth quarter

RCA Ebitda decreased 37% YoY to €410 m and RCA Ebit was down 55% YoY to €159 m, impacted by lower upstream and downstream contributions as a reflection of the weaker commodity prices and market conditions caused by the pandemic.

IFRS Ebitda amounted €418 m while IFRS Ebit was -€80 m, also including -€35 m of restructuring costs and -€247 m of impairments and provisions related with the discontinuity of the refining operations in Matosinhos, accounted for as non-recurring items.

Financial results were -€19 m, also considering FX adjustments related to previous periods. Additionally, a reclassification was registered between mark-to-market and the others caption, with no impact on financial results.

During the quarter, RCA taxes decreased YoY from €215 m to €120 m, following the lower operating results, namely from Upstream.

Non-controlling interests of -€25 m, mostly attributed to Sinopec's stake in Petrogal Brasil.

RCA net income was €3 m and IFRS net income was -€35 m, including non-recurring items of -€60 m, mainly reflecting the post-tax effects from the impairments and provisions related with the Matosinhos refinery, partially offset by the capital gains from the GGND sale.

Full year

RCA Ebitda of €1,570 m, 34% lower YoY, impacted by the much weaker market conditions. RCA Ebit was €427 m, down 69% YoY, also including the impairments registered in 2Q20 related to Upstream.

IFRS Ebitda and IFRS Ebit of €1,113 m and -€282 m, respectively, reflecting the material inventory effect and the impairments and provisions registered in relation to Matosinhos.

Financial results were -€182 m, impacted by FX variations of -€78 m, mostly from the USD and BRL depreciation, and a -€44 m negative swing on mark-to-market, mostly from derivatives hedges. Financial results also included the loss registered in 2Q20 from CO_2 licences derivatives, as well as the realised gains in 1Q20 and 2Q20 from Brent derivatives and the unwind of the outstanding refining hedges for the year, respectively.

RCA taxes decreased YoY from €758 m to €337 m, following the lower production taxes and operating results.

Non-controlling interests of -€24 m, related with Petrogal Brasil results.

RCA net income was negative at -€42 m, while IFRS net income was -€551 m, with non-recurring items of -€171 m and a large inventory effect of -€338 m.

6.2 Capital Expenditure

€m

Quarter						Full Year			
4Q19	3Q20	4Q20	Var. YoY	% Var. YoY		2019	2020	Var. YoY	% Var. YoY
184	71	69	(114)	(62%)	Upstream	600	326	(274)	(46%)
(4)	-	-	4	n.m.	Exploration and appraisal activities	115	0	(114)	(100%)
188	71	69	(119)	(63%)	Development and production activities	485	325	(160)	(33%)
34	28	49	15	42%	Commercial	83	127	43	52%
60	15	25	(34)	(57%)	Refining & Midstream	142	76	(65)	(46%)
(0)	328	20	20	n.m.	Renewables & New Businesses	16	350	333	n.m.
5	3	10	5	n.m.	Others	15	19	5	31%
282	444	173	(109)	(39%)	Capex[1]	856	898	42	5%

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

Fourth quarter

Capex totalled €173 m during the quarter.

Investments in Upstream were mostly directed to appraisal and development activities in the Brazilian pre-salt.

Investments in Commercial activities were mainly directed to the retail segment in Portugal, whilst in the Refining & Midstream capex was allocated towards recurrent maintenance activities and efficiency improvement initiatives.

Investments within the Renewables & New Businesses segment were mostly deployed towards the execution of the solar PV projects' pipeline.

Full year

Capex was €898 m, of which 39% allocated to the Renewables & New Businesses and mostly related to the 2.9 GW Spanish solar PV transaction during 3Q20, amounting to €325 m.

Upstream accounted for 36% of Group capex and were mostly related with the execution of the BM-S-11/11A projects and Bacalhau in Brazil, as well as Area 4 projects, in Mozambique.

Investments in downstream activities were mostly allocated to the Commercial business, including the enhancement of the retail segment in Portugal and logistic assets in Mozambique, and to efficiency improvements in the refining system.

6.3 Cash Flow

€m (IFRS figures)

Quarter				Full Year	
4Q19	3Q20	4Q20		2019	2020
354	69	(80)	Ebit[1]	1,405	(282)
289	294	407	Depreciation, Amortisation and Impairments	979	1,289
32	17	38	Dividends from associates	146	90
(112)	103	(60)	Change in Working Capital	(129)	346
(117)	(93)	(74)	Taxes	(512)	(417)
446	**391**	**231**	**Cash flow from operations[2]**	**1,890**	**1,025**
(170)	(432)	(117)	Net capex[2]	(734)	(909)
1	(3)	(1)	Net financial expenses	(45)	(43)
-	17	2	Realised Income from derivatives	-	80
(48)	(47)	(46)	Operating lease payments (IFRS 16)[3]	(189)	(191)
-	(3)	-	Equalisation related with unitisation processes[2]	-	80
229	**(79)**	**68**	**Free cash flow**	**922**	**42**
(25)	(29)	(2)	Dividends paid to non-controlling interests[4]	(132)	(225)
-	-	-	Dividends paid to shareholders	(559)	(318)
7	(51)	(41)	Others[5]	71	(129)
(210)	159	(25)	Change in net debt	(302)	631

[1] 2019 adjusted for the non-cash unitisation non-recurring item.

[2] 2020 cash flow 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 4Q20 amounted to €19 m and €27 m, respectively, and 2020 full year of €82 m and €104 m, respectively.

[4] Mainly dividends paid to Sinopec.

[5] Others include carries related to Sonangol and exchange rate variations on cash positions.

Fourth quarter

CFFO was down 48% YoY, to €231 m, reflecting the weaker market environment.

Net capex includes €26 m partial receipt from the sale of FPSO P-71 to Petrobras, as per Galp's announcement on October 27, 2020 (find it here).

FCF was €68 m. Change in net debt was also impacted by cash balances depreciation following the weaker U.S. Dollar and Brazilian real against the Euro (registered under Others).

Full year

CFFO was €1,025 m, 46% lower YoY, while RCA Ebitda amounted to €1,570 m, 34% lower YoY, both reflecting the impact of the significantly weaker macro conditions.

Net capex, considering the proceeds from the unitisation processes, stood at €830 m, including the €325 m payment for the solar PV acquisition made in 3Q20. Upstream accounted for 36% of Group capex, whilst the downstream activities represented 23% and Renewables & New Businesses 39%.

FCF was €42 m, during one of the most challenging years for the industry and considering the relevant strategic acquisition executed in the renewables division.

Net debt increased to €2,066 m, considering the €544 m in dividends paid to shareholders and to minorities during the period, as well as €129 m of other effects, mostly related with impacts from the BRL and USD devaluation.

6.4 Financial Position

€m (IFRS figures)	31 Dec. 2019	30 Sep. 2020	31 Dec. 2020	Var. vs 31 Dec. 2019	Var. vs 30 Sep. 2020
Net fixed assets[1]	7,358	6,786	6,308	(1,050)	(478)
Rights of use (IFRS 16)	1,167	1,077	1,002	(165)	(75)
Working capital	943	537	597	(346)	60
Other assets/liabilities[1]	(1,152)	(1,048)	(653)	500	396
Assets held for sale	-	221	-	-	(221)
Capital employed	**8,316**	**7,573**	**7,254**	**(1,062)**	**(319)**
Short term debt	278	559	539	261	(20)
Medium-Long term debt	2,616	3,218	3,204	588	(14)
Total debt	**2,895**	**3,777**	**3,743**	**849**	**(34)**
Cash and equivalents	1,460	1,687	1,678	218	(9)
Net debt	**1,435**	**2,091**	**2,066**	**631**	**(25)**
Leases (IFRS 16)	1,223	1,147	1,089	(135)	(58)
Equity	5,657	4,335	4,100	(1,558)	(236)
Equity, net debt and leases	**8,316**	**7,573**	**7,254**	**(1,062)**	**(319)**

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

On December 31, 2020, net fixed assets were €6,308 m, a €478 m reduction QoQ, reflecting the impairments related with the discontinuity of the refining operations in Matosinhos and the USD depreciation against the Euro.

Net fixed assets were down €1,050 m YoY. The changes were mainly driven by the USD devaluation during the period, the adjustments related with the completion of the three unitisation processes in 2Q20, and the 75.01% stake sale of GGND. Work-in-progress, mainly related to the Upstream business, stood at €1,501 m.

Given that the relevant customary regulatory conditions were met, the GGND sale has been booked in Galp's financial statements, whereas it was previously classified as assets held for sale, with the capital gain registered under the IFRS consolidated income statement. The cash proceeds have been accounted for under other assets/liabilities.

Equity was down €1,558 m YoY, reflecting the IFRS net income of the period of -€551 m and the distributions made to shareholders and minority interests of €544 m, as well as the impacts from the depreciation of the USD and the BRL against the Euro.

6.5 Financial debt

€m (except otherwise stated)	31 Dec. 2019	30 Sep. 2020	31 Dec. 2020	Var. vs 31 Dec. 2019	Var. vs 30 Sep. 2020
Cash and equivalents	1,460	1,687	1,678	218	(9)
Undrawn credit facilities	1,163	1,263	1,262	99	(1)
Bonds	1,822	2,910	2,904	1,082	(7)
Bank loans and other debt	1,073	867	840	(233)	(27)
Net debt	1,435	2,091	2,066	631	(25)
Leases (IFRS 16)	1,223	1,147	1,089	(135)	(58)
Average life (years)[1]	2.9	3.0	2.8	(0.1)	(0.2)
Average funding cost[1]	1.8%	1.7%	1.7%	-	n.m.
Debt at floating rate[1]	60%	52%	52%	-	n.m.
Net debt to RCA Ebitda [2]	0.7x	1.3x	1.5x	0.8x	0.2x

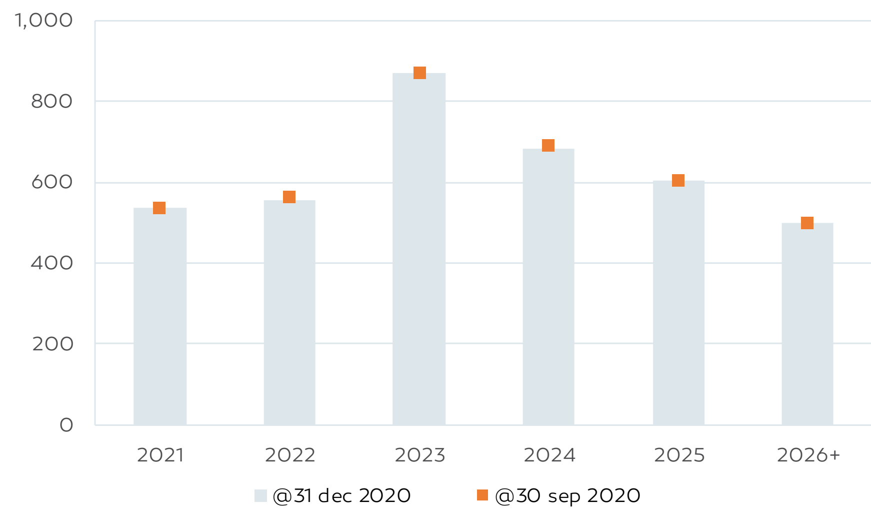
[1] Debt does not include IFRS 16 leases.
[2] Ratio considers the LTM Ebitda RCA (€1,380 m on 31 December 2020), which includes the adjustment for the impact from the application of IFRS 16 (€191 m on 31 December 2020).

On December 31, 2020, net debt was €2,066 m, down €25 m QoQ, with net debt to RCA Ebitda standing at 1.5x. Considering the €368 m proceeds related with GGND stake sale, expected to be received in 1Q21, net debt would have been €1.7 bn at year-end and net debt to RCA Ebitda 1.2x.

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

A Eurobond of €500 m was repaid in January 2021, with no material redemptions due until mid-2022.

Debt maturity profile (€ m)



Reconciliation of IFRS and RCA figures

Ebitda by segment

€m

Fourth Quarter					2020	Full Year				
IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda		IFRS Ebitda	Inventory effect	RC Ebitda	Non-recurring items	RCA Ebitda
418	**(23)**	**396**	**14**	**410**	Galp	**1,113**	**469**	**1,582**	**(12)**	**1,570**
318	-	318	1	319	Upstream	1,177	(0)	1,177	(66)	1,111
74	1	74	(3)	71	Commercial	320	8	328	(2)	325
6	(24)	(18)	34	17	R&Mid.	(396)	462	65	48	113
(3)	-	(3)	-	(3)	R&NB	(9)	-	(9)	-	(9)
24	-	24	(17)	6	Others	21	-	21	8	30

Ebit by segment

€m

Fourth Quarter					2020	Full Year				
IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit		IFRS Ebit	Inventory effect	RC Ebit	Non-recurring items	RCA Ebit
(80)	**(23)**	**(103)**	**262**	**159**	Galp	**(282)**	**469**	**187**	**240**	**427**
159	-	159	1	161	Upstream	468	(0)	468	(61)	407
50	1	50	(3)	47	Commercial	227	8	234	(2)	232
(308)	(24)	(332)	281	(51)	R&Mid.	(967)	462	(505)	295	(210)
(1)	-	(1)	-	(1)	R&NB	(19)	-	(19)	-	(19)
20	-	20	(17)	3	Others	8	-	8	8	17

Non-recurring items

€m

Quarter				Full Year	
4Q19	**3Q20**	**4Q20**		**2019**	**2020**
(2)	**42**	**14**	**Non-recurring items impacting Ebitda**	**174**	**(12)**
(1)	1	0	Margin (Change in production) - Unitisation	200	(30)
(21)	-	-	Gains/losses on disposal of assets	(47)	-
21	41	13	Headcount restructuring charges	21	54
-	1	1	Exchange rate differences related with Brazil unitisation processes	-	(36)
(2)	**(0)**	**248**	**Non-recurring items impacting non-cash costs**	**(7)**	**252**
-	-	94	Provisions for environmental charges and others (Matosinhos Refinery)	-	94
(2)	(0)	0	Depreciations and Amortisations - Unitisation	(7)	5
-	-	153	Asset impairments (Matosinhos Refinery)	-	153
2	**11**	**(99)**	**Non-recurring items impacting financial results**	**35**	**(142)**
3	0	(99)	Gains/losses on financial investments (GGND)[1]	14	(91)
-	10	1	Gains/losses on financial investments - Unitisation	-	(56)
(1)	(0)	(0)	Financial costs - Unitisation	20	5
69	**53**	**(114)**	**Non-recurring items impacting taxes**	**36**	**81**
(12)	(12)	(82)	Taxes on non-recurring items	(72)	(75)
12	58	(35)	BRL/USD FX impact on deferred taxes in Brazil	-	119
59	-	-	SPT adjustments from previous years	59	-
9	7	4	Energy sector contribution taxes	49	36
(17)	**(21)**	**10**	**Non-controlling interests (Unitisation and FX on deferred taxes Brazil)**	**(60)**	**(8)**
49	**85**	**60**	**Total non-recurring items**	**177**	**171**

[1]Includes adjustments from the correspondent CESE, previously booked at GGND.

6.6 IFRS consolidated income statement

€m

Quarter				Full Year	
4Q19	3Q20	4Q20		2019	2020
3,989	2,747	2,701	Sales	15,962	10,771
152	152	128	Services rendered	608	610
170	46	28	Other operating income	368	187
4,311	**2,944**	**2,856**	**Operating costs**	**16,938**	**11,567**
(3,056)	(2,009)	(2,107)	Inventories consumed and sold	(12,592)	(8,461)
(452)	(370)	(298)	Materials and services consumed	(1,650)	(1,473)
(101)	(114)	(92)	Personnel costs	(346)	(356)
1	(4)	(0)	Impairments on accounts receivable	1	(8)
(52)	(85)	60	Other operating costs	(132)	(156)
(3,660)	**(2,582)**	**(2,438)**	**Total operating costs**	**(14,719)**	**(10,454)**
650	**362**	**418**	**Ebitda**	**2,219**	**1,113**
(289)	(294)	(407)	Depreciation, Amortisation and Impairments	(979)	(1,289)
(8)	1	(92)	Provisions	(8)	(106)
353	**69**	**(80)**	**Ebit**	**1,232**	**(282)**
18	12	106	Net income from associates	121	220
44	(93)	(19)	Financial results	(74)	(186)
9	9	(6)	Interest income	37	18
(14)	(16)	(14)	Interest expenses	(53)	(56)
7	(1)	12	Capitalised interest	24	22
(22)	(20)	(19)	Operating leases interest (IFRS 16)	(90)	(80)
24	(25)	34	Exchange gain (loss)	(10)	(78)
66	(36)	59	Mark-to-market of derivatives	81	(44)
(25)	(3)	(86)	Other financial costs/income[1]	(64)	33
416	**(12)**	**7**	**Income before taxes**	**1,279**	**(248)**
(272)	(99)	(3)	Taxes[2]	(742)	(242)
(9)	(7)	(4)	Energy sector contribution taxes[3]	(58)	(45)
135	**(118)**	**0**	**Income before non-controlling interests**	**479**	**(535)**
(29)	12	(35)	Income attributable to non-controlling interests	(90)	(16)
106	**(106)**	**(35)**	**Net income**	**389**	**(551)**

[1] 2019 amounts mostly related with the unitisation process of Tupi.
[2] Includes SPT payable in Brazil and IRP payable in Angola.
[3] Includes €12 m, €24 m and €9 m related to CESE I, CESE II and FNEE, respectively, during full year 2020.

6.7 Consolidated financial position

€m

	31 Dec. 2019	30 Sep. 2020	31 Dec. 2020
Assets			
Tangible fixed assets	5,671	5,239	4,878
Goodwill	85	86	85
Other intangible fixed assets	577	563	532
Rights of use (IFRS 16)	1,167	1,077	1,002
Investments in associates	870	709	483
Receivables	259	251	267
Deferred tax assets	367	468	509
Financial investments	169	206	402
Total non-current assets	**9,167**	**8,598**	**8,157**
Inventories[1]	1,055	745	708
Trade receivables	980	982	781
Other receivables	935	443	877
Financial investments	174	150	190
Current Income tax recoverable	-	73	101
Cash and equivalents	1,460	1,687	1,678
Subtotal current assets	4,603	4,080	4,335
Non-current assets held for sale	-	221	-
Total current assets	**4,603**	**4,301**	**4,335**
Total assets	**13,770**	**12,899**	**12,492**

[1]Includes €35 m of stocks made on behalf of third parties on 31 December 2020

€m	31 Dec. 2019	30 Sep. 2020	31 Dec. 2020
Equity			
Share capital	829	829	829
Share premium	82	82	82
Reserves	1,356	1,158	967
Retained earnings	1,764	1,833	1,832
Net income	389	(516)	(551)
Total equity attributable to equity holders of the parent	**4,420**	**3,385**	**3,160**
Non-controlling interests	1,237	950	940
Total equity	**5,657**	**4,335**	**4,100**
Liabilities			
Bank loans and overdrafts	795	808	801
Bonds	1,822	2,410	2,404
Operating leases (IFRS 16)	1,042	973	923
Other payables	121	110	111
Retirement and other benefit obligations	332	356	381
Deferred tax liabilities	299	502	479
Other financial instruments	5	16	37
Provisions	819	865	1,008
Total non-current liabilities	**5,234**	**6,040**	**6,144**
Bank loans and overdrafts	278	59	39
Bonds	-	500	500
Operating leases (IFRS 16)	182	173	166
Trade payables	852	740	650
Other payables	1,343	939	763
Other financial instruments	84	111	130
Income tax payable	141	-	0
Total current liabilities	**2,879**	**2,523**	**2,248**
Total liabilities	**8,113**	**8,564**	**8,392**
Total equity and liabilities	**13,770**	**12,899**	**12,492**

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 December 31 and September 30, 2020 and December 31, 2019. The presented financial information is still unaudited.

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.

8. DEFINITIONS

Replacement cost (RC)

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

Replacement cost adjusted (RCA)

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

Acronyms

%: Percentage
ACS: Actividades de Construccion Y Servicios SA
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
FID: Final Investment Decision
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 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
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

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